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Trade Policy Review Body

**TRADE POLICY REVIEW**

REPORT BY THE SECRETARIAT

NIGERIA

This report, prepared for the fifth Trade Policy Review of Nigeria, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Nigeria on its trade policies and practices.

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## SUMMARY

1. Nigeria is the 26<sup>th</sup> largest economy in the world, and the biggest in Africa where it is the leading oil exporter, with the largest natural gas reserves. As a result of its 2014 rebasing exercise, Nigeria's GDP almost doubled from US\$270 billion in 2013 to US\$510 billion in 2014, and its economy has become more services driven (about 61% of GDP in 2016). This GDP increase by about 90% resulted from, *inter alia*, re-estimation of the contributions of certain sectors of the economy such as telecommunications, entertainment, and retail, which were previously not captured or underreported; the informal sector was re-estimated to account for about 44% of GDP.
2. Nigeria's economy recorded strong growth of about 7% per year in the decade leading up to 2015, thanks to high world prices of oil and natural gas. However, the sharp decline in oil prices since the third quarter of 2014 has posed major challenges to the economy, which significantly slowed down to 2.7% in 2015 and further went into recession in 2016 with a growth rate of -1.5%. Exports declined by 45%, led by a sharp fall in revenue from oil from 23.4% of GDP in 2011 to 3.7% in 2015. Low export receipts (mainly from oil) subsequently induced lower domestic demand that has impacted the non-oil sector. Weaknesses in the business environment (e.g. unreliable and expensive electricity supply, and governance issues, including in the oil sector) have also played their part.
3. The economic recession and the subsequent devaluation/depreciation of the Nigerian naira (pegged to the US dollar until June 2016) somehow contained imports dominated by manufactured products. In June 2015, restrictions were introduced on access to foreign exchange from the Central Bank of Nigeria (CBN) for 41 categories of imports (ranging from rice, soap, and private jets to personal travel for education and healthcare), with a view to containing outflows of international reserves and "resuscitating" domestic industries. The current account shifted from a surplus of US\$10.8 billion in 2011 to a deficit of US\$15.4 billion in 2015, and international reserves significantly dropped from a peak of US\$43.8 billion in 2013 to US\$28.3 billion in 2015.
4. Overall, the economic crisis and the various measures taken to address it have more significantly reduced exports than imports, and the importance of trade for Nigeria has decreased, with a trade (in goods and services) to GDP ratio of 21.1% in 2015, down from 52.8% in 2011. The United States has been replaced by the European Union (EU) as the largest market for Nigeria's exports, while the EU remains the primary source of its imports. Nigeria is a net importer of services.
5. Despite its current modest contribution to GDP (10% in 2015), oil still accounts for about 90% of export earnings and 70% of government revenue. Therefore, in line with its Vision 20:2020 and its Economic Recovery and Growth Plan (ERGP) 2017-2020 aiming to make the country one of the top 20 leading global economies by 2020, Nigeria identified four priority sectors for its economic diversification efforts: agriculture, solid mineral mining, construction materials, and manufacturing.
6. Nigeria intends to diversify its economy away from oil by building a competitive manufacturing sector, which should facilitate integration into global value chains (GVCs) and boost productivity; as well as a strong services sector to be supported by an enabling environment for private-sector-led growth, industrial competitiveness and sustainable development. The recent merging of trade, industry and investment under the ambit of the Federal Ministry of Industry, Trade and Investment (FMITI) reflects Nigeria's intention to effectively coordinate between these three key areas to improve its trading and investment environment.
7. Domestic inflation has generally been above the 9% annual target set by the CBN, with a peak of 15.7% in 2016. It has been fuelled by devaluation/depreciation of the naira accumulatively by about 100%. However, due to generally lower inflation in partner countries, this weakening of the naira has resulted in an appreciation of its real effective exchange rate (REER) by 25%. The Government's recent expansionary fiscal policy is likely to lead to further appreciation of the REER and to further jeopardize the competitiveness of Nigeria's goods and services. This may lead to pressure for more protection and increase the instability of the trade regime.

8. Nigeria's trade-related legislation has remained largely unchanged with many outdated laws still in place. Several bills, including on competition, the metallurgical industry, postal services, and transport (eight bills), are awaiting approval by the National Assembly. New mining legislation was enacted in 2011 and new petroleum legislation is under consideration.

9. Nigeria's investment regime is largely liberal, with 100% foreign ownership allowed in all but the petroleum sector where investment is limited to joint-ventures or production-sharing agreements and a minimum share of 55% must be owned by the Government. It is compulsory for foreign investors to be locally incorporated as limited-liability companies. As part of the Government's efforts to improve Nigeria's competitiveness, the registration fee for setting up a company was reduced from ₦50,000 to ₦15,000 in 2013.

10. Nigeria is an original Member of the WTO and actively participates in the activities of the organization. However, despite its efforts to ensure compliance with its WTO obligations, Nigeria still lags behind with some 20 notifications. Nigeria is also a founding member of the Economic Community of West African States (ECOWAS) and is fully engaged in negotiations to establish a continental free trade area (CFTA) under the African Union by 2017. Negotiations between the EU and the West African States on an Economic Partnership Agreement (EPA) were concluded on 30 June 2014; Nigeria has not yet signed this agreement. Under the African Growth and Opportunity Act (AGOA), Nigeria benefits from preferential access for its petroleum to the US market.

11. As a member of ECOWAS, Nigeria has applied the five-band (zero, 5%, 10%, 20%, and 35%) Common External Tariff (CET) since April 2015, albeit with a certain flexibility. In 2017, Nigeria's average applied MFN tariff rate is 12.7%, up from 11.9% in 2011. Its final bound tariff rates average 117.3% and the tariff binding coverage remains low at 19.2% of total lines. Low binding coverage and high average bound rates leave ample margins for tariff changes, thus rendering the tariff regime less predictable.

12. Under ECOWAS, Nigeria also applies the Import Adjustment Tax (IAT) available to member States that consider flexible application of the CET (higher or lower protection of selected products) to be necessary during the five year transition period; and a 0.5% community fee. The IAT applied by Nigeria ranges from 5-60%, with the highest rate charged on cereals (60%). A Supplementary Protection Tax is also available under ECOWAS as a safeguard measure; Nigeria has not used it. Moreover, a myriad of additional taxes and levies are unilaterally collected by Nigeria on imports and exports.

13. Nigeria grants customs duty concessions to imports of, *inter alia*, agricultural inputs such as fertilizer, seeds and machinery to improve agricultural productivity. Duty-free imports of plants and machinery for the mining sector are allowed. All goods imported into export processing zones are also exempt from customs duties and other taxes. The companies income tax (CIT) holiday is the primary tax incentive accorded to investors, notably to companies with "pioneer status". Nigeria maintains some industrial policies to promote local raw materials utilization, and local value added/manufacturing. Measures in this regard include CIT holidays, and preferences for bidders with "Nigerian content", mainly in the oil and gas sector. However, Nigeria notified to the WTO in 1996 that it did not have local content laws or regulations.

14. In addition to the 41 categories of imports for which access to foreign exchange from CBN is banned, Nigeria also maintains import prohibitions and restrictions on various grounds, including protection of domestic industries. In fact, Nigeria has two lists of import prohibitions; moreover, it also prohibits imports of specified goods (rice since 2013 and vehicles since 2016) through land borders in order to combat smuggling.

15. All standards in Nigeria are mandatory, and are, therefore, technical regulations. A total of 222 new standards were developed during the review period. Goods subject to technical regulations require certification. Nigeria maintains two certification programmes: the Standards Organization of Nigeria Conformity Assessment Programme (SONCAP) for imported goods, and the Mandatory Conformity Assessment Programme (MANCAP) for domestically produced goods. SONCAP certification is required for each container and each product; consequently the cost of certification increases with the number of containers or products.



16. Nigeria's regime on sanitary and phytosanitary (SPS) measures has remained largely unchanged. Imported food, drugs, cosmetics, medical devices, packaged water, detergents and chemicals must be registered with the National Agency for Food and Drug Administration and Control (NAFDAC). Each registration is specific to the individual product and the individual operator. Importation of animals and animal products is subject to controls through an import permit system. Imports of meat (including beef, pork, mutton, and frozen chicken) remain prohibited.

17. Nigeria has progressed in implementing its privatization programme. Most of its state-owned power generation companies were privatized in November 2013, but power transmission remains under state monopoly. Nigerian Telecommunications Plc and its subsidiary, Nigerian Mobile Telecommunication Limited, were privatized in April 2015. Nigeria still has no legislation on competition. It has terminated price controls/regulations on most products except for, *inter alia*, petroleum products, electricity, and postal and compulsory insurance services. The legal and institutional framework for government procurement has remained largely unchanged.

18. The Nigerian Customs Service (NCS) undertook several reforms in 2013 with a view to expediting the release and clearance of goods. These include: establishing a pre-arrival clearance system called Pre-Arrival Assessment Report (PAAR); setting up a trade hub/portal for traders to access information; and terminating the pre-shipment inspection system which resulted in NCS being responsible for conducting scanning and risk management services in lieu of private operators. However, the PSI charge, i.e. the Comprehensive Import Supervision Scheme (CISS) fee of 1% on the f.o.b. value of imports, continues to be levied. In 2011, NCS also set up a pseudo authorized economic operator (AEO) programme called Fast Track. Plans were announced to reduce the number of government agencies at Nigerian ports from 14 to 7 with a view to facilitating goods clearance. Nigeria ratified the WTO Trade Facilitation Agreement on 20 January 2017.

19. Despite these efforts to facilitate trade, the cost of doing business in Nigeria is rather high. Customs procedures and documentation requirements remain burdensome and, according to the World Bank's Doing Business Report 2017, Nigeria is ranked 181<sup>th</sup> out of 190 countries for trading across borders. Between 2011 and 2016, the numbers of consignments physically inspected and of the related documents checked by NCS almost doubled, accounting for 70% of the total cleared in 2016.

20. Nigeria's regime on intellectual property rights (IPRs) has remained largely unchanged. Most of its IPR laws date back to before 1995. Geographical indications (GIs) are protected as certification marks under the Trademark Act. In 2015, Nigeria set up a Joint IPR Action Plan Committee to combat IPR infringements. On 16 January 2017, Nigeria notified the WTO of its acceptance of the Protocol Amending the TRIPS Agreement.

21. Agriculture is crucial to the economy and farming provides a livelihood to over 60% of the Nigerian population, although only 40% of the arable land is cultivated. Nigeria's agricultural sector has been in decline over the past four decades. In 2011, the Government embarked on two new policies – the Agricultural Transformation Agenda (ATA) and the Agricultural Promotion Policy (2016-2020) – to transform agriculture from a development-oriented to an agribusiness-focused industry based on integrated value chains. To this end, several programmes are in place; incentives are available to farmers to increase domestic production of certain commodities (such as cassava, rice and wheat); and several import prohibitions and restrictions are imposed on agricultural products. Nonetheless, the sector still faces various challenges, including shortages of feedstock as inputs; poorly maintained drainage systems; and poor transport networks which prevent timely transfer of agricultural goods to markets.

22. Given the central role of the gas and petroleum sector to Nigeria's economy, and despite the country's wealth of oil and gas, the sector continues to face many challenges, including sporadic supply disruptions; oil thefts leading to severe pipeline damages, production losses, pollution, and disruption of production; aging infrastructure; and poor maintenance and the resulting oil spills. Nigeria has one of the lowest rates of net electricity generation per capita in the world. Despite holding Africa's largest oil reserves, Nigeria imports almost all of its refined petroleum products largely due to low capacity utilization rates and security problems at its refineries. The drop in global crude oil prices in recent years allowed Nigeria to slowly phase out its contentious fuel subsidy programme that it began reforming in early 2012. The subsidy was completely removed in

2016. Investors in the oil and gas sector are subjected to an array of taxes, charges and local content requirements.

23. Nigeria is trying to diversify away from oil by building a competitive manufacturing sector, especially in automotive assembly, cement, and textiles and clothing. The main challenges to the manufacturing sector include poor electricity supply and infrastructure; competition from mainly smuggled imports; and poor access to credit.

24. The services sector, especially telecommunications which have benefited from increased competition, continuously grew over the review period. Nigerian banks in general remain adequately capitalized; however, rising non-performing loans (NPLs) and reduced creditworthiness of borrowers remain a concern. Although Nigeria's transportation matrix is one of the best in West Africa, the sector suffers from underinvestment and poor maintenance, with the majority of roads, railways, airports and ports in need of modernization. Entertainment emerged from the 2014 rebasing exercise as a key sector of the Nigerian economy; it comprises the third-largest film industry in the world in terms of production. However, a high piracy rate prevents the industry from generating optimal revenue.

## 1 ECONOMIC ENVIRONMENT

### 1.1 Main Features of the Economy

1.1. Nigeria is situated in West Africa, and became the largest economy in the African continent after its GDP rebasing in 2014.<sup>1</sup> In 2015, Nigeria's GDP stood at ₦95.2 trillion (about US\$494.6 billion). The rebasing exercise (base year: 2010) has led to a change in the sectoral structure of Nigeria's economy: industry, including oil and gas, is no longer the largest sector; it has been superseded by services, especially telecoms and banking. In 2015, the contributions to GDP from agriculture, industry, and services (including "trade") were 21%, 16%, and 59% respectively (Table 1.1). The economy has now become services driven: with "trade" accounting for one third of the contribution by the sector to GDP. The informal sector was estimated to account for 44% of the economy.

**Table 1.1 GDP by economic activity, 2010-16**

(% of GDP at current basic prices)

|                                               | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|-----------------------------------------------|------|------|------|------|------|------|------|
| Agriculture                                   | 23.9 | 22.3 | 22.1 | 21.0 | 20.2 | 20.9 | 21.2 |
| Crop production                               | 21.4 | 19.8 | 19.6 | 18.6 | 17.8 | 18.3 | 18.6 |
| Livestock                                     | 1.8  | 1.8  | 1.7  | 1.7  | 1.8  | 1.9  | 1.8  |
| Forestry                                      | 0.2  | 0.2  | 0.2  | 0.2  | 0.2  | 0.2  | 0.2  |
| Fishing                                       | 0.5  | 0.5  | 0.4  | 0.5  | 0.5  | 0.5  | 0.5  |
| Crude petroleum & natural gas                 | 15.4 | 17.5 | 15.8 | 12.9 | 10.8 | 6.4  | 5.4  |
| Solid minerals                                | 0.1  | 0.1  | 0.1  | 0.1  | 0.1  | 0.1  | 0.1  |
| Manufacturing, of which:                      | 6.6  | 7.2  | 7.8  | 9.0  | 9.8  | 9.5  | 8.8  |
| Food, beverage & tobacco                      | 4.2  | 4.2  | 4.4  | 4.8  | 4.8  | 4.6  | 4.0  |
| Textile, apparel & footwear                   | 0.6  | 1.0  | 1.3  | 1.6  | 2.0  | 2.0  | 2.0  |
| Cement                                        | 0.4  | 0.4  | 0.4  | 0.6  | 0.7  | 0.8  | 0.6  |
| Construction                                  | 2.9  | 3.0  | 3.1  | 3.3  | 3.6  | 3.7  | 3.5  |
| Services, of which:                           | 51.2 | 49.9 | 51.2 | 53.7 | 55.5 | 59.4 | 61.0 |
| Trade                                         | 16.5 | 16.4 | 16.5 | 17.1 | 17.6 | 19.2 | 20.4 |
| Transport                                     | 1.3  | 1.2  | 1.3  | 1.3  | 1.3  | 1.4  | 1.5  |
| Information and communication                 | 10.9 | 10.1 | 10.1 | 10.4 | 10.8 | 11.5 | 11.3 |
| Telecommunication & information services      | 9.0  | 8.3  | 8.3  | 8.3  | 8.3  | 8.7  | 8.4  |
| Broadcasting                                  | 1.0  | 1.0  | 1.0  | 1.2  | 1.3  | 1.6  | 1.7  |
| Motion pictures, sound recording & music      | 0.9  | 0.8  | 0.8  | 1.0  | 1.1  | 1.2  | 1.2  |
| Publishing                                    | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  |
| Finance & insurance                           | 3.5  | 2.4  | 2.8  | 3.0  | 3.1  | 3.5  | 3.5  |
| Real estate                                   | 7.6  | 7.3  | 7.7  | 8.3  | 8.4  | 8.7  | 8.2  |
| Professional, scientific & technical services | 3.1  | 3.5  | 3.7  | 3.7  | 3.8  | 4.2  | 4.4  |
| Public administration                         | 3.7  | 3.9  | 3.1  | 3.0  | 3.0  | 2.7  | 2.7  |
| Education                                     | 1.5  | 1.8  | 1.7  | 1.9  | 2.0  | 2.2  | 2.4  |

Note: 2016 figures are provisional.

Source: WTO Secretariat calculation, based on the data provided by the authorities.

1.2. Nigeria is a resource-rich country, particularly in hydrocarbons such as oil and gas. Nigeria has Africa's largest proven hydrocarbon reserves: at the end of 2015, Nigeria had 37.1 billion barrels of proven reserves of crude oil and 180.1 trillion cubic feet of natural gas reserves.<sup>2</sup> Nigeria is a member of the Organization of the Petroleum Exporting Countries (OPEC). In addition to

<sup>1</sup> National Bureau of Statistics (NBS) online information, "Measuring Better: Frequently Asked Questions on the Rebasing/Re-benchmarking of Nigeria's Gross Domestic Product (GDP)". Viewed at: <http://www.nigerianstat.gov.ng/pdfuploads/FAQ%20on%20Nigeria%20GDP%20Rebasing.pdf>.

<sup>2</sup> BP (2016), *BP Statistical Review of World Energy 2016*. Viewed at: <https://www.bp.com/content/dam/bp/pdf/energy-economics/statistical-review-2016/bp-statistical-review-of-world-energy-2016-full-report.pdf>.

hydrocarbons, Nigeria has large reserves of bitumen, coal, columbite, iron ore, tin, zinc, as well as gemstones (e.g. sapphires, rubies, and emeralds).

1.3. During the period under review (2011-17), the GDP share of oil and gas continued to decline (Table 1.1): in 2015, it was 6.4%, down from 17.5% in 2011. Nevertheless, the economy of Nigeria remains heavily dependent upon oil: oil contributed to 70% of government revenues and 90% of foreign reserves in 2015.

1.4. The services sector accounted for almost 60% of GDP in 2015, including "trade" (19.2%), and information and communication (11.5%). Agriculture accounted for 20.9% of GDP in 2015, down from 22.3 in 2011 (Table 1.1). The manufacturing sector remains underdeveloped, mainly suffering from electricity shortage, difficulties in accessing imported inputs, financial constraints, as well as from foreign exchange restrictions.

1.5. Nigeria has a very young population. It is estimated that Nigeria's population reached 193.4 million at the end of 2016; some 70% of the population are below 30 years of age. The labour force rose by 14.4% between 2011 and 2015, ending the period at 76.95 million persons. The official unemployment rate was 13.9% in the third quarter of 2016.<sup>3</sup> The labour productivity in Nigeria grew by 52.5% in the five years from 2011 to 2015.<sup>4</sup> However, wealth inequality is severe in Nigeria, with a national average poverty rate of 33.1% in 2012/2013 (varying widely between 16% in the South-West to 50.2% in the North-East).<sup>5</sup>

## 1.2 Recent Economic Developments

### 1.2.1 Subdued economic growth

1.6. After having grown by about 7% a year over the last decade, the Nigerian economy significantly slowed down in 2015 with a growth rate of 2.7% (Table 1.2). According to preliminary statistics, Nigeria has entered a recession, with negative growth rates over the first three consecutive quarters of 2016: the economy contracted by 0.36% in the first quarter, 2.06% in the second quarter, and by 2.24% in the third quarter. The IMF estimated that Nigeria's economy would have contracted by about 1.5% in 2016.<sup>6</sup>

1.7. High dependence on oil production is a major factor in the slowdown of the Nigerian economy. Indeed, a sharp decline in oil production in 2013, caused by the militant insurgency in the oil producing Niger Delta region, reduced Nigeria's revenues from oil to 7.1% of GDP in 2013, compared to 23.4% in 2011. The sharp decline in world oil prices, from US\$115/barrel in mid-2014 to US\$37/barrel at the end of 2015, further lowered oil revenues to 3.7% of GDP in 2015. Consequently, government revenues fell to 7.8% of GDP and the public deficit doubled from the previous year to 3.7% of GDP in 2015. Exports dropped by 42% in 2015, pushing the current account from a surplus of 0.2% of GDP to a deficit of 3.1% of GDP, and foreign portfolio inflows slowed significantly (Table 1.2).

**Table 1.2 Selected macroeconomic indicators, 2010-16**

|                                                                | 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | 2016 |
|----------------------------------------------------------------|-------|-------|-------|-------|-------|-------|------|
| GDP at current market prices (₦ trillion)                      | 55.5  | 63.7  | 72.6  | 81.0  | 90.1  | 95.2  | ..   |
| GDP at current market prices (US\$ billion)                    | 369.1 | 414.1 | 461.0 | 515.0 | 568.5 | 494.6 | ..   |
| Real GDP (annual %age change at 2010 market prices)            | 7.8   | 4.9   | 4.3   | 5.4   | 6.3   | 2.7   | ..   |
| Crude oil price (US\$/barrel) <sup>a</sup>                     | 92.8  | 111.5 | 114.5 | 112.8 | 63.3  | 37.8  | ..   |
| Production of crude oil (million barrels per day) <sup>a</sup> | 2.6   | 2.3   | 2.2   | 2.1   | 2.2   | 2.1   | ..   |

<sup>3</sup> NBS online information, "National Summary Data Page – Labour Market". Viewed at: <http://nso.nigeria.opendataforafrica.org/txlswp/labor-market>. The official unemployment figure does not take into account the large informal economy.

<sup>4</sup> NBS online information, "Labour Productivity Report". Viewed at: <http://nigerianstat.gov.ng/report/487>.

<sup>5</sup> World Bank (2014), *Nigeria Economic Report 2014*.

<sup>6</sup> The International Monetary Fund (IMF) online information, "World Economic Outlook (WEO) update, January 2017". Viewed at: <http://www.imf.org/external/pubs/ft/weo/2017/update/01/index.htm?cmpid=Bbanner>.

|                                                                              | 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | 2016  |
|------------------------------------------------------------------------------|-------|-------|-------|-------|-------|-------|-------|
| GDP per capita                                                               | 2,315 | 2,529 | 2,740 | 2,980 | 3,203 | 2,714 | ..    |
| Population (million)                                                         | 159.4 | 163.8 | 168.2 | 172.8 | 177.5 | 182.2 | ..    |
| Unemployment rate (%)                                                        | 5.1   | 6.0   | 10.6  | 10.0  | 7.8   | 9.0   | 13.1  |
| Inflation (CPI, % change)                                                    | 13.7  | 10.8  | 12.2  | 8.5   | 8.1   | 9.0   | 15.7  |
| <b>GDP by type of expenditure at current prices (% of GDP)</b>               |       |       |       |       |       |       |       |
| Final consumption                                                            | 74.8  | 73.9  | 66.6  | 80.0  | 78.2  | 84.4  | ..    |
| Household                                                                    | 65.7  | 65.0  | 58.0  | 72.5  | 71.4  | 78.0  | ..    |
| Non-profit institutions serving households                                   | 0.4   | 0.4   | 0.4   | 0.4   | 0.4   | 0.4   | ..    |
| General government                                                           | 8.7   | 8.5   | 8.2   | 7.2   | 6.5   | 5.9   | ..    |
| Changes in inventories                                                       | 0.7   | 0.7   | 0.7   | 0.7   | 0.7   | 0.7   | ..    |
| Gross fixed capital formation                                                | 16.6  | 15.5  | 14.2  | 14.2  | 15.1  | 14.8  | ..    |
| Net exports                                                                  | 7.9   | 9.9   | 18.5  | 5.1   | 6.0   | 0.1   | ..    |
| Exports of goods and services                                                | 25.3  | 31.3  | 31.4  | 18.0  | 18.4  | 10.6  | ..    |
| Imports of goods and services                                                | 17.4  | 21.5  | 12.9  | 13.0  | 12.5  | 10.5  | ..    |
| <b>Public finance, consolidated government (% of GDP)<sup>b, c</sup></b>     |       |       |       |       |       |       |       |
| Total revenue                                                                | 20.0  | 29.9  | 14.3  | 11.0  | 10.5  | 7.8   | ..    |
| Oil revenue                                                                  | 14.0  | 23.4  | 10.4  | 7.1   | 6.5   | 3.7   | ..    |
| Non-oil revenue, of which:                                                   | 6.0   | 6.5   | 3.9   | 3.9   | 4.0   | 4.1   | ..    |
| Import and excise duties                                                     | 0.9   | 1.1   | 0.7   | 0.5   | 0.6   | 0.5   | ..    |
| VAT                                                                          | 1.6   | 1.7   | 1.0   | 1.0   | 0.9   | 0.8   | ..    |
| Total expenditure                                                            | 26.9  | 29.4  | 14.7  | 13.4  | 12.3  | 11.5  | ..    |
| Overall balance                                                              | -6.9  | 0.5   | -0.3  | -2.4  | -1.8  | -3.7  | ..    |
| Total public debt <sup>d</sup>                                               | ..    | ..    | ..    | 64.5  | 67.7  | 65.4  | 57.4  |
| % of GDP                                                                     | ..    | ..    | ..    | 12.5  | 11.9  | 13.2  | ..    |
| Domestic debt (US\$ billion)                                                 | 30.3  | 36.5  | 42.0  | 55.7  | 58.0  | 54.7  | 46.0  |
| % of GDP                                                                     | 8.2   | 8.8   | 9.1   | 10.8  | 10.2  | 11.1  | ..    |
| External debt stock (US\$ billion)                                           | 4.5   | 5.7   | 6.5   | 8.8   | 9.7   | 10.7  | 11.4  |
| % of GDP                                                                     | 1.2   | 1.4   | 1.4   | 1.7   | 1.7   | 2.2   | ..    |
| <b>External sector</b>                                                       |       |       |       |       |       |       |       |
| ₦/US\$ (period average)                                                      | 150.3 | 153.9 | 157.5 | 157.3 | 158.6 | 192.4 | ..    |
| Real effective exchange rate (based on CPI: index, 2000=100) <sup>e</sup>    | 100.0 | 100.3 | 111.4 | 118.8 | 127.1 | 126.1 | 113.6 |
| Nominal effective exchange rate (based on CPI: index, 2000=100) <sup>e</sup> | 100.0 | 94.1  | 95.9  | 96.7  | 98.0  | 91.2  | 73.1  |
| Current account (US\$ billion) <sup>b</sup>                                  | 13.3  | 10.8  | 17.5  | 19.2  | 0.9   | -15.4 | ..    |
| % of GDP                                                                     | 3.6   | 2.6   | 3.8   | 3.7   | 0.2   | -3.1  | ..    |
| Exports of goods and services (%age change, BoP basis) <sup>b</sup>          | 41.8  | 23.4  | -3.8  | 0.9   | -15.6 | -42.0 | ..    |
| Imports of goods and services (%age change, BoP basis) <sup>b</sup>          | -34.4 | 179.1 | -10.9 | -5.2  | 11.9  | -16.8 | ..    |
| Workers' remittances, credit (US\$ billion)                                  | 19.8  | 20.6  | 20.5  | 20.8  | 20.8  | 20.4  | ..    |
| % of GDP                                                                     | 5.4   | 5.0   | 4.5   | 4.0   | 3.7   | 4.1   | ..    |
| External reserves stock (US\$ billion)                                       | 32.3  | 32.3  | 32.6  | 43.8  | 34.2  | 28.3  | ..    |
| In months of imports equivalent                                              | 7.7   | 5.8   | 6.8   | 9.5   | 6.7   | 6.5   | ..    |
| FDI flows in Nigeria (US\$ billion)                                          | 6.1   | 8.9   | 7.1   | 5.6   | 4.7   | 3.1   | ..    |
| % of GDP                                                                     | 1.7   | 2.2   | 1.5   | 1.1   | 0.8   | 0.6   | ..    |
| FDI stock in Nigeria (US\$ billion)                                          | 60.3  | 69.2  | 76.4  | 82.0  | 86.7  | 89.7  | ..    |
| % of GDP                                                                     | 16.3  | 16.7  | 16.6  | 15.9  | 15.2  | 18.1  | ..    |

.. Not available.

a Figures based on the month of December for each year.

b Preliminary for 2015.

c Information on government budget extracted from various IMF Country Reports on Nigeria.

d Preliminary for 2016.

e An increase indicates appreciation.

Source: Statistical information provided by the Nigerian authorities; Central Bank of Nigeria, online information, "Annual Statistical Bulletin". Viewed at <https://www.cbn.gov.ng/documents/Statbulletin.asp>; Debt Management Office, Nigeria, online information, "Debt Profile". Viewed at: <https://www.dmo.gov.ng/debt-profile>; IMF (2012), *Country Report No. 12/194*, July; IMF (2014), *Country Report No. 14/103*, April; IMF (2015), *Country Report No. 15/84*, March; IMF (2016), *Country Report No. 16/101*, April; IMF online information, "International Financial Statistics". Viewed at: <http://elibrary-data.imf.org/DataExplorer.aspx>; UNCTAD Stat. Viewed at: [http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx?sCS\\_ChosenLang=en](http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx?sCS_ChosenLang=en); and the World Bank's World Development Indicator database. Viewed at

<http://databank.worldbank.org/data/views/variableselection/selectvariables.aspx?source=world-development-indicators>.

1.8. During the period under review, the performance of the non-oil sector was mixed. Indeed, the growth of non-oil GDP reached a peak in 2013 at a rate of 8.4%, then slowed to 3.7% in 2015.<sup>7</sup> This slowdown is attributed to the high spillover impact of oil on the non-oil sector. Lower oil receipts affect the non-oil sector through the input-output linkage channels: (1) lower government spending, particularly capital expenditure; and (2) lower disposable income for private sector expenditure. Considering the oil price drop in 2014, the IMF estimated that a decline in the purchasing power of oil earnings by 38% would reduce GDP by about 1%, and that subsequently a decline in public investment of 40% would reduce GDP by about 0.5%.<sup>8</sup>

1.9. With aims to diversify the economy away from oil dependence, and to create jobs for the ever growing population, Nigeria considers manufacturing and agriculture as key sectors, and implemented various reform programmes in recent years (e.g. some pilot programmes to improve access to agricultural inputs (Section 4.1)), as well as structural reforms to address the high costs and unreliability of electricity supply, the low quality of the road network, low access to credit, gaps in health and education levels, and shortcomings in the business environment and governance indicators.<sup>9</sup> The recent expansionary budgets are to address severe infrastructure deficit, and to finance high-impact and high value-added projects such as power, integrated transportation, and housing.

1.10. In order to improve access to credit for micro, small, and medium enterprises (MSMEs), and to support MSMEs, the Development Bank of Nigeria (DBN) and the Movable Asset Collateral Registry (MACR) have been established. The DBN and the MACR were expected to operate as from mid-2016. Moreover, in an effort to reform the oil sector, in early November 2016, the Senate passed part of the Petroleum Industry Bill, which will break the state-owned Nigerian National Petroleum Corporation (NNPC) into two commercial entities. Once adopted, the law is expected to strengthen governance in the oil sector.

### 1.2.2 Fiscal policy

1.11. Except for a slight surplus in 2011, Nigeria's budget was in deficit over the period under review (Table 1.2). Indeed, because of the slump in the oil sector that traditionally accounts for over 50% of public revenue, there has been a significant fall in public revenue from oil from its peak (for the period) of 23.4% of GDP in 2011 to 3.7% of GDP in 2015. Despite its upward trend since 2012, the public deficit has been contained by the decline in public expenditure from 29.4% of GDP in 2011 to 11.5% of GDP in 2015. Nonetheless, with a view to creating jobs and addressing structural problems, the Government adopted an expansionary fiscal policy in 2016, with an increase in public expenditure by some 22% (from its 2015 level) to ₦6.08 trillion; with public revenue projection of ₦3.86 trillion, a deficit of ₦2.22 trillion is expected – the highest public deficit in Nigeria's history.

1.12. The projected ₦2.2 trillion deficit, equivalent to 2.16% of GDP, takes Nigeria's overall debt-to-GDP ratio to 14% in 2016, which is not high by international standards. However, debt servicing will become more challenging given declining public revenue. Debt service (i.e. interest payment) already takes up almost 40% of federal government revenue. This will raise concerns about fiscal sustainability over the medium and long terms. As suggested by the IMF, Nigeria needs to raise non-oil revenue to ensure fiscal sustainability while maintaining infrastructure and social spending.<sup>10</sup> Non-oil revenues stem from company income tax (CIT), value added tax (VAT), customs and excise duties, and federation account levies (Section 3.3.1), among others.

### 1.2.3 Monetary policy

1.13. The Central Bank of Nigeria (CBN) has been operating a *de jure* monetary targeting regime since 1974. Price stability is the primary objective, and the CBN has an inflation target of 6-9%.

<sup>7</sup> The Central Bank of Nigeria online information, "Annual Statistical Bulletin". Viewed at: <https://www.cbn.gov.ng/documents/Statbulletin.asp>.

<sup>8</sup> IMF (2015), IMF Country Report No. 15/85.

<sup>9</sup> IMF (2016), IMF Country Report No. 16/101.

<sup>10</sup> IMF (2016), IMF Country Report No. 16/101.

The Monetary Policy Committee of the CBN sets the "operating target" interest rate – the Monetary Policy Rate (MPR). Other policy intervention instruments by the CBN include: Open Market Operations, Discount Window Operations, Cash Reserve Ratio (CRR) and foreign exchange Net Open Position.

1.14. Except for the years 2013-15, the inflation rates were above the CBN's target of 9% (Table 1.2). Inflation, which grew to 9.0% in 2015 from 8.1% in 2014, accelerated further to 15.7% in 2016. According to the CBN, the inflation pressure stemmed from the exchange rate pass-through, the scarcity of refined petroleum and high electricity tariffs. As the Government is implementing an expansionary fiscal policy, the inflation is expected to continue to hike.

1.15. Over the period, the CBN generally tightened its monetary policy when facing an upward pressure on inflation, except for the short period from November 2015 to March 2016 when it decreased its MPR by 2% in response to the weak growth.<sup>11</sup> The CBN raised its MPR from 9.25% to 12% in October 2011, then to 13% in November 2014, and further to 14% in July 2016. Nonetheless, the currency peg added to the constraints to the conduct of monetary policy by the CBN.

1.16. The CBN also used the CRR to manage liquidity. In July 2013, the CBN introduced a separate CRR on public sector deposits at 50% while the CRR on private sector deposits was 12%. The CRR on public sector deposits was raised further to 75% in January 2014; whereas the CRR on private sector deposits was raised to 15% in March 2014 and further to 20% in November 2014. In May 2015, the CBN harmonized the CRR for both public and private sector deposits at a rate of 31%. In response to the implementation of the Treasury Single Account (TSA), the CBN subsequently cut the CRR to 25% in September 2015. Currently, the CRR is maintained at a rate of 22.5%. As suggested by the IMF, the intervention of changing the CRR weakened the signalling effect of changes in the MPR, and made the CBN's overall monetary policy stance less clear.<sup>12</sup>

#### 1.2.4 Foreign exchange policy

1.17. Effective from 20 June 2016, the CBN abandoned its currency peg with the US dollar and adopted a flexible exchange rate regime. Since then, the naira has depreciated by more than 60%. However, the CBN has maintained restrictions on access to foreign exchange for importation of certain goods and services since June 2015.

1.18. Before 20 June 2016, the *de jure* exchange arrangement in Nigeria was a managed float. Nigeria's *de facto* exchange rate arrangement is a stabilized arrangement, as the CBN has maintained the naira at a pegged rate within a 2 percent band against the US dollar in the interbank market since March 2015.

1.19. According to the CBN, over 90% of its reserves come from oil sales, and historically oil has constituted up to 75% of government revenue. As the decrease in oil prices had caused a fall in foreign reserves, the CBN spent up to US\$100 million daily to maintain the naira within a traditional band of 160-176 to the dollar. Following a 25% drop in official reserves to around US\$33 billion by February 2015, the CBN imposed restrictions on commercial banks' foreign exchange trading, closed the official foreign exchange auction window, and channelled those transactions to the interbank market. The CBN then effectively devaluated the official rate in the interbank market by about 18%, and maintained the peg at the rate of 198 naira to the US dollar until June 2016.

1.20. In June 2015, the CBN circulated a list of 41 items for which it would no longer supply foreign exchange.<sup>13</sup> The CBN estimated that importation of these 41 products, ranging from rice and soap to private jets, cost US\$12.3 billion in foreign exchange in the first five months of 2015

<sup>11</sup> Monetary easing has failed to spur economic activity due to increased banking system credit to the public sector.

<sup>12</sup> IMF (2016), *IMF Country Report No. 16/102*.

<sup>13</sup> The Central Bank of Nigeria circulars, TED/FEM/FPC/GEN/01/010, 23 June 2015, viewed at: <http://www.cbn.gov.ng/Out/2015/TED/TED.FEM.FPC.GEN.01.010.pdf>; TED/FEM/FPC/GEN/01/011, 30 June 2015, viewed at: <http://www.cbn.gov.ng/Out/2015/TED/TED.FEM.FPC.GEN.01.011.pdf>; and TED/FEM/FPC/GEN/01/012, 1 July 2015, viewed at: <http://www.cbn.gov.ng/Out/2015/CCD/tedcircular062015.pdf>.



(Section 3.1.6). Further capital controls include limits on ATM withdrawals and cross-border electronic debit transactions, and restricted access to foreign currency for those travelling abroad for education or healthcare.

1.21. The restrictions on foreign exchange have served to protect certain sectors of the economy, but others are cutting production and shedding labour, resulting in cuts in investment and consumption. As the IMF reported, the BOP impact of reducing imports has been offset to a large extent by lower investment and reduced non-oil exports, as firms have experienced difficulties in importing inputs for production.

1.22. The CBN's interventions through tight management of the interbank market and the restrictions on access to foreign exchange have resulted in a wide spread between the rates on the interbank market and bureau de change (BDC) markets; the spread between these two rates have become wider since June 2015. In October 2016, the exchange rate in the interbank market was ₦305.2/US\$ against ₦462/US\$ in the BDC markets.

1.23. The naira depreciated against the US dollar by 9% in 2015 and a cumulative 19% since October 2014, but with the dollar stronger against other currencies, the devaluation has only been by about 10% in nominal effective terms. With inflation higher than in trading partners, the real effective exchange rate (REER) only depreciated by 3% in that time, leaving the naira 25% stronger in real terms than in 2011 (Table 1.2).

### 1.2.5 Balance of payments

1.24. Nigeria's current account shifted to a deficit in 2015 at US\$15.4 billion, compared to the surplus of US\$10.8 billion in 2011. The changes in the current account and BOP of Nigeria are attributed to the term-of-trade shock, mainly driven by the fluctuation in oil price. The oil trade account fell from US\$74.6 billion in 2011 to US\$33.9 billion in 2015. However, other components of the current account provided some offset, as deficits in the services and income balances narrowed, and non-oil imports decreased after a spike in 2014 (Table 1.3).

**Table 1.3 Balance of payments, 2011-15**

(US\$ billion)

|                         | 2011        | 2012        | 2013        | 2014       | 2015 <sup>a</sup> |
|-------------------------|-------------|-------------|-------------|------------|-------------------|
| <b>Current account</b>  | <b>10.8</b> | <b>17.5</b> | <b>19.2</b> | <b>0.9</b> | <b>-15.4</b>      |
| Goods                   | 33.1        | 39.5        | 42.5        | 21.0       | -6.4              |
| Exports (f.o.b.)        | 99.9        | 96.9        | 97.8        | 82.6       | 45.9              |
| Crude oil & gas         | 93.9        | 91.3        | 90.6        | 76.5       | 42.4              |
| Crude oil               | 83.1        | 80.4        | 81.1        | 66.1       | 35.9              |
| Gas                     | 10.8        | 10.9        | 9.4         | 10.4       | 6.5               |
| Non-oil                 | 6.0         | 5.6         | 7.2         | 6.1        | 3.4               |
| Imports (f.o.b.)        | -66.8       | -57.4       | -55.3       | -61.6      | -52.3             |
| Crude oil & gas         | -19.3       | -19.0       | -15.2       | -13.8      | -8.5              |
| Non-oil                 | -47.4       | -38.4       | -40.1       | -47.8      | -43.8             |
| Services (net)          | -21.4       | -21.7       | -19.6       | -22.9      | -16.5             |
| Credit                  | 3.4         | 2.4         | 2.4         | 2.0        | 3.2               |
| Debit                   | -24.8       | -24.1       | -22.0       | -24.9      | -19.6             |
| of which:               |             |             |             |            |                   |
| Transportation (net)    | -6.5        | -8.4        | -7.5        | -8.0       | -5.9              |
| Travel                  | -6.0        | -5.6        | -5.4        | -5.3       | -5.2              |
| Financial services      | -0.3        | -0.4        | -0.7        | -1.2       | -0.9              |
| Other business services | -6.0        | -4.4        | -3.3        | -4.7       | -1.9              |
| Income (net)            | -23.0       | -22.3       | -25.7       | -19.2      | -12.7             |
| Credit                  | 0.9         | 1.0         | 0.9         | 1.6        | 0.9               |
| Debit                   | -23.9       | -23.2       | -26.6       | -20.8      | -13.6             |
| Current transfers (net) | 22.0        | 22.0        | 22.0        | 21.9       | 20.2              |
| Credit                  | 22.5        | 22.5        | 22.7        | 22.8       | 22.1              |
| Debit                   | -0.5        | -0.5        | -0.7        | -0.9       | -1.9              |



|                                      | 2011        | 2012         | 2013         | 2014         | 2015 <sup>a</sup> |
|--------------------------------------|-------------|--------------|--------------|--------------|-------------------|
| of which: workers' remittances (net) | 20.6        | 20.5         | 20.7         | 20.8         | 19.4              |
| <b>Capital and financial account</b> | <b>-5.4</b> | <b>-12.5</b> | <b>7.7</b>   | <b>12.3</b>  | <b>-1.0</b>       |
| Capital account (net)                | 0.0         | 0.0          | 0.0          | 0.0          | 0.0               |
| Financial account (net)              | -5.4        | -12.5        | 7.7          | 12.3         | -1.0              |
| Direct investment                    | 8.1         | 5.6          | 4.4          | 3.1          | 1.6               |
| Portfolio investment                 | 3.6         | 15.1         | 10.4         | 1.8          | 0.9               |
| Other investment                     | -16.8       | -22.0        | -8.0         | -1.1         | -9.4              |
| Reserve assets <sup>b</sup>          | -0.3        | -11.2        | 1.0          | 8.5          | 5.9               |
| <b>Net errors and omissions</b>      | <b>-5.3</b> | <b>-5.0</b>  | <b>-27.0</b> | <b>-13.2</b> | <b>16.5</b>       |

a Provisional.

b Negative sign indicates accretion to reserves while positive sign indicates depletion of reserves.

Source: Central Bank of Nigeria online information, "Annual Statistical Bulletin". Viewed at <https://www.cbn.gov.ng/documents/Statbulletin.asp>.

1.25. Inflows of portfolio investment fell dramatically during the review period. In 2014, the portfolio investment into Nigeria was recorded at US\$1.8 billion, down from US\$10.4 billion in the previous year; in 2015, the portfolio investment decreased further to US\$0.9 billion (Table 1.3). The market uncertainty, as well as the foreign exchange controls, surely contributed to this sharp decline.<sup>14</sup>

1.26. During the period under review, Nigeria's external reserve gradually increased to its peak in 2013 at a level of US\$43.8 billion, then dropped significantly. The foreign reserve fell by 16% to US\$28.3 billion in December 2015 from US\$34.2 billion in December 2014 (Table 1.2). Much of this drop stems from the sale of reserves in defence of the naira, with low oil prices also a factor, as oil exports are still Nigeria's primary source of foreign exchange. Despite controls put in place by the CBN, reserves fell by an additional US\$470 million in the first two months of 2016.

### 1.3 Trade Performance

#### 1.3.1 Trade in goods

1.27. During the period under review, Nigeria experienced a significant decline in its merchandise exports: total exports in 2016 stood at US\$33.7 billion, down from its peak of US\$143.2 billion in 2012, and US\$125.6 billion in 2011. Merchandise imports by Nigeria also declined for the same period, though at a smaller scale: total imports in 2016 were valued at US\$34.9 billion, compared to US\$64 billion in 2011.

1.28. Nigeria's exports are mostly primary products. Fuel continues to be Nigeria's major export commodity, accounting for around 90% of total exports during the review period (96.5% in 2016, up from 87.1% in 2010) (Chart 1.1). The share of crude oil in total exports increased from 70.4% in 2010 to 82% in 2016. However, the volume of crude oil exports from Nigeria fell during the period under review; the decline is in part a result of changing structure in the global energy market, i.e. a rise of supply from other sources and decrease in demand from major markets.

1.29. Generally, Nigeria's total exports fell less than its oil exports. During the review period, exports of manufactured products experienced an upward trend of contribution to total exports (except in 2016). The buoyed non-oil export products were machinery and transport equipment, most notably vehicles and vehicle parts, which are a particular focus for the current Administration. In 2015, 7.4% of Nigerian total exports were machinery and transport equipment, a sharp increase from 2.8% in the previous year, and from 1.2% in 2010 (Table A1.1). Agriculture accounted for 2.3% of total exports in 2016, with food exports representing 2.2% of the total in 2016.

1.30. Imports continued to be dominated by manufactured products but their share declined from 86.5% in 2010 to 55.9% in 2016. Among the manufactured imports, transport equipment witnessed the biggest drop: from 23.2% in 2010 to 9% in 2016 (Chart 1.1). This significant decrease may be explained by the development of domestic industry. Non-electrical machinery

<sup>14</sup> Oxford Business Group (2016), *The Report: Nigeria 2016*.

accounted for the largest share of manufactured imports in 2016 (15.7%), followed by chemicals (12.5%).

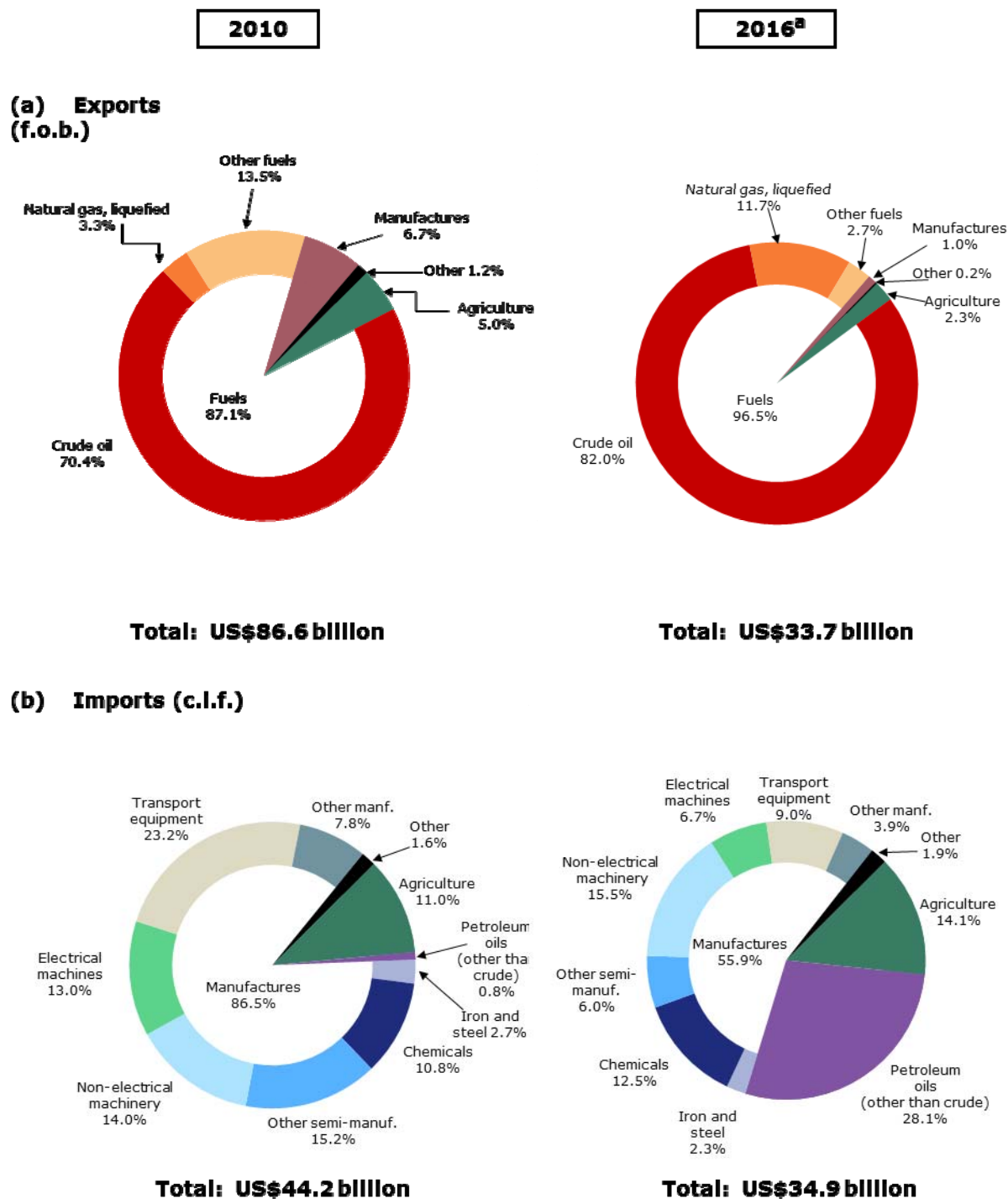
1.31. Nigeria significantly increased its fuel imports, from 1.3% in 2010 to 28.6% in 2016, making fuel the second-largest share of total imports in 2016 (Table A1.2). This spike may partially reflect the distortion caused by the fuel subsidy scheme operated in Nigeria (Section 4).<sup>15</sup> It is reported that importers/traders imported excessive amounts of fuel in relation to the actual domestic demand, with the excessive imports then informally re-exported to neighbouring countries.

1.32. Nigeria increased its agricultural imports from 11% in 2010 to 14.1% in 2016. Most agricultural imports were food, accounting for about 94% of total agricultural imports (Table A1.2). This trend might be reversed due to the foreign exchange controls implemented since June 2015.

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<sup>15</sup> The fuel subsidy operates like that the Government pays to importers/traders the price differences between the import prices and the pump prices of petrol and kerosene, where the pump prices of petrol and kerosene were regulated at 97 and 50 naira per litre, respectively.

Chart 1.1 Product compositions of merchandise trade, 2010 and 2016<sup>a</sup>



a Primary data.

Source: UNSD, Comtrade database (SITC Rev.3), and data provided by Nigeria's National Bureau of Statistics (NBS).

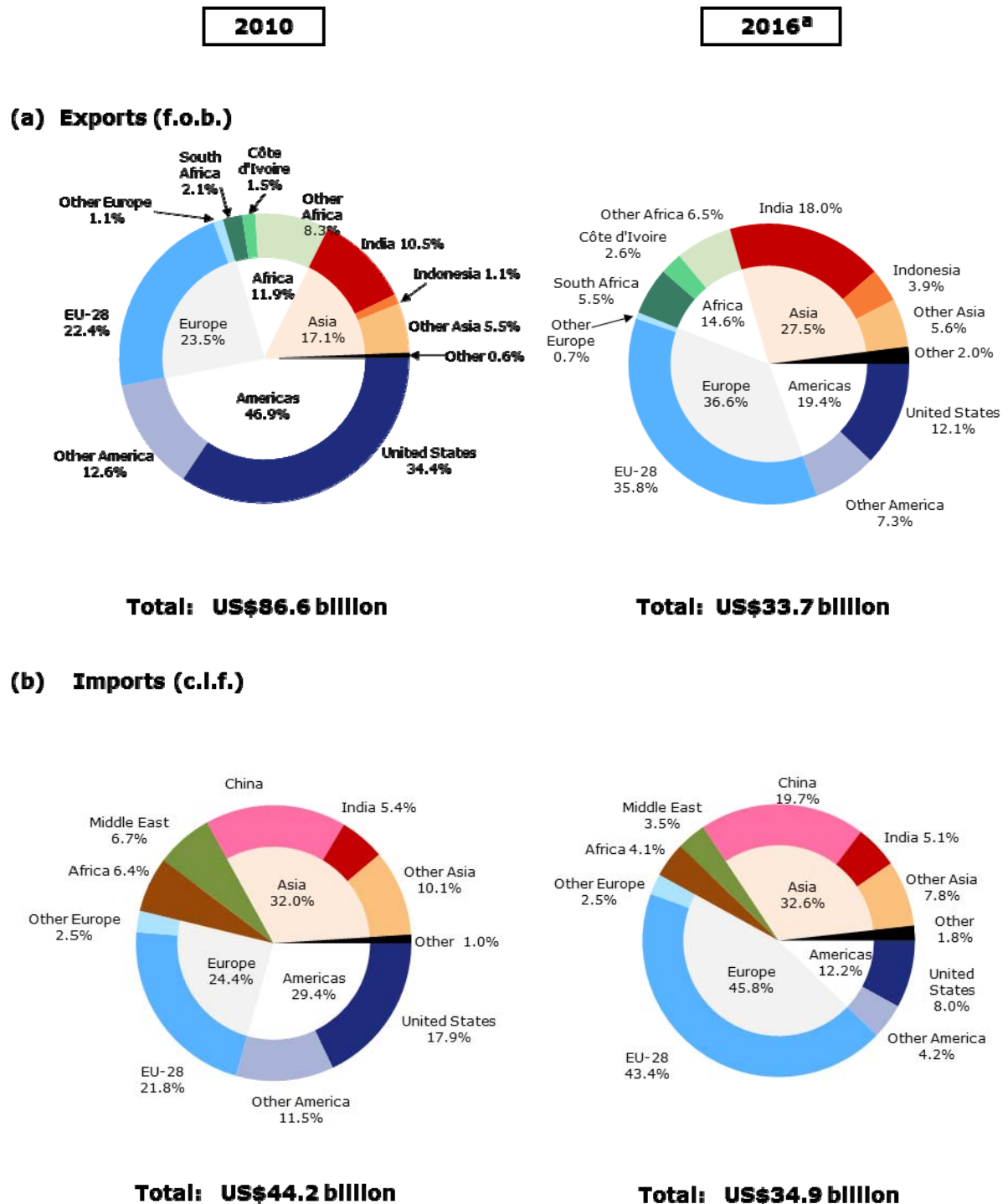
1.33. During the review period, the United States ceased to be the primary destination of Nigerian exports due to its production of fracking shell oil. With the United States reducing its energy imports, Nigeria has lost a major export destination for its crude oil. For instance, during the first three quarters of 2015, only 3.2% of Nigeria's crude reached the United States. However, this drop in oil exports to the United States was partially offset by increased exports to India, the

Netherlands and Spain, which collectively imported 37.8% of crude in the same period. In 2010, 34.4% of Nigerian exports were destined for the United States, compared to 12.1% in 2016.

1.34. Europe, in particular the European Union, has become the largest market for Nigeria's exports since 2011. In 2016, 36.6% of Nigerian exports went to Europe, up from 23.5% in 2010. More than 90% of Nigerian exports to Europe were destined for the EU. The share of exports to India also increased from 10.5% in 2010 to 18% in 2016, making India the second-largest export market for Nigeria (Chart 1.2). ECOWAS is Nigeria's second-largest non-oil export market, generating earnings of US\$2.3 billion in 2016.

1.35. Just as exports to the United States have fallen since 2010, imports from the United States have also dropped during the same period, from 17.9% of total imports in 2010 to 8% in 2016. Since 2010, imports have increasingly originated from the EU and China. The share of imports from the EU significantly increased in the five years from 21.8% in 2010 to 43.4% in 2016, whereas China raised its share of products imported to Nigeria from 16.6% to 19.7% over the same period (Chart 1.2).

Chart 1.2 Direction of merchandise trade, 2010 and 2016



a Primary data.

Source: UNSD, Comtrade database (SITC Rev.3), and data provided by Nigeria's National Bureau of Statistics (NBS).

### 1.3.2 Trade in services

1.36. Nigeria was a net importer of services throughout the period under review (Table 1.3). After the spike in 2014, the deficit of trade in services became narrower. In 2015, the services trade

had a deficit of US\$16.5 billion, compared to a deficit of US\$22.9 billion in 2014. Like the situation in 2009, the lower deficit in services trade was mainly due to the contraction in imports rather than the expansion of exports (Table 1.4). Factoring in the foreign exchange controls imposed since June 2015, it is expected that the deficit in trade in services will further decrease.

**Table 1.4 Trade in services, 2009-15**

(US\$ million)

|                                                      | 2009          | 2010          | 2011          | 2012          | 2013          | 2014          | 2015 <sup>a</sup> |
|------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------------|
| <b>Exports</b>                                       | <b>2,242</b>  | <b>3,118</b>  | <b>3,415</b>  | <b>2,420</b>  | <b>2,416</b>  | <b>1,991</b>  | <b>3,160</b>      |
| Transportation                                       | 1,110         | 1,994         | 1,601         | 1,406         | 1,108         | 774           | 1,808             |
| Passenger                                            | 191           | 169           | 66            | 84            | 78            | 62            | 57                |
| Freight                                              | 573           | 1,439         | 1,058         | 869           | 554           | 346           | 451               |
| Other                                                | 346           | 386           | 477           | 453           | 476           | 366           | 1,301             |
| Travel                                               | 608           | 576           | 628           | 559           | 542           | 543           | 404               |
| Business travel                                      | 0             | 0             | 0             | 0             | 0             | 0             | 0                 |
| Personal travel                                      | 608           | 576           | 628           | 559           | 542           | 543           | 404               |
| Education-related expenditure                        | 0             | 0             | 0             | 0             | 0             | 0             | 0                 |
| Health-related expenditure                           | 0             | 0             | 0             | 0             | 0             | 0             | 0                 |
| Other personal travel                                | 608           | 576           | 628           | 559           | 542           | 543           | 404               |
| Insurance services                                   | 1             | 1             | 2             | 2             | 4             | 22            | 43                |
| Communication services                               | 37            | 48            | 50            | 51            | 52            | 54            | 77                |
| Construction services                                | 0             | 0             | 0             | 0             | 0             | 0             | 0                 |
| Financial services                                   | 8             | 14            | 16            | 11            | 22            | 14            | 254               |
| Computer & information services                      | 0             | 0             | 0             | 0             | 0             | 0             | 0                 |
| Royalties and licence fees                           | 0             | 0             | 0             | 0             | 0             | 0             | 0                 |
| Other business services                              | 14            | 18            | 36            | 55            | 203           | 100           | 88                |
| Operational leasing services                         | 0             | 0             | 0             | 0             | 0             | 0             | 0                 |
| Misc. business, professional, and technical services | 14            | 18            | 36            | 55            | 203           | 100           | 88                |
| Personal, cultural & recreational services           | 0             | 0             | 0             | 0             | 0             | 0             | 0                 |
| Government services n.i.e.                           | 463           | 467           | 1,082         | 336           | 484           | 484           | 487               |
| <b>Imports</b>                                       | <b>18,904</b> | <b>21,590</b> | <b>24,776</b> | <b>24,136</b> | <b>21,982</b> | <b>24,854</b> | <b>19,613</b>     |
| Transportation                                       | 6,159         | 8,595         | 8,122         | 9,780         | 8,585         | 8,779         | 7,749             |
| Passenger                                            | 1,238         | 2,815         | 2,959         | 3,124         | 3,315         | 3,331         | 3,405             |
| Freight                                              | 4,759         | 5,605         | 4,878         | 6,398         | 4,996         | 5,002         | 4,167             |
| Other                                                | 163           | 175           | 285           | 258           | 273           | 446           | 176               |
| Travel                                               | 5,068         | 5,634         | 6,653         | 6,191         | 5,912         | 5,811         | 5,605             |
| Business travel                                      | 735           | 764           | 1,111         | 830           | 690           | 1,155         | 1,311             |
| Personal travel                                      | 4,333         | 4,869         | 5,542         | 5,361         | 5,222         | 4,656         | 4,295             |
| Education-related expenditure                        | 2,193         | 2,415         | 2,694         | 2,567         | 2,506         | 2,239         | 2,247             |
| Health-related expenditure                           | 892           | 1,009         | 1,111         | 1,042         | 998           | 835           | 746               |
| Other personal travel                                | 1,248         | 1,445         | 1,737         | 1,752         | 1,718         | 1,582         | 1,301             |
| Insurance services                                   | 396           | 508           | 709           | 733           | 223           | 335           | 332               |
| Communication services                               | 347           | 288           | 231           | 413           | 572           | 874           | 718               |
| Construction services                                | 44            | 131           | 89            | 112           | 87            | 70            | 52                |
| Financial services                                   | 50            | 34            | 320           | 434           | 748           | 1,241         | 1,119             |
| Computer & information services                      | 188           | 125           | 166           | 177           | 316           | 699           | 338               |
| Royalties and licence fees                           | 211           | -226          | 215           | 253           | 261           | 253           | 253               |
| Other business services                              | 4,196         | 4,514         | 6,071         | 4,426         | 3,519         | 4,824         | 1,959             |
| Operational leasing services                         | 1,198         | 1,123         | 1,884         | 1,487         | 1,100         | 1,123         | 576               |
| Misc. business, professional, and technical services | 2,998         | 3,391         | 4,187         | 2,939         | 2,419         | 3,701         | 1,383             |
| Personal, cultural & recreational services           | 11            | 53            | 80            | 74            | 21            | 302           | 161               |
| Government services n.i.e.                           | 2,234         | 1,482         | 2,118         | 1,541         | 1,738         | 1,666         | 1,327             |
| <b>Balance (US\$ billion)</b>                        | <b>-16.7</b>  | <b>-18.5</b>  | <b>-21.4</b>  | <b>-21.7</b>  | <b>-19.6</b>  | <b>-22.9</b>  | <b>-16.5</b>      |

a Provisional.

Source: Central Bank of Nigeria online information, "Annual Statistical Bulletin". Viewed at <https://www.cbn.gov.ng/documents/Statbulletin.asp>.

1.37. The main component of services trade in Nigeria is transportation services, which accounted for 57.2% of exports and 39.5% of imports in 2015.

1.38. Tourism exports experienced a decline during the period under review, in particular from 2014 to 2015 when they recorded a 25% decline: Nigeria exported US\$543 million of travel services in 2014 against US\$404 million in 2015. Financial services recorded a more than ten-fold growth over the same period, accounting for 0.7% of total services exports in 2014 and 8% in 2015 (Table 1.4).

1.39. Regarding services imports, Nigerians spent a considerably large share on travel, including overseas education and healthcare. In 2015, US\$2.25 billion were spent on education-related services (11.5% of total services imports in 2015) and US\$746 million were spent on health-related services (3.8% of total imports of services) (Table 1.4). In line with the foreign exchange restrictions imposed on overseas education and healthcare, the imports of these services are expected to decrease. In 2015, Nigeria imported US\$1.38 billion of professional and technical services (7.1% of total services imports in 2015).

#### **1.4 Foreign Direct Investment**

1.40. During the period under review, foreign direct investment (FDI) in Nigeria continued to decline: from US\$8.9 billion in 2011 to US\$3.1 billion in 2015 (Table 1.2). The decline was attributed to a number of factors such as uncertainty related to elections, security concerns, infrastructure gaps, and corruption.

1.41. It is reported that the United Kingdom remains the most important source of FDI in Nigeria, followed by the United States, Belgium, Saudi Arabia, and Qatar.<sup>16</sup>

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<sup>16</sup> Oxford Business Group (2016), *The Report: Nigeria 2016*, page 38.

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## 2 TRADE AND INVESTMENT REGIMES

### 2.1 General Framework

2.1. Nigeria is a Federal Republic comprising 36 states and a Federal Capital Territory. Based on its fourth Constitution, adopted in 1999, the system of government rests on a separation of the legislative, executive and judicial authorities.<sup>1</sup> The government is led by an elected President, who serves as Head of State, Chief Executive of the Federation, and Commander-in Chief of the armed forces. The President and the Vice-President are both elected and serve a four-year term, renewable only once. A newly elected President came into power on 29 May 2015.

2.2. The National Assembly, Nigeria's bicameral legislature at the federal level, is headed by the President of the Senate. The Senate is composed of 109 members, with three senators elected from each of the 36 states and one from the Federal Capital Territory. The House of Representatives comprises 360 members from the 36 states based on a proportional representation. Each member of the National Assembly is elected to serve for a term of four years, renewable. The National Assembly has exclusive competence in passing legislation on issues including trade matters and it may share competence with the state houses of assembly.<sup>2</sup> The latter legislates at the state or local Government level on, *inter alia*, the collection of fees and taxes; and the development of the agricultural and industrial sectors. The President may attend any joint meeting of the National Assembly or any meeting of either the House or the Senate.

2.3. The judiciary branch of government is autonomous and independent; and adjudicates disputes. The highest court is the Supreme Court followed by the Federal Court of Appeal, the Federal and State High Courts, the Sharia court of Appeal, Magistrate Courts, and Area Court. Each state has its own judicial system. At the State level, there are Customary Courts and Customary Appeal Courts. Judges are appointed by the President, with a recommendation from the National Judicial Council, and are then confirmed by the Senate. The Nigerian legal system is based on English common law and traditional law, with 12 northern states also implementing sharia law in some capacity.<sup>3</sup>

2.4. Executive bills are introduced by the Federal Executive Council to the National Assembly where they must be passed by both the Senate and the House of Representatives, and assented to by the President, before they become law.<sup>4</sup> Private bills may also be introduced by members of the National Assembly. Bills are passed in both houses by a simple majority of votes cast. However, if the President withholds his assent, the bill will require a two thirds majority in both houses, after which it becomes law, without the President's assent.

2.5. The Federal Executive Council (FEC) consists of the President, the Vice President, and Ministers. Chaired by the President, the FEC initiates, reviews and implements major policies, including on trade. The National Economic Management Team (EMT) has overall responsibility for coordinating trade policy among responsible ministries; the EMT deliberates on economic policies and social development. It is headed by the Vice President and includes Ministers in charge of Finance, Budget and National Planning, Industry, Trade and Investment; the Governor of the Central Bank; and a Special Advisor on Economic Affairs. The Trade Policy Advisory Council (TPAC) performs advisory roles and provides political direction on trade policy formulation. Chaired by the Vice President, TPAC comprises representatives from the Federal Ministries in charge of Foreign Affairs, Industry, Trade, Investment, Agriculture, Water Resources, Information, and Communications.

2.6. In 2011, the Federal Ministry of Commerce and Industry was restructured and became the Federal Ministry of Industry, Trade and Investment (FMITI). This restructuring expanded the

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<sup>1</sup> Constitution of the Federal Republic of Nigeria, 1999. Viewed at: <http://www.icnl.org/research/library/files/Nigeria/constitution2.pdf> (3 October 2016).

<sup>2</sup> The areas in which the National Assembly has exclusive and shared competence are listed in Part I and Part II respectively, under the second schedule of the Constitution of the Federal Republic of Nigeria.

<sup>3</sup> Oxford Business Group Report, Nigeria (2015) page 14.

<sup>4</sup> Before a bill is presented to the Federal Executive Council it must be sent to the Federal Ministry of Justice for legal drafting.



Ministry's portfolio to include investment matters, in addition to industry and trade.<sup>5</sup> Within the ambit of the FMITI, the Enlarged National Focal Point on trade matters (ENFP), established in 2001, helps coordinate and makes recommendations on WTO and other trade related matters. The ENFP comprises various committees and sub-committees covering different trade matters. Its membership includes key economic ministries, members of the Organized Private Sector (OPS), academia, professional bodies and parliamentarians.

2.7. Under the ENFP, the Trade Negotiations Committee (TNC) provides an advisory role to the Minister on policies and initiatives relating to trade, and technical support for international trade negotiations. Its main activities include monitoring and offering advice on pertinent domestic, regional and international developments, and on implementation of approved policies, as well as carrying out studies on trade.

2.8. The National Council on Industry, Trade and Investment (NCITI) is a statutory body established for the sensitization, consultation, de-briefing as well as monitoring of trade policy between the Federal Government and the various State Ministries in charge of trade and industry matters. Issues are generated through memoranda from stakeholders on trade and investment matters for consideration by the Council, and draft communiqués of and action plans for major decisions taken by the council for immediate implementation. Its membership comprises the Minister of FMITI as Chair; States Commissioners in charge of trade and industry matters; Heads of Parastatals on trade and trade-related matters; and the OPS.

2.9. Nigeria's trade-related legislation has remained largely unchanged since its last Trade Policy Review in 2011 (Table 2.1). The main trade-related laws are the Customs and Excise Management Act (CEMA) Cap 45, Law of the Federation of Nigeria of 2004 and its amendments; and the Companies and Allied Matters Act No.1 of 1990. Several laws in Nigeria are outdated and new legislation for some sectors is pending approval by the National Assembly; including draft bills on competition policy; the metallurgical industry; postal services and eight bills in the transport sector.

**Table 2.1 Selected trade-related legislation, March 2017**

| Area                                   | Title of law/regulation                                                                                           |
|----------------------------------------|-------------------------------------------------------------------------------------------------------------------|
| <b>Customs</b>                         | Customs and Excise Management Act, Cap 45, LFN, 2004                                                              |
|                                        | Customs and Excise Management (Amendment) Act, No. 20, 2003                                                       |
|                                        | Customs and Excise Management Act, Cap 84, 1959                                                                   |
|                                        | Customs and Excise (Special Panel and other Provisions) Cap 45, LFN, 2004                                         |
|                                        | Customs and Excise Agents (Licensing) Regulations 1968 (Legal Notice 95/1968) as amended                          |
|                                        | Decree No. 45, 1992 as amended by Decree No. 77, 1993                                                             |
| <b>Contingency measures</b>            | Customs Duties (Dumped and Subsidized Goods) Act, Cap 87, 1958                                                    |
| <b>Import prohibitions</b>             | Endangered Species (Control of International Trade and Traffic) Act, Cap E9.LFN, 2004                             |
| <b>Export promotion and assistance</b> | Export Incentives (Miscellaneous Provisions) Act, Cap 118, LFN, 1990, as amended by Act No. 65 of 1992            |
|                                        | Nigerian Export Promotion Council Act, Cap 306, LFN, 1990 as amended by Act No. 64 of 1992 and CAP 306, LFN 2004. |
|                                        | Nigeria Export-Import Bank Act No. 38, 1991                                                                       |
|                                        | Nigeria Export Processing Zones Act No. 63, 1992                                                                  |
|                                        | Export of Nigerian Produce Act, Cap 119, LFN, 1990 as amended in 2004                                             |
|                                        | Export Produce (Federal Powers) Act, Cap 120, LFN, 1990, as amended in 2004                                       |
|                                        | Oil and Gas Export Free Zone Act No. 8, 1996                                                                      |
| <b>Export prohibition</b>              | Export (Prohibition) Act, cap 121, LFN, 1990, as amended in 2004                                                  |
| <b>Intellectual property</b>           | Trade Marks Act, Cap 436, LFN, 1990                                                                               |
|                                        | Industrial Inspectorate Act, Cap 180 LFN, 1990                                                                    |

<sup>5</sup> The restructuring of the FMITI was modelled similar to the ministries in the United Kingdom, Malaysia and Singapore. Online information: Viewed at: <http://www.fmiti.gov.ng/index.php/the-ministry/about-fmiti> (3 October 2016).

| Area                                       | Title of law/regulation                                                                                                                          |
|--------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|
|                                            | Patents and Designs Act, Cap 344, LFN 1990                                                                                                       |
|                                            | Copyright Act, Cap 68, LFN, 1990 as amended by the Copyright (Amendment) Decree No. 98, 1992 and the Copyright (Amendment) Decree No. 42 of 1999 |
|                                            | National Office of Industrial Property Act, Cap 268, LFN, 1990, as amended by Act No. 82, 1992                                                   |
| <b>Standards and technical regulations</b> | Standards Organization of Nigeria Act, Cap 412, 1990, as amended by Act No. 18, 1990 and Act No. 14 of 2015                                      |
| <b>Price controls</b>                      | Productivity, Prices and Income Board Act, Cap 372, LFN, 1990                                                                                    |
|                                            | Petroleum Act, Cap 350, LFN, 1990                                                                                                                |
| <b>Taxation</b>                            | Petroleum Profits Tax Act, Cap P13, LFN 2004                                                                                                     |
|                                            | Personal Income Tax Act, Cap P8, LFN 2004, as amended in 2011                                                                                    |
|                                            | Companies Income Tax Act, Cap C21, LFN 2004, amended in 2007 and 2011                                                                            |
|                                            | Value Added Tax Act, Cap VI, LFN 2004 amended in 2007 and 2011                                                                                   |
|                                            | Industrial Development (Income Tax Relief) Act, Cap 17, LFN 2004                                                                                 |
|                                            | Stamp Duties Act, Cap s8, LFN 2004                                                                                                               |
|                                            | Capital Gains Tax Act, Cap C1, LFN 2004                                                                                                          |
|                                            | Taxes and Levies (Approved list for collection) Act, Cap T2, LFN 2004                                                                            |
|                                            | Education Tax Act, Cap E4, LFN 2004                                                                                                              |
| <b>Business and investment</b>             | Companies and Allied Matters Act No. 1, 1990                                                                                                     |
|                                            | Labour Act, Cap 198, LFN, 1990                                                                                                                   |
|                                            | Bankruptcy Act, Cap 30, LFN, 1990, as amended by Act No. 109, 1992                                                                               |
|                                            | Industrial Promotion Act, Cap 181, LFN, 1990                                                                                                     |
|                                            | Investment and Securities Act No. 45, 1999                                                                                                       |
|                                            | Investments and Securities Decree No. 34, 1999                                                                                                   |
|                                            | Nigerian Investment Promotion Commission Act No. 16, 1995 as amended by Act No. 32, 1998                                                         |
|                                            | Public Enterprises (Privatization and Commercialization) Act, No. 28, 1990                                                                       |
| <b>Others</b>                              | Trade Disputes Act, Cap 432, LFN, 1990                                                                                                           |
|                                            | Trade Disputes Essential Services Act, Cap 433, LFN, 1990                                                                                        |
|                                            | Foreign Exchange (Monitoring and Miscellaneous Provisions) Act No. 17, 1995                                                                      |
|                                            | Money Laundering (Prohibition) Act, No. 7, 2003                                                                                                  |
|                                            | National Shipping Policy Act, Cap 279, LFN, 1990                                                                                                 |
|                                            | Nigerian Shippers' Council Cap N133 LFN 2004 and subsidiary regulations                                                                          |
|                                            | Coastal and Inland Shipping (Cabotage) Act, No. 5, 2003                                                                                          |
|                                            | External Trade Letters of Credit (Control) Act, Cap 124, LFN, 1990                                                                               |
|                                            | Consumer Protection Act, No. 66, 1992                                                                                                            |
|                                            | Trade Malpractices (Miscellaneous Offences) Act No. 67, 1992                                                                                     |

Source: Nigerian authorities; and various online sources.

## 2.2 Trade Policy Objectives

2.10. As part of its Vision 20:2020 and the Nigerian Economic Recovery and Growth Plan (ERGP) (2017-2020), Nigeria strives to become one of the top 20 leading global economies by 2020. To meet this objective, the country aims to diversify away from oil by building a competitive manufacturing sector which facilitates integration into Global Value Chains (GVCs) and boosts productivity, as well as a strong services sector. The Government's priorities are to invest in infrastructure to create an enabling environment for growth, industrial competitiveness and sustainable development.

2.11. The vision of the ERGP is one of sustained inclusive growth by driving a structural economic transformation of Nigeria with an emphasis on improving both public and private sector efficiency. This is aimed at increasing national productivity and achieving sustainable diversification of production, to significantly grow the economy and achieve maximum welfare for its citizens, beginning with food and energy security. The ERGP has three broad strategic objectives: (1)

restoring growth, (2) investing in the Nigerian people, and (3) building a globally competitive economy. Nigeria's main trade policy objective is to substantially increase the contribution of trade to its GDP, the country's share of global trade, as well as to contribute to promoting intra-African trade, so as to accelerate economic growth and national sustainable development.

2.12. In 2014, Nigeria embarked on the Nigerian Industrial Revolution Plan (NIRP) and on the National Enterprise Development Programme (NEDEP). The NIRP was developed with the aim of boosting manufacturing from 4% to 10% of GDP by 2020 and as a first targeted effort to develop an industrialization roadmap that is simultaneously strategic, comprehensive and integrated in industrial sectors in which Nigeria has a comparative advantage such as auto assembly, food processing, steel, petrochemicals, and textiles and clothing. The NEDEP is a new and strategic way of delivering enterprise development in the country by directly addressing the critical factors that have inhibited growth. NEDEP aims to: (i) create 3.5 direct million jobs in 3 years; (ii) increase SME's exports by 100%; and (iii) reduce the formal – informal sector gap by 50%. The implementing agencies for NEDEP are the Bank of Industry (BOI), the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), and the Industrial Training Fund (ITF).

## 2.3 Trade Agreements and Arrangements

### 2.3.1 WTO

2.13. Nigeria is an original member of the WTO, following ratification on 6 December 1994.<sup>6</sup> Nigeria ratified the WTO Trade Facilitation Agreement on 20 January 2017 and accepted the Protocol amending the TRIPS Agreement on 16 January 2017. Nigeria has not signed any of the WTO plurilateral agreements. Nigeria was involved in six trade-related disputes as a third party (Table A2.1). Nigeria's trade policies have been reviewed four times; the last review took place in June 2011.

2.14. Nigeria is an active member in the negotiations under the Doha Development Agenda, and participates in several negotiating groups, including the African Group, the ACP Group, and the G-90 Group. In the agricultural negotiations, it is in the G-20 and the G-33 group of developing countries. In the NAMA negotiations, Nigeria is one of the countries to which Paragraph 6 of the first draft of modalities refers.<sup>7</sup> In the TRIPS negotiations and as part of the African Group, Nigeria is one of the proponents of the W52 proposal, sponsoring a proposal on geographical indications to create a multilateral register for wines and spirits, and extending the higher level of protection beyond wines and spirits and on disclosure where patent applicants would disclose the origin of genetic resources and traditional knowledge used in the inventions.<sup>8</sup>

2.15. In the negotiations on trade facilitation, Nigeria was an active participant in the negotiating process and remained engaged in post-Bali work.<sup>9</sup> In November 2014, Nigeria submitted an early category A notification<sup>10</sup>; the country's B and C commitments have not been notified yet to the WTO. In the area of E-commerce, Nigeria is a member of the Friends of E-Commerce for Development (FED) and a co-sponsor of the Non-paper on a Work Programme on E-Commerce. As a proponent, Nigeria believes that E-Commerce is a new reality for businesses and can be and has been leveraged to support development.<sup>11</sup>

2.16. In WTO Ministerial Conferences, Nigeria has continuously emphasized the importance of the development dimension to the rules-based Multilateral Trading System and that adequate technical and capacity building assistance is specifically tailored to the trade and development needs of individual countries.

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<sup>6</sup> GATT document Let/1957, 7 December 1994. The Marrakech Agreement Establishing the WTO has not been incorporated into Nigerian law, and therefore the legal status of the WTO obligations in the domestic legal system is not yet clearly established. In particular, traders and investors are unable to invoke WTO provisions in domestic courts as the WTO Agreement does not in itself have the force of law in Nigeria.

<sup>7</sup> In paragraph 6 of the first version of the NAMA text, later paragraph 8. This includes a group of countries with less than 35% of non-agricultural products covered by legally bound tariff ceilings. They have agreed to increase their binding coverage substantially, but want to exempt some products.

<sup>8</sup> WTO Document TN/C/W/52.

<sup>9</sup> In 2013, during the final phase of the trade facilitation negotiations, Nigeria was selected as one of the three Friends of the Chair to help WTO Members reach consensus.

<sup>10</sup> WTO Document WT/PCTF/N/NGA/1.

<sup>11</sup> WTO Document JOB/GC/101/Rev.1, 28 July 2016.

2.17. There are on-going efforts by the authorities to ensure Nigeria fulfil its WTO obligations. Nigeria has made notifications on SPS and TBT measures up to 2015 but is still lagging behind in other WTO areas such as Agriculture, Pre-shipment Inspection, Anti-dumping, Import Licensing, Quantitative Restrictions, Rules of Origin, and Customs Valuation (Table A2.2). According to the authorities, the main challenge Nigeria faces in implementing WTO agreements is the difficulty in their domestication and in fulfilling the notification obligations for transparency purposes.

## 2.3.2 Regional and preferential agreements

### 2.3.2.1 Regional agreements

#### 2.3.2.1.1 African Union

2.18. Nigeria is a founding member of the African Union (AU), successor to the Organization of African Unity (OAU). The organs of the AU include the Assembly of Heads of State and Government; the Executive Council; the Commission; the Permanent Representatives' Committee; the Peace and Security Council; the Economic, Social and Cultural Council; a Court of Justice, and a Pan-African Parliament.

2.19. The AU aims to become an economic and political union. The Abuja Treaty provides for the establishment of the African Economic Community (AEC) by 2028, using existing regional economic communities (RECs) as pillars.<sup>12</sup> Nigeria participates in this process as a member of the Economic Community of West African States (ECOWAS). However, the integration process has been slow. At the 2012 AU Summit, African leaders endorsed a road map aiming at fast-tracking the process, with the goal of establishing a continental free trade area (CFTA) by 2017.<sup>13</sup> According to the plan, RECs were encouraged to establish their Free Trade Agreements (FTAs) by 2014. Their consolidation into a continent-wide FTA would have started in 2015, leading to the establishment of one economic and monetary union by 2028.

2.20. The objective of the CFTA is to overcome dependence on Africa's exportation of primary products, to promote social and economic transformation for inclusive growth, as well as industrialization and sustainable development, with the aim of increasing intra-African trade by 50% by 2022. The scope of the negotiations covers rules of origin; sanitary and phytosanitary measures; technical barriers to trade; trade remedies; customs procedures and trade facilitation; as well as draft modalities for trade in goods and trade in services.

2.21. The New Partnership for Africa's Development (NEPAD) was adopted by AU Members in 2001 with the objectives to, *inter alia*, "halt the marginalisation of Africa in the globalisation process and enhance its full and beneficial integration into the global economy".<sup>14</sup> The AU/NEPAD African Action Plan (AAP) is the main framework defining priority programmes and projects. For the period 2010-15, the AAP defined projects in priority areas, including "trade, industry, market access and private-sector development".

2.22. Through the African Peer Review Mechanism, the AU has been providing an opportunity for countries to voluntarily submit for review their policies and practices in the areas of democracy and political governance; economic governance and management; corporate governance; and socio-economic development. Nigeria acceded to the Mechanism in 2003 and had been reviewed twice.<sup>15</sup>

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<sup>12</sup> The pillars of the AEC are: the Community of Sahel-Saharan States (CEN-SAD), the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC), the Economic Community of Central African States (ECCAS), the Economic Community of West African States (ECOWAS), the Intergovernmental Authority on Development (IGAD), the Southern African Development Community (SADC), and the Arab Maghreb Union (UMA).

<sup>13</sup> African Union (2012), *Decision on Boosting Intra-African Trade and Fast Tracking the Continental Free Trade Area* (Assembly/AU/Dec.394(XVIII)).

<sup>14</sup> NEPAD, online information. Viewed at: <http://www.nepad.org/>.

<sup>15</sup> In their latest report, the panel of experts identified several economic constraints facing Nigeria such as poor resource mobilization, a lack of access to credit, and a lack of institutions to support agricultural credit. It also noted that poverty, poor energy supply, and inadequate and poorly maintained infrastructure are the key challenges to the country's political and socio-economic development. The validation meeting emphasized that it is imperative that Nigeria consolidates its efforts towards: diversification of the economy to reduce the

### 2.3.2.1.2 Economic Community of West African States (ECOWAS)

2.23. Nigeria is a founding member of the ECOWAS established in May 1975.<sup>16</sup> The ECOWAS was notified to the WTO in 2005 under the Enabling Clause.<sup>17</sup> The aims of the Community are to promote cooperation and integration, leading to the establishment of an economic union in West Africa in order to raise the living standards of its peoples, and to maintain and enhance economic stability, foster relations among Member States and contribute to the progress and development of the African Continent. The objective of ECOWAS is to promote cooperation and integration within the West African sub-region and to harmonize trade and investment practices for its 15 (West African) member states and ultimately achieve a full customs union.<sup>18</sup>

2.24. ECOWAS members adopted a common external tariff (CET) in January 2006 with four tariff bands. In 2009, a fifth band was adopted. In October 2013, the CET was approved and implementation began on 1 January 2015. However, Nigeria began implementing it in April 2015. The ECOWAS CET consists of five bands: zero on essential social commodities; 5% on essential commodities, raw materials and capital goods; 10% on intermediate products; 20% on consumer goods; and 35% on specific goods for economic development.<sup>19</sup>

2.25. Under the regional free trade agreement agenda, a regional instrument known as ECOWAS Trade Liberalization Scheme (ETLS) was put in place in 1990 to achieve an effective Free Trade Area within ECOWAS. ECOWAS members including Nigeria have been implementing this scheme since 1990. To benefit from the ETLS, companies must be registered, and register their products as meeting the rules of origin specified under the scheme. For the registration of the products to be considered as an ECOWAS originating product, a National Approval Committee (NAC) examines the application of the approved enterprises and if found to conform with protocols of the scheme grants the approval and then sends the decision to the ECOWAS Commission for verification and notification to other member States. Nigeria has the biggest number of approved enterprises and products with 525 companies and over 1000 products registered in the scheme. The Ministry of Foreign Affairs chairs the National Approval Committee (NAC) for Nigeria.

2.26. The ECOWAS trade liberalization scheme involves three categories of products: unprocessed goods, traditional handicraft products, and industrial products (both processed and semi-processed goods). To benefit from the scheme, unprocessed goods and traditional handicraft products must: originate in ECOWAS Member States; appear on the list of products annexed to the decisions liberalizing trade for these products; be accompanied by a certificate of origin and an ECOWAS export declaration form; be subjected to the Customs formalities as necessary in the importing country; and meet SPS and TBT requirements in the case of products subject to such measures. Industrial or processed goods must satisfy the rules of origin under which a finished product is deemed to originate from within the region, if at least 60% of the raw materials used in its production come from ECOWAS member countries or if the value added is 30% of the ex-works cost price (excluding taxes) and be manufactured by companies in which Community nationals hold an equity share of at least 25%.

2.27. The ECOWAS Monetary Cooperation Programme (EMCP), adopted in 1987, called for the creation of a single monetary zone in the sub-region. As part of their efforts to implement the EMCP, the Heads of State of six non-WAEMU ECOWAS members have been working since 2000 to

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impact of external shocks, encourage private sector-led development, improve infrastructure to create a conducive environment for business development, reduce youth unemployment, right-size and transform the civil-service and combat corruption.

<sup>16</sup> The other members of ECOWAS are Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Senegal, Sierra Leone, and Togo.

<sup>17</sup> WTO document WT/COMTD/N/21, 26 September 2005.

<sup>18</sup> The ECOWAS institutions are: the Authority of Heads of States and Governments, the Council of Ministers, the Community Parliament, the Economic and Social Council, the Community Court of Justice, and the Commission. ECOWAS underwent institutional reforms three times since its inception. In 2007, the ECOWAS Secretariat was transformed into a Commission. Its most recent reform in July 2013 established six new departments taking the total number of departments to 13, overseen by the President and the Vice President.

<sup>19</sup> Adopted in Niamey, the CET was based on a structure previously implemented by the eight member states of the West African Economic and Monetary Union (UEMOA). The Niamey conference led to the formation of an ECOWAS-UEMOA Joint Committee for the management of the CET; whereby a fifth band was introduced to take into account the need to protect some specific industries.



establish a second monetary zone in the sub-region, the West African Monetary Zone (WAMZ).<sup>20</sup> The WAMZ would comprise Sierra Leone, The Gambia, Ghana, Guinea, Liberia, and Nigeria and is due to be in place in 2020 after it was postponed several times.

2.28. The ECOWAS Protocol of Free Movement establishes the right of entry, residence and establishment of ECOWAS citizens in the region. ECOWAS citizens with a valid travel document and health certificate may travel to any Member state without a visa. In the recent revision of the Protocol, the deployment of the ECOWAS Biometric Card regime removed the need for a residence card. ECOWAS citizens are to be accorded same conditions for establishment of companies as nationals of member States.

2.29. In order to facilitate trade among ECOWAS countries, the Commission launched the Abidjan-Lagos Highway Project. A single ECOWAS logbook and bond are still to be implemented. In the meantime, ECOWAS and WAEMU Commissions launched the Regional Road Transit Facilitation Programme, with a view to simplifying and harmonizing their road transport regulations and procedures. Through the programme, joint control posts were established along some inter-state corridors.

2.30. Despite all the measures taken to integrate the ECOWAS sub-region, the level of intra-trade remains low. The regional market still accounts for only a small fraction of Nigeria's total trade (around 6% of the country's total exports in 2016). Based on data sourced from UN Comtrade in 2016, crude oil from Nigeria contributed to around 85% of ECOWAS total exports. Some of the challenges facing ECOWAS traders include administrative bureaucracy; inadequate knowledge of import/export procedures; lack of awareness of the ETLS; inadequate information on products; as well as overall poor trade-related infrastructure.

### **2.3.2.2 Other agreements and arrangements**

#### **2.3.2.2.1 African Growth and Opportunity Act (AGOA)**

2.31. The African Growth and Opportunity Act offers to products from 40 Sub-Saharan African countries including Nigeria duty-free access to the US market. Enacted in 2000, AGOA was initially designed for an eight year period from 2000-08 but was extended up to 2015. After the completion of its initial 15 year period (2000-15), AGOA was extended on 29 June 2015 by a further 10 years, to 2025. AGOA allows duty and quota free exports of 6,400 product categories to the US market including items such as apparel and footwear, wine, certain motor vehicle components, a variety of agricultural products, chemicals and steel. AGOA eligibility requirements include continuous improvement in beneficiary countries' rule of law, respect for human rights and labour standards.

2.32. Despite export opportunities under AGOA, Nigeria's benefits are limited to primarily exporting petroleum to the United States. According to data from the Nigerian National Bureau of Statistics, in 2014, petroleum accounted for 69% of total exports to the United States. In 2015, Nigeria recorded the lowest exports in three years; the value of exports declined from ₦16.304 billion in 2014 to ₦9.729 billion in the fourth quarter of 2015, representing a 40.3% decline. This was due to lower US merchandise imports of oil-related products.<sup>21</sup>

#### **2.3.2.3 Economic Partnership Agreement (EPA) with the European Union (EU)**

2.33. Nigeria is a signatory to the Cotonou Agreement (successor to the Lomé Convention) between the European Union (EU) and 78 African, Caribbean and Pacific (ACP) countries. The Agreement was signed on 23 June 2000 and entered into force in April 2003. It was first revised in 2005, then in 2010. This agreement constitutes the legal basis for the EU and Nigeria's partnership, and builds upon three interlinked pillars: a political dimension; development and finance cooperation; and economic and trade cooperation. Under the latter, ACP countries, except South Africa, benefited from non-reciprocal trade preferences during an interim period (2001-

<sup>20</sup> All WAEMU countries are members of ECOWAS.

<sup>21</sup> "AGOA benefits: Still A Long Way for Nigeria", May 22, 2016, Punch Newspapers; <http://punchng.com/agoa-benefits-still-long-way-nigeria/>

2007).<sup>22</sup> At the end of the interim period on 31 December 2007, these unilateral preferences were to be replaced by WTO-compatible reciprocal economic partnership agreements (EPAs) between the EU and individual ACP countries or groups of countries.<sup>23</sup>

2.34. In 2014, after several years of negotiations, an EPA was concluded between the EU and West Africa, comprising 16 countries (ECOWAS member States and Mauritania) and two regional organizations (ECOWAS, WAEMU). The EPA with West Africa covers trade in goods and development cooperation. There is also the possibility for further negotiations on sustainable development, services, investment and other trade-related issues. In July 2014, the ECOWAS Heads of State endorsed the EPA and opened it up for signature by member States. As at March 2017, 13 out of 16 West African States have signed the Agreement. Only The Gambia, Nigeria and Mauritania have not yet signed.

2.35. Under the EPA negotiations, ECOWAS is expected to receive duty free and quota free market access for its goods and development support, while the EU would receive access to ECOWAS markets for goods. Both parties agreed to set up a Joint ECOWAS-EU implementation and monitoring team. The agreement also provides for periodic review; and exclusion list of some goods.

2.36. Nigeria accounts for around half of EU exports to the region and nearly 70% of EU imports from West Africa, with oil representing the biggest share. Nigerian non-oil exports to the EU are also important and include cocoa and preparations; skins and leather; fish and crustaceans; oil seeds, rubber, copper, wood and wood charcoal.

#### **2.3.2.3.1 Developing-8 countries (D8)**

2.37. Nigeria is a member of the Developing-8 (D-8) formed in 1997 as an organization for economic cooperation along with Bangladesh, Egypt, Indonesia, Iran, Malaysia, Pakistan and Turkey. Nigeria signed the D-8 Preferential Trade Agreement (PTA) in 2006 but is yet to ratify it. The D-8 is aimed at boosting trade by reducing duties in order to improve member states' position in the global economy, diversify and create new opportunities in trade relations, enhance participation in decision-making at international level, and improve standards of living.

2.38. Nigeria attaches high importance to increasing trade and economic activities among the D-8 Members and in 2013, during the run-up to the first D-8 Trade Ministers council meeting in Abuja, Nigeria issued a statement to support the organization's vision to actualize its 2008-2018 road map in priority areas such as trade in agricultural products and food security; industry and small and medium enterprises; transportation, civil aviation and shipping; and energy, minerals and mining. During the second Trade Ministers' Council Meeting held on 17 February, 2016 in Islamabad, Members agreed on a new date for the implementation of the D-8 Preferential Trade Agreement which would have commenced on 1 July 2016. Recently, in 2016, Nigeria has called for the abolition of visa requirements among D-8 members to ensure free movement of people and goods.

#### **2.3.2.4 Bilateral Trade Agreements**

2.39. Nigeria has signed 16 Bilateral Trade Agreements (BTAs)<sup>24</sup> and nine Memorandum of Understanding (MoU) agreements.<sup>25</sup> Nigeria signed a Trade and Investment Framework Agreement (TIFA) with the United States. The agreement provides for dialogue on improving and enhancing trade and investment opportunities between the two parties.

<sup>22</sup> These included duty-free treatment on industrial, processed agricultural and fishery products, subject to a safeguard clause. For certain products (bananas, beef and veal, and sugar), the EU provided special forms for market access under "commodity protocols". The preferential rules of origin contained product-specific requirements and allowed for regional accumulation.

<sup>23</sup> Under the Cotonou Partnership Agreement, ACP countries have had DFQF access for 100% of their exports; however ACP Members could not maximize the benefits from the agreement due to stringent rules of origin, TBT and SPS measures.

<sup>24</sup> Algeria, Benin, Cameroon, Chad, China, Cote d'Ivoire, Cuba, Egypt, Ethiopia, Iran, Liberia, Kenya, Niger, Tunisia, Uganda and Viet Nam.

<sup>25</sup> Canada (TICA), China, Greece, Indonesia, Namibia, Niger, Chinese Taipei, South Africa, and Spain.

2.40. Despite market access opportunities through the different trade agreements and arrangements, Nigeria's trade, especially in non-oil goods, still remains limited. In particular intra-African trade is low despite the efforts made to increase trade within the ECOWAS sub-region; and exports of some manufactured products to the United States and to the EU are also limited.

## 2.4 Investment Regime

2.41. As part of its Vision 20:2020, Nigeria seeks to establish the private sector as the engine of economic growth, with the Government providing the enabling environment for private investors, both domestic and foreign, to operate. The recent merge of trade, industry and investment responsibilities under the ambit of FMITI is proof of the country's aim to effectively coordinate between these three key areas to improve Nigeria's trading and investment environment.

2.42. The principal laws regulating foreign investment in Nigeria are the Nigerian Investment Promotion Commission Act (NIPC) No.16 of 1995; and the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act No.17 of 1995. The NIPC Act governs the entry of foreign direct investment into Nigeria and guarantees that foreign investors are able to transfer their capital, profits and dividends (less 10% withholding tax) attributable to their investments. It is compulsory for foreign companies operating in Nigeria to be locally incorporated as limited-liability companies.

2.43. Foreign ownership of firms is allowed up to 100% in all but the petroleum sector where investment is limited to joint ventures or production-sharing agreements; the government owns a share of 55%. Investment in industries considered crucial to national security is precluded to both Nigerian and foreign investors such as the production of arms and ammunition; narcotic drugs and psychotropic substances; and military, paramilitary disciplined services uniforms. The Federal Executive Council may, from time to time, determine what other items enter the negative list. There are several tax and investment incentives for many sectors (Table 2.2).

**Table 2.2 Tax and investment incentives, March 2017**

| Sector            | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| All sectors       | <b>Taxes:</b><br>(i) 30% company income tax in all sectors, except companies in the preferred sectors (agriculture, mining of solid minerals, petroleum and export) where it is 20% for the first 5 years<br>(ii) tax holiday on companies investing in pioneer industries for 3 years, renewable for an additional 2 years;<br>(iii) tax relief on research and development is restricted to 10% of total profit;<br>(iv) rural Investment Allowance for companies located in areas more than 20 km without government-provided infrastructure in the year in which the investment occurred at:<br>a. 100% of the cost of infrastructure where no facilities are provided,<br>b. 50% of the cost of infrastructure where no electricity is provided,<br>c. 30% of the cost of infrastructure where no water is provided, and<br>d. 15% of the cost of infrastructure where no tarred road is provided;<br>(v) capital allowances from 10% to 95%. |
|                   | <b>Investment incentives:</b><br>(i) unconditional transferability of funds through an authorized dealer in freely convertible currency;<br>(ii) no enterprise shall be nationalized or expropriated by any government of the Federation, unless the acquisition is in the national interest or for public purpose, in which case there are legal procedures to follow;<br>(iii) any company incorporated in Nigeria is allowed to have access to land rights for the purpose of its activity in any state in the country.                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Industrial sector | (i) companies with Pioneer Status are entitled to a tax holiday for 3 years, which may be extended by a further 2 years;<br>(ii) manufacturing companies with turnover of less than ₦1 million are taxed at 20% for the first 5 years of operation.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Oil and gas       | (i) tax rate under the Petroleum Profit Tax (PPT) Act:<br>a. 85% for mature sole risk or joint-venture partners, marginal field operators, and service contracts that have fully recovered their capital investment;<br>b. 65% for newer sole risk or joint-venture partners, marginal field operators, and service contracts that have not fully recovered their capital investment;                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |



| Sector                    | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|---------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                           | c. 50% for profit sharing contracts;<br>d. 30% for gas production, transmission and distribution.<br>(ii) capital allowance at the rate of 20% per annum in the first 4 years, 19% in the 5 <sup>th</sup> year and the remaining 1% in the books;<br>(iii) investment tax credit at 50% for production sharing contracts;<br>(iv) petroleum investment allowance at varying rates from 5% to 20% depending on water depth;<br>(v) repatriation of profits;<br>(vi) no foreign exchange regulation;<br>(vii) dividend derived from manufacturing companies in petro-chemical and liquefied natural gas subsector exempt from tax.                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Agriculture</b>        | (i) 100% capital allowances;<br>(ii) capital allowances on agri-allied plant and equipment are 95% with 5% retained.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Solid minerals</b>     | (i) three to five-year tax holiday;<br>(ii) possible capitalization of expenditure on exploration and surveys;<br>(iii) provision of 100% foreign ownership of mining companies or concerns;<br>(iv) capital allowance.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Tourism</b>            | (i) tax holidays;<br>(ii) longer moratorium and import duty exemption on tourism-related equipment;<br>(iii) tax exemption on 25% of incomes derived from tourists by hotels.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Telecommunications</b> | (i) pioneer status.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Gas exploitation</b>   | (i) investment needed to separate oil from gas to be considered part of oil field development cost;<br>(ii) capital investments to deliver gas to point-of-use or point-of-transfer to be treated as capital investment for oil development;                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Gas utilization</b>    | (i) tax-free period of 3 years; or an additional investment allowance of 35%;<br>(ii) accelerated capital allowances after the tax free period of 95% with 5% retained on the books;<br>(iii) 15% investment capital allowance;<br>(iv) gas development projects taxed under the CITA (not the PPT);<br>(v) 0% royalty.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Exporting</b>          | (i) company profits in respect of goods exported are exempt from tax provided: the proceeds are repatriated to Nigeria and used exclusively for the purchase of raw materials, plant, equipment, and spare parts; and the company is established in an export processing zone;<br>(ii) profits of companies whose supplies are exclusively input to the manufacture of products for export are excluded from tax;<br>(iii) investment tax credits at 15% where a company replaces obsolete plant and machinery or 25% for companies engaged in fabrication of spare parts for export and local consumption;<br>(iv) retention of export proceeds in a foreign currency in a domiciliary account with a Nigerian bank;<br>(v) export development fund to cover expenses on export promotion activities;<br>(vi) export adjustment fund to compensate exporters for high cost of local production, arising mainly from infrastructural deficiencies;<br>(vii) unrestricted remittance of profits and dividends; and<br>(viii) zero-rated VAT. |

Source: Nigerian authorities.

2.44. All domestic and foreign companies in Nigeria must register with the Corporate Affairs Commission (CAC), an autonomous body which reports to the FMITI. The only exception is for companies intending to operate in an export-processing zone or the Onne Oil and Gas Free Zone, where a licence from the Nigerian Export Processing Zones Authority is required. Companies with foreign participation must have a minimum share capital of ₦10 million (around US\$50,000) to obtain a business permit and register with the NIPC through its "one-stop" investment centre; which takes from 1-2 days. In 2013, the registration fee was reduced to ₦15,000 from ₦50,000 as part of the government's efforts to improve Nigeria's competitiveness.

2.45. A foreign investor registered with NIPC is guaranteed unconditional transfer and repatriation of dividends or profits attributed to the investment; payment of interest and capital on foreign loans; and the remittance of proceeds (net of taxes) in the event of a sale or liquidation of the company or any interest attributable to the investment. Any dispute between an investor and

the Government in respect of investments in Nigeria is settled by negotiation between the parties and as a last resort submitted to arbitration at the option of the aggrieved party.

2.46. Nigeria has 33 bilateral investment treaties (BITs) at different stages of implementation.<sup>26</sup> Nigeria has 13 double taxation agreements<sup>27</sup>; treaties pending ratification include those with Kenya, Mauritius, Qatar, South Korea, Spain and Sweden. As a concession to its double-taxation-treaty partners, the government approved a standard treaty rate of 7.5% for withholding tax on dividends, interests and royalties when paid to a resident of a treaty country. The Nigerian taxes to which the treaties apply are on personal income, corporate income, capital gains and petroleum profits.

2.47. Doing business in Nigeria is difficult and the country's ranking has worsened since the last Review according to the World Bank's Doing Business 2017 report. In 2017, Nigeria is overall ranked 169 out of 189 countries for ease of doing business and 181 in terms of ease of trading across borders.<sup>28</sup> Similarly, in the World Bank's 2016 Logistics Performance Index, Nigeria ranks 93rd out of 163 countries in terms of Customs Efficiency.<sup>29</sup> Nigeria's competitiveness is also quite low; it ranks 127 out of 138 countries. The main factors holding back Nigeria's competitiveness include an underdeveloped infrastructure (132<sup>nd</sup>), which is rated as the country's most problematic factor for doing business; and irregular payments and bribes (129<sup>th</sup>).

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<sup>26</sup> During the period under review, Nigeria signed BITs with Cameroon (2014), Canada (2014), Chad (2012), Cote d'Ivoire (2013), Turkey (2011), the State of Kuwait (2011), and Poland (2013). In 2016, new BITs were signed with Morocco, Singapore, and the United Arab Emirates.

<sup>27</sup> Belgium, Canada, China, Czech Republic, France, Italy, the Netherlands, Pakistan, the Philippines, Romania, Slovakia, South Africa, and the United Kingdom.

<sup>28</sup> World Bank, Doing Business Report (2017), Viewed at: <http://www.doingbusiness.org/data/exploreeconomies/nigeria>.

<sup>29</sup> World Bank, Logistics Performance Index (2016), Viewed at: <http://lpi.worldbank.org/international/global>.

### 3 TRADE POLICIES AND PRACTICES BY MEASURE

#### 3.1 Measures Directly Affecting Imports

##### 3.1.1 Customs procedures

3.1. The Customs and Excise Management Act (CEMA)<sup>1</sup> Cap 45 Law of 2004 vests legal authority in the Nigeria Customs Service (NCS) to act on behalf of Nigeria in all customs matters.<sup>2</sup> The main objectives of national customs policy in Nigeria are trade facilitation, security and revenue generation. Nigeria became a signatory to the Revised Kyoto Convention on 28 June 2012.

3.2. Import procedures are the same for both foreigners and Nigerians. Any person intending to import goods into Nigeria must complete an electronic import declaration (e-form M) through any authorized dealer bank, irrespective of the value. In addition to form M, the importer must provide: a detailed description of the goods, including commercial name, make, whether new, used or refurbished, and the standards adopted; quantity; unit cost of goods; total cost of the goods; cost of freight; mode of transportation; shipment details (i.e. full container load, bulk, loose or low container load); any other charges stated on form M; country of origin; country of supply; pro-forma invoice; insurance certificate; regulatory certificate/permits (e.g. NAFDAC, SONCAP Pharmaceutical Board of Nigeria, etc.) and any additional documents that might be prescribed by a relevant government agency. Used automobiles and personal effects do not require e-Form M.

3.3. After verification of the information provided on the form, the authorized dealer bank is required to submit the completed and approved form to the office of the scanning service and risk management system within five days for approval. E-Form M is uploaded directly to the customs platform at no cost. Since 2013, NCS has been in charge of conducting scanning and risk management services in lieu of private sector operators.<sup>3</sup> However, the Comprehensive Import Supervision Scheme (CISS) fee of 1% on the f.o.b. value of imports has been maintained. Form M only becomes valid for importation once it has been accepted by the scanning service and risk management system. If accepted (the decision to accept or reject the declaration has to be made within a day), the documents are forwarded for clearance of goods.

3.4. The initial validity period of an approved e-Form M for general merchandise is 180 days, which may be extended for an additional 180 days by the authorized dealer bank. For capital goods, the initial validity of an approved e-Form M is 365 days subject to a maximum extension of another 365 days. However, any subsequent request for revalidation of e-Form M requires approval from the Central Bank of Nigeria. The use of a customs broker is not mandatory in Nigeria to import goods.

3.5. In order to expedite the release and clearance of goods and determine the level of risk of the goods being imported (risk assessment), Nigerian Customs put in place a pre-arrival clearance system called the Pre-Arrival Assessment Report (PAAR) on 1 December 2013. Through this platform, documentary examination is conducted before the arrival of goods; the importer is notified whether documentary examination, scanning or physical inspection are required before the arrival of goods; and the release of goods is facilitated for those not requiring examination/inspection upon arrival.

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<sup>1</sup> Nigeria's last trade policy review report in 2011 noted that new legislation was being prepared to replace CEMA (WT/TPR/S/247/Rev.1, page 25).

<sup>2</sup> This is supported by various supplementary laws, including: Customs and Excise (Special Panel and other Provisions) Cap 45, Laws of the Federation of Nigeria, 2004; Customs Duties (Dumped and Subsidized Goods) Act Cap 87 Laws of the Federation of Nigeria; Nigeria Pre-shipment Inspection Decree No. 36 of November 1979 further amended by Decree No. 11 of 19 April 1996; Decree No. 45 of 1 June 1992 as amended by Decree No. 77 of 29 August 1993; Customs and Excise Management (Amendment) Act No. 20 of 2003; and Constitution of the Federal Republic of Nigeria.

<sup>3</sup> Nigeria practices a Destination Inspection Scheme, which commenced on 1 January 2006. Under the scheme, goods destined for Nigerian ports are inspected at the point of entry rather than at the point of shipment. The seven-year contract granted to Cotecna, SGS, and Global Scan, to act as inspection agents at Nigeria's seaports, border posts, and airports expired on 31 December 2012, but was extended for an additional 6 months. Then, in July 2013, the Nigeria Customs Service took over implementation of the Destination Inspection Scheme using its own personnel; thus terminating any further extension of inspection contracts.

3.6. To reduce delays in the import clearing process, a Central Clearing System (CCS) has been introduced as a one-stop shop at the border. Depending on the good in question, Customs invites agencies like National Agency for Food and Drug Administration and Control (NAFDAC) and the Standards Organization of Nigeria (SON) to inspect the goods on a case-by-case basis. In 2011, the Nigerian authorities announced plans to facilitate goods clearance through Nigerian ports by reducing the number of government agencies operating at the ports from 14 to 7.<sup>4</sup> However, implementation of this policy has been reportedly uneven, and the time required to clear goods through the ports remains long.

3.7. Nigeria's risk management system consists of four selectivity lanes (Table 3.1). During the period under review, the number of goods that were physically examined and for which documents were checked by Customs (red lane) almost doubled from 2011 to 2016; accounting for 70% of total goods being cleared in 2016. The percentage of goods not undergoing any checks at all by Customs, known as the green lane, remained stable during the review period, averaging around 16% of total goods. The percentage of goods subjected to verification of documents depending on the good being imported (yellow lane) declined sharply from 47% of total goods cleared in 2011 to less than 1% in 2016. Goods subjected to clearance under the blue lane, where the goods are released but the documents and the goods can be selected randomly for post clearance audit by Customs, increased significantly over the review period. For Nigeria to better facilitate its trade, Customs needs to expedite the release and clearance of goods by gradually lowering the number of consignments that are subjected to the red lane and move more towards the green lane.

**Table 3.1 Customs clearance breakdown by selectivity lane**

(Number of declarations)

|              | 2011           | 2012           | 2013           | 2014           | 2015           | 2016           |
|--------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Green        | 42,443         | 41,150         | 34,850         | 31,555         | 34,255         | 30,712         |
| Blue         | 185            | 41             | 240            | 44,341         | 45,053         | 27,286         |
| Yellow       | 100,865        | 107,770        | 119,977        | 22,597         | 187            | 112            |
| Red          | 73,055         | 78,146         | 86,270         | 127,335        | 147,819        | 130,815        |
| <b>Total</b> | <b>216,548</b> | <b>227,107</b> | <b>241,337</b> | <b>225,828</b> | <b>227,314</b> | <b>188,925</b> |

Source: Nigerian authorities.

3.8. In March 2013, Nigerian Customs launched a trade portal and hub that allows traders to access customs regulations online; to submit customs documents electronically; and consult trade information online. More specifically, the trade portal and hub helps traders conduct tariff searches; receive information regarding arrived vessels; submit trade documents and track their trade transaction status online; pay online through e-payment facilities using a credit card; access a help desk; and quickly consult important information on the different government agencies involved in trade matters. Nigeria Customs has a pseudo authorized economic operator (AEO) programme called Fast Track. Select operators, mostly manufacturers and assemblers, found to be consistent with their declaration are granted this status.

3.9. Despite recent efforts by the Nigerian authorities to facilitate trade, customs procedures and documentation requirements remain burdensome for traders. According to the World Bank's Doing Business Report 2017, Nigeria is ranked 181<sup>st</sup> out of 190 countries for trading across borders (see Table 3.2).<sup>5</sup> For the Logistics Performance Index LPI<sup>6</sup> 2016, Nigeria is ranked 90<sup>th</sup> out of 160 countries.<sup>7</sup>

<sup>4</sup> The Nigeria Customs Service, the Nigerian Ports Authority, the Nigerian Immigration Service, the Nigerian Police Force, the Nigerian Maritime Security and Safety Agency, the National Drug Law Enforcement Agency, and the Ports Health Agency.

<sup>5</sup> World Bank (2016), *Doing Business Report*. Viewed at: <http://www.doingbusiness.org/data/exploreeconomies/nigeria/#trading-across-borders> [11/11/2016].

<sup>6</sup> The Logistics Performance Index is a benchmarking tool created to help countries identify the challenges and opportunities they face in their performance on trade logistics including customs and trading infrastructure.

<sup>7</sup> LPI Index 2016. Viewed at: <http://lpi.worldbank.org/international/global?sort=asc&order=Customs#datatable> [11/11/2016].

**Table 3.2 Trading across borders in Nigeria: cost of doing business in 2017**

| Indicator                                      | Lagos | Sub-Saharan Africa | OECD high-income countries |
|------------------------------------------------|-------|--------------------|----------------------------|
| Time to export: Border compliance (hours)      | 135   | 101                | 12                         |
| Cost to export: Border compliance (USD)        | 786   | 571                | 150                        |
| Time to export: Documentary compliance (hours) | 131   | 91                 | 3                          |
| Cost to export: Documentary compliance (USD)   | 250   | 225                | 36                         |
| Time to import: Border compliance (hours)      | 284   | 141                | 9                          |
| Cost to import: Border compliance (USD)        | 1,077 | 662                | 115                        |
| Time to import: Documentary compliance (hours) | 173   | 105                | 4                          |
| Cost to import: Documentary compliance (USD)   | 564   | 313                | 26                         |

Source: The World Bank Group online information "Doing Business in Nigeria 2017": Viewed at: <http://www.doingbusiness.org/data/exploreeconomies/nigeria/#trading-across-borders>.

3.10. Nigeria has a transit regime with other ECOWAS countries. Under the ECOWAS Inter-State Road Transit (ISRT) Scheme, the transportation of goods is allowed by road from one customs office in one Member State to another through one or more member States free of duties, taxes, and restrictions while in transit. Additional measures put in place to ensure the smooth operation of the ISRT Scheme include the setting of annual quotas between countries in respect of vehicles licensed to undertake interstate transport of goods; the development of regulations to govern the sharing of freight between the country of transit and the land-locked country for both transit goods and local goods from the country of transit; and the drawing up of itineraries for interstate traffic. There is an electronic bond system which is free of cost. However, if the electronic bond system is not used, there is a mandatory escort system which costs around US\$18 per night. In 1998, the Federal Government of Nigeria, through the Federal Ministry of Transport, appointed the Nigerian Export-Import Bank (NEXIM) as the National Guarantor of the ISRT Scheme in Nigeria.

### 3.1.2 Customs valuation

3.11. In Nigeria, customs valuation is based on the transaction value of the imported goods in the first instance. According to the authorities, in around 80% of cases, import duties are based on the transaction value. If the transaction value is not available, then duty is determined based on the transaction value of identical goods or, when a comparison with identical goods is not possible, the transaction value of similar goods is considered. In cases where none of the above methods are possible, the following are considered in order of preference: sales value in Nigeria of identical goods; sales value in Nigeria of similar goods; computed value; and lastly, a reasonable value according to the customs authorities.<sup>8</sup>

3.12. In some cases, Nigerian Customs finds it difficult to assess the valuation for a certain product. For example, it notes that it is difficult to confirm invoice value with transaction value. For social reasons, the government may maintain a minimum value on certain products, such as staple foods, second-hand goods and tyres, in which case the government sets a benchmark.

### 3.1.3 Rules of origin

3.13. Nigeria's non-preferential rules of origin are contained in the Customs Duties Act of 2004. Under the Act, the country of origin for goods imported into Nigeria is deemed to be the country in which they were wholly produced or where at least 75% of the production cost was incurred, either in the form of value added during production or from materials and components used in production.

3.14. As a member of ECOWAS, Nigeria applies ECOWAS rules of origin, under which a finished product is deemed to originate from within the region if at least 60% of the raw materials used in its production comes from ECOWAS member countries or if the value added is 30% of the ex-works price (excluding taxes). Proof of ECOWAS origin must be supported by a certificate of origin. However, a certificate is not required for agricultural, livestock products and handicraft goods. Goods produced in free zones or under special economic regimes are not considered as originating products.

<sup>8</sup> WTO document G/VAL/N/1/NGA/1, 5 September 2008. This is the most recent information provided by the Nigerian authorities to the WTO in relation to customs valuation.

3.15. In case of dispute, the member State contesting the community origin of the product is required to bring the issue to the attention of the competent authority in the issuing country. Within 45 working days, the exporting country is required to provide all necessary information regarding the condition under which the certificate was provided to the product. The product whose origin is contested should not be denied entry into the territory of the imported country nor refused the benefit of the ECOWAS Trade Liberalization Scheme (ETLS). The importer is required to deposit a guarantee during the investigation into the originating status of the product. If the conflict is not settled at the national level, the case is reported to the ECOWAS Commission which will put in place a task force to investigate and determine the originating status of the contested product.

### 3.1.4 Tariffs

#### 3.1.4.1 Overview

3.16. During the period under review, important changes to Nigeria's tariff structure took place. As of 11 April 2015, Nigeria began to implement the new ECOWAS Common External Tariff (CET) for a five-year period (2015-19).<sup>9</sup> The main changes that were introduced with the new CET include a fifth band at a tariff rate of 35% for specific goods for economic development. In addition to the CET, complementary measures of national application can be applied. These consist of an import adjustment tax (IAT) and a supplementary protection tax (SPT). These additional measures are intended to allow ECOWAS States to adjust, if necessary, during the first five years of CET implementation. These complementary measures should not apply to more than 3% of a member's total tariff lines. As a result of these measures, the total level of nominal tariff protection (the sum of the tariff, IAT and SPT rates) on any good should not exceed 70%.

3.17. The ECOWAS CET consists of 5,899 tariff lines with five bands:

- Zero (duty free) on 85 tariff lines for essential social goods;
- 5% on 2,146 tariff lines for goods of primary necessity, raw materials and specific inputs;
- 10% on 1,373 tariff lines for inputs and intermediate goods;
- 20% on 2,165 tariff lines for final consumption goods; and
- 35% on 130 tariff lines for specific goods for economic development.

3.18. Revision of the CET may be initiated by a member State. Proposals for revision are reviewed semi-annually by the Management Committee of the ECOWAS CET and, in the event of acceptance, are validated by the ECOWAS/WAEMU Commissions before being transmitted to the Council of Ministers of ECOWAS.

3.19. Changes to the tariff in Nigeria do not need to be approved by Parliament. The Tariff Technical Committee meets and makes a recommendation to the Minister of Finance, after which it is sent to the President. A regulation is sufficient to change the tariff. Once the changes have been made, they are notified to the ECOWAS Commission.

#### 3.1.4.2 Tariff bindings

3.20. Nigeria's tariff bindings remain low, covering only 19.2% of all tariff lines. The average bound tariff rate was 117.3% in 2017: 150% for agricultural products and 49.3% for non-agricultural goods (WTO definition). Low binding coverage and high average bound rates leave ample margins for tariff changes, thus rendering the tariff regime less predictable.

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<sup>9</sup> On 25 October 2013, at the Extraordinary Conference of Heads of State and Government held in Dakar (Senegal), the ECOWAS Common External tariff (CET) replaced that of WAEMU which had been in force since 2000. All ECOWAS Member States currently apply the CET, with the exception of Cabo Verde and Sierra Leone.



### 3.1.4.3 Applied tariff

3.21. Nigeria's 2017 tariff comprises 5,924 lines at the HS 10-digit level and is based on the HS12 nomenclature (Table A3.1). The tariff is fully *ad valorem* like the ECOWAS CET. Nigeria's national tariff deviates from the ECOWAS CET either because of the imposition of the IAT or the introduction of new tariff lines (Table A3.2). These complementary measures are taken into account for the current tariff analysis. The average applied MFN tariff rate is 12.7% in 2017, higher than its 11.9% level in 2011 (Chart 3.1). As per the WTO definition, average tariffs on agricultural products (16.6%) are higher than on non-agricultural goods (12%) in 2017. On the basis of ISIC, manufacturing is the most tariff-protected sector (12.9% on average), followed by agriculture (11.9%), and mining and quarrying (5.1%) (Table 3.3).

**Table 3.3 Structure of applied MFN tariffs in Nigeria, 2011 and 2017**

Per cent

|     |                                                                 | 2011 | 2017 | Final bound <sup>a</sup> |
|-----|-----------------------------------------------------------------|------|------|--------------------------|
| 1.  | Bound tariff lines (% of all tariff lines)                      | n.a. | n.a. | 19.2                     |
| 2.  | Simple average tariff rate                                      | 11.9 | 12.7 | 117.3                    |
|     | Agricultural products (WTO definition)                          | 15.6 | 16.6 | 150.0                    |
|     | Non-agricultural products (WTO definition)                      | 11.3 | 12.0 | 49.3                     |
|     | Agriculture, hunting, forestry and fishing (ISIC 1)             | 12.9 | 11.9 | 150.0                    |
|     | Mining and quarrying (ISIC 2)                                   | 5.3  | 5.1  | Unbound                  |
|     | Manufacturing (ISIC 3)                                          | 12.0 | 12.9 | 108.0                    |
| 3.  | Duty-free tariff lines (% of all tariff lines)                  | 2.1  | 2.7  | 0.0                      |
| 4.  | Simple average rate of dutiable lines only                      | 12.2 | 13.1 | 117.3                    |
| 5.  | Tariff quotas (% of all tariff lines)                           | 0.0  | 0.0  | 0.0                      |
| 6.  | Non- <i>ad valorem</i> tariffs (% of all tariff lines)          | 0.0  | 0.0  | 0.0                      |
| 7.  | Domestic tariff peaks (% of all tariff lines) <sup>b</sup>      | 0.0  | 0.9  | 0.0                      |
| 8.  | International tariff peaks (% of all tariff lines) <sup>c</sup> | 39.9 | 39.6 | 19.2                     |
| 9.  | Overall standard deviation of applied rates                     | 8.0  | 9.1  | 48.0                     |
| 10. | Coefficient of variation                                        | 0.67 | 0.72 | 0.4                      |
| 11. | Nuisance applied rates (% of all tariff lines) <sup>d</sup>     | 0.0  | 0.0  | 0.0                      |

n.a. Not applicable.

a Final bound rates are taken from the CTS database.

The final bound schedule is based on HS07 nomenclature and consists of 982 lines (19.2% of the 5,112 tariff lines are bound).

b Domestic tariff peaks are defined as those exceeding three times the overall simple average applied rate.

c International tariff peaks are defined as those exceeding 15%.

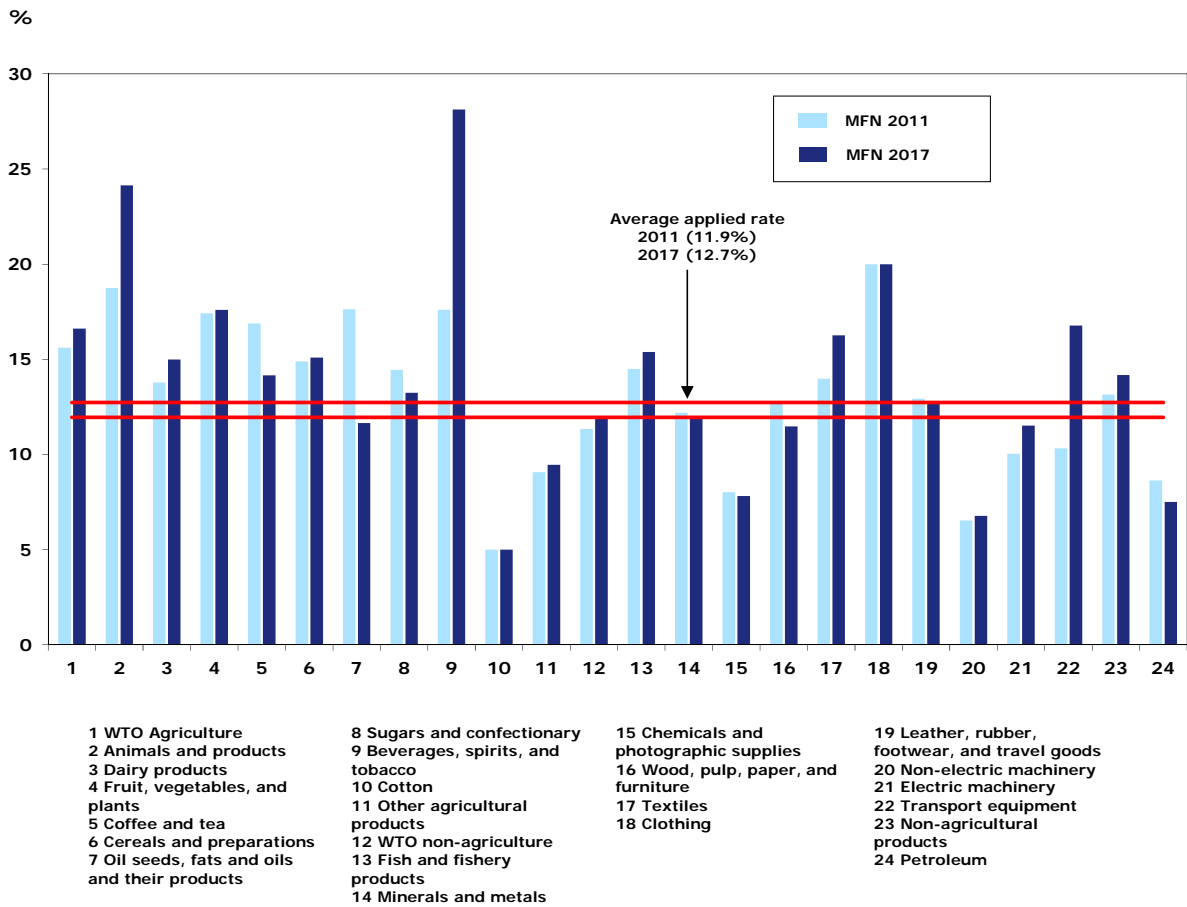
d Nuisance rates are those greater than zero, but less than or equal to 2%.

Note: The 2011 tariff is based on HS07 nomenclature consisting of 5,673 tariff lines (at the 10-digit tariff line level). The 2017 tariff is based on HS12 nomenclature consisting of 5,924 tariff lines (at the 10-digit tariff line level).

Source: WTO Secretariat calculations, based on data provided by the Nigeria Customs Service (NCS).

3.22. Duty-free items account for 2.7% of all tariff lines in 2017 and apply to, *inter alia*, pharmaceuticals, fertilizers, mineral fuels, plastics, rubber and educational materials. The coefficient of variation increased from 0.67 in 2011 to 0.72 in 2017, indicating increased dispersion of tariff rates.

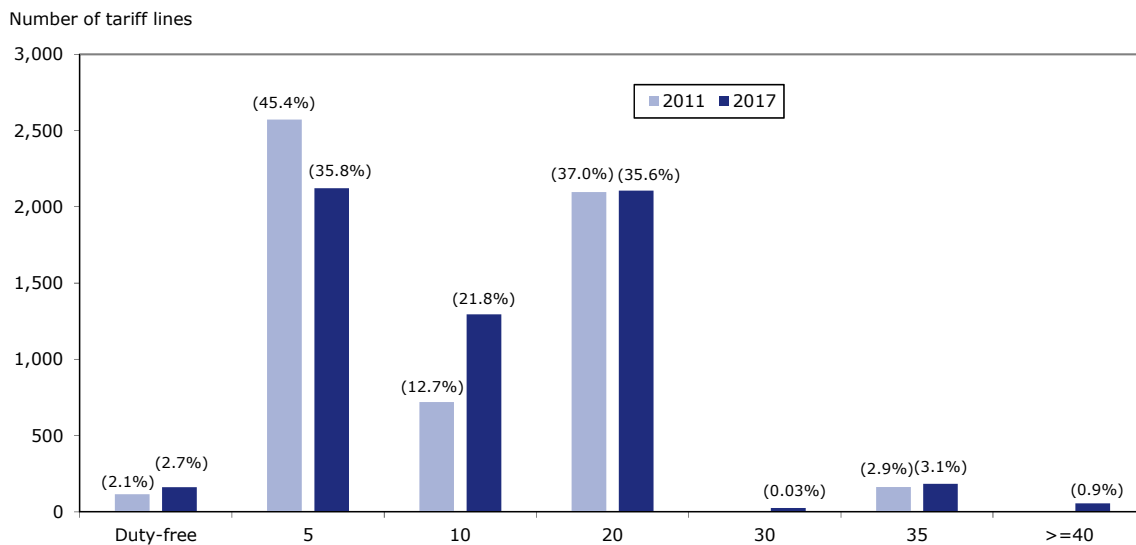
**Chart 3.1 Average tariff rates, by WTO product category, 2011 and 2017**



Note: 2011 averages are based on HS07 nomenclature and 2017 averages on HS12.

Source: WTO Secretariat calculations, based on data provided by the Nigeria Customs Service (NCS).

**Chart 3.2 Distribution of MFN applied tariff rates, 2011 and 2017**



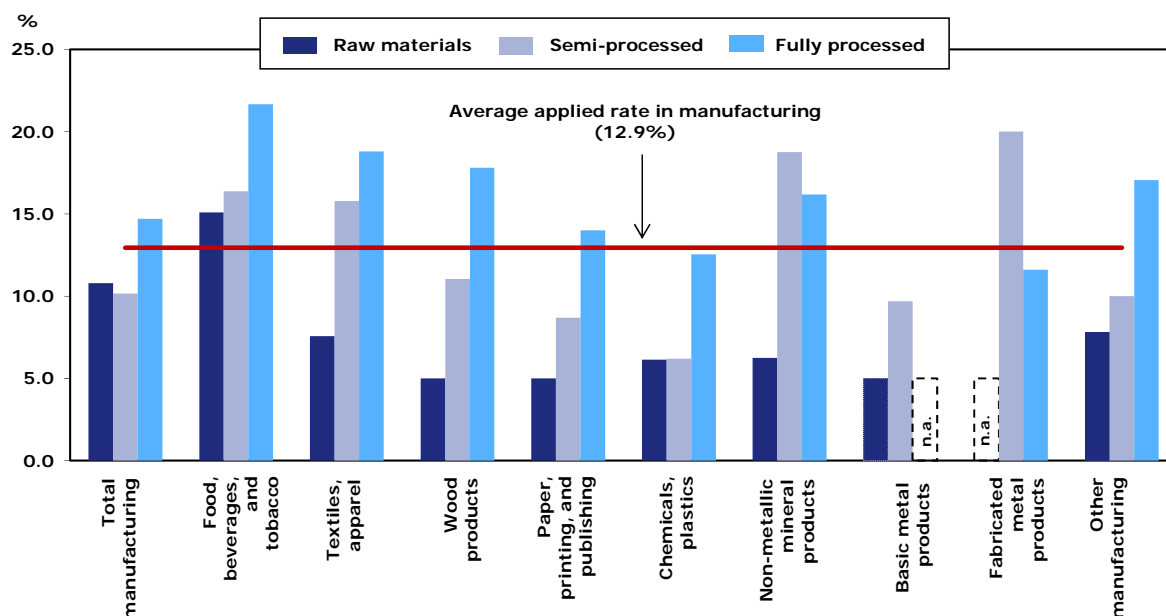
Note: Figures in parentheses denote the share of total lines.

Source: WTO Secretariat calculations, based on data provided by the Nigeria Customs Service (NCS).



3.23. In aggregate, Nigeria's 2017 tariff displays mixed escalation: the average applied MFN tariff was 10.5% on raw materials; 10.2% on semi-processed products; and 14.7% on fully processed products. However, at a disaggregated level (ISIC two-digit) level, the tariff displays positive escalation in most industries, including food and beverages; textiles and apparels; wood products; paper, printing and publishing. Tariff escalation is mixed or negative in certain industries. In industries where the tariff displays positive escalation, the effective rate of protection is higher than the nominal protection and may result in inward orientation of production. On the other hand, mixed or negative escalation may result in loss of competitiveness (Chart 3.3).

**Chart 3.3 Tariff escalation by manufacturing sector (ISIC 2-digit level), 2017**



n.a. Not applicable.

Source: WTO Secretariat calculations, based on data provided by the Nigeria Customs Service (NCS).

#### 3.1.4.4 Duty and tax exemptions and concessions

3.24. In order to attract investment, Nigeria provides customs duty exemptions and concessions for agricultural inputs such as fertilizer, seeds and machinery to improve agricultural productivity. Duty-free imports of plants and machinery for the mining sector are also allowed. All goods imported into export processing zones are exempt from customs duty and other taxes (Section 3.2.4).

#### 3.1.4.5 Preferential tariffs

3.25. As a member of ECOWAS, Nigeria grants tariff preferences to the other ECOWAS member States (Section 2). According to the authorities, Nigeria faces some challenges implementing the origin and classification aspects of the ECOWAS Trade Liberalization Scheme (ETLS).

3.26. Nigeria grants tariff preferences to other countries that participate in the Global System of Trade Preferences (GSTP).

### 3.1.5 Other taxes and charges

#### 3.1.5.1 Import adjustment tax (IAT)

3.27. The import adjustment tax (IAT) is one of two complementary national measures that are designed to allow ECOWAS member States to adjust gradually to the impact of the CET over a transitional period of five years, until 1 January 2020. The IAT can be applied on any goods originating in third countries. It may be used to strengthen the level of protection of a product

under the CET if a member State considers it insufficient, or to lower it if deemed exaggerated. The maximum rate of the IAT corresponds to the differential between the tariff rate applied previously and the new ECOWAS CET rate on the products in question.

3.28. Nigeria applies the IAT to strengthen the level of tariff protection for certain products or to reduce the tariff protection granted by the ECOWAS CET to other goods. The IAT applies to a list of product categories grouped under 97 tariff lines. It ranges between 5-60% (Table 3.4). The highest rate of the IAT is charged on cereals (60%). The tariff analysis is inclusive of the IAT.

**Table 3.4 Import adjustment tax (IAT) list**

| HS2 | Description                                                                     | No of Tls<br>(at the 10-<br>digit level) | IAT<br>simple<br>average<br>(%) | Range<br>(%) |
|-----|---------------------------------------------------------------------------------|------------------------------------------|---------------------------------|--------------|
|     | <b>Total</b>                                                                    | <b>97</b>                                | <b>27.0</b>                     | <b>5-60</b>  |
| 10  | Cereals                                                                         | 4                                        | 40.0                            | 20-60        |
| 11  | Wheat or meslin flour                                                           | 1                                        | 50.0                            | 50.0         |
| 22  | Beverages, spirits and vinegar                                                  | 14                                       | 35.0                            | 35.0         |
| 24  | Tobacco and manufactured tobacco substitutes                                    | 4                                        | 35.0                            | 35.0         |
| 25  | Portland cement                                                                 | 2                                        | 35.0                            | 30-40        |
| 39  | Plastics and articles thereof                                                   | 1                                        | 5.0                             | 5.0          |
| 48  | Paper and paperboard; registers, account books, note books, order books         | 1                                        | 5.0                             | 5.0          |
| 52  | Cotton                                                                          | 4                                        | 25.0                            | 25.0         |
| 72  | Iron and steel                                                                  | 12                                       | 10.0                            | 10.0         |
| 73  | Articles of iron or steel                                                       | 3                                        | 20.0                            | 20.0         |
| 85  | Electrical machinery and equipment and parts                                    | 8                                        | 25.0                            | 15-35        |
| 87  | Vehicles other than railway or tramway rolling stock, and parts and accessories | 43                                       | 28.3                            | 5-50         |

Source: WTO Secretariat calculations, based on data provided by the Nigeria Customs Service (NCS).

### 3.1.5.2 Supplementary protection tax (SPT)

3.29. The Supplementary protection tax (SPT) is designed to protect a local product in the event of an increase of at least 25% in the average (over the last three years for which data are available) value of imports of the product into the territory of an ECOWAS member State. The SPT can also be applied if, in any given month, the average c.i.f. import price (in national currency) of a product falls below 80% of the average c.i.f. import price of the good over the last three years for which data are available. The tax may be imposed for a maximum period of one or two years depending on the case. Based on import prices, the SPT resembles a safeguard measure. Nigeria does not currently apply the SPT.

### 3.1.5.3 Other border taxes

3.30. Nigeria also applies to imports: a port development levy of 7% of the duties payable (tariff); an ECOWAS community levy of 0.5%<sup>10</sup>; a Comprehensive Import Supervision Scheme Charge of 1% on the f.o.b. value of imports; a statistical tax of 1%; a national automotive council levy of 15% on new imported vehicles and used vehicles, and of 5% on tyres; and a special levy of 15% on imports of Portland Cement.<sup>11</sup>

### 3.1.5.4 Internal taxes

3.31. The value added tax (VAT) was introduced in 1993, replacing the old sales tax. The VAT is applied at a flat rate of 5% to all taxable goods and services, including imported goods.<sup>12</sup> VAT is calculated on the duty-inclusive c.i.f. value of imports, and on the sales price of domestically

<sup>10</sup> The levy is imposed on goods from non-ECOWAS member States and is used to finance the activities of the ECOWAS Commission and Community institutions.

<sup>11</sup> European Commission online information, "Trade Barriers: Nigeria". Viewed at: [http://madb.europa.eu/madb/barriers\\_details.htm?barrier\\_id=105346&version=4](http://madb.europa.eu/madb/barriers_details.htm?barrier_id=105346&version=4).

<sup>12</sup> It is reported that recoverable input is limited to VAT on goods imported directly for resale and goods that form the stock-in-trade used for the direct production of any new product on which the output VAT is charged.

produced goods. Exports are zero-rated. VAT proceeds are distributed to the federal, state and local governments in shares of 35%, 40% and 25% respectively. More than three quarters of VAT revenues were collected from domestically produced goods and services, while some 20% of VAT revenues were generated from collection on imported products (Table 3.5).

**Table 3.5 VAT collection, by source, 2010-15**

(₦ billion)

|                   | 2010    | 2011    | 2012    | 2013    | 2014    | 2015    |
|-------------------|---------|---------|---------|---------|---------|---------|
| Total tax revenue | 2,839.4 | 4,628.5 | 5,007.7 | 4,805.6 | 4,714.6 | 3,741.8 |
| VAT collection    | 564.9   | 659.2   | 710.6   | 802.7   | 803.0   | 767.3   |
| Domestic supply   | 436.6   | 492.1   | 546.0   | 629.7   | 616.9   | 597.4   |
| Imports           | 128.3   | 167.1   | 164.6   | 173.0   | 186.1   | 169.9   |

Source: Information provided by the authorities.

3.32. In 1997, the Federal Inland Revenue Service (FIRS) issued a circular listing goods and services that are exempted from VAT (Table A3.3). These include, among others, basic food items produced within the country, books and educational materials, agricultural equipment, plant and machinery for use in the Export Free Zones, and all medical and pharmaceutical products and services. Excise duties are applied on eleven categories of goods. The duty is applied at 5% on perfumes and cosmetics, non-alcoholic beverages and fruit juices, soaps and detergents, spaghetti and noodles, telephone recharge cards, corrugated paper and paper board, and toilet paper and cleansing tissues. It is applied at a rate of 20% on cigarettes and tobacco and alcoholic beverages.<sup>13</sup> Customs collects VAT and excise duties at the border.

### 3.1.6 Import prohibitions, restrictions, and licensing

3.33. According to Nigeria's legislation, import prohibitions may be applied to protect domestic industries; to reduce balance-of-payments deficits; and on moral or safety grounds. Nigeria has two lists of prohibited goods: the "Import Prohibition List by Trade" and the "Absolute Import Prohibition List". Items included or removed from either list are notified through government notices and decrees. A waiver to import or re-export items on the prohibition lists may be granted by the President upon the recommendation of the Minister of Finance.

3.34. Since Nigeria's last review in 2011, the number of products on the "Import Prohibition List by Trade" has been gradually reduced from 44 to 23. However, some product groups have been added to the list more recently: cane or beet sugar and chemically pure sucrose; rethreaded and used pneumatic tyres; used motor vehicles; and farmed fish (Table A3.4).<sup>14</sup> The goods on the absolute import prohibition list have remained unchanged since 2011. This list has been primarily maintained on moral or safety grounds (Table A3.5).<sup>15</sup> According to the authorities, the "Import Prohibition List by Trade" is not applied to ECOWAS countries.

3.35. In order to combat smuggling, Nigeria prohibits the imports of specified goods (rice since 2013 and vehicles since 2016) through land borders. Moreover, to encourage local production for certain products, importers of 41 categories of items have been banned from access to foreign exchange by the Central Bank of Nigeria since August 2015 (Table A3.6).

3.36. Nigeria grants tariff reductions on specified quantities of imports of selected products (rice, sugar, cement and frozen fish). To benefit from the reductions, local producers of these goods have to meet certain criteria. The scheme operates like a tariff quota system but further information on it is not available.

3.37. Nigeria abolished its general import licensing system in 1986. Based on its last notification to the WTO in 2012, Nigeria does not maintain any general import licensing requirements.<sup>16</sup> However, import permits may be required to import goods that are on the import prohibition list

<sup>13</sup> Nigeria Customs online information. Viewed at: <https://www.customs.gov.ng/Guidelines/Excise/index.php>.

<sup>14</sup> Import Prohibition List. Nigeria Customs Service. Viewed at: <https://www.customs.gov.ng/ProhibitionList/import.php> [29/09/2016].

<sup>15</sup> Absolute Import Prohibition List. Nigeria Customs Service. Viewed at: [https://www.customs.gov.ng/ProhibitionList/import\\_2.php](https://www.customs.gov.ng/ProhibitionList/import_2.php) [29/09/2016].

<sup>16</sup> WTO document G/LIC/N/3/NGA/7, 17 January 2012.

by trade granted by the President, on the export prohibition list for re-export, or that originate from ECOWAS. Established assemblers and manufacturers are given approval to bring in completely knocked down (CKD) components for assembly in Nigeria. An approval letter is required for import permits. Import permits are required to import bagged cement and frozen fish.

### 3.1.7 Anti-dumping, countervailing, and safeguard measures

3.38. Nigeria has not imposed any anti-dumping or countervailing duties since its last review in 2011. Nigeria's law covering contingency measures is outdated. Under the Customs Duties (Dumped and Subsidies Goods) Act 1958, a special duty may be imposed on any goods deemed to be dumped by companies or subsidized by any Government or authority outside Nigeria. Goods are considered to have been dumped if the export price is lower than the "fair market price". The provisions of this Act may be invoked if there is a threat of material injury to potential or established industries in Nigeria, and if the imposition of a special duty does not conflict with Nigeria's international agreements.

3.39. Nigeria does not have legislation on safeguard measures. No safeguard measures have been officially taken by Nigeria during the period under review. However, based on reference prices, the Supplementary Protection Tax (SPT) is allowed under ECOWAS and it resembles a safeguard duty. However, Nigeria does not currently apply the SPT.

### 3.1.8 Other measures

3.40. Nigeria maintains countertrade arrangements and buy-back schemes that are used to conserve foreign exchange earnings. Under these policies, companies and individuals are encouraged to undertake industrial projects that involve sourcing machinery and equipment from overseas suppliers, through such arrangements, on a medium- and long-term basis. However, countertrade arrangements and buy-back schemes are not permitted for the importation of consumer goods. Neither policy has been used during the period under review.

## 3.2 Measures Directly Affecting Exports

### 3.2.1 Export procedures and requirements

3.41. All exporters must be registered with the Nigerian Export Promotion Council (NEPC) and incorporated or registered in Nigeria. For registration, exporters are required to submit a completed application form, a copy of the certificate of incorporation, form CAC 7, and the memorandum and articles of association.<sup>17</sup> The registration process takes two days from submission of all the required documents.<sup>18</sup> Exporters need to renew their registration every two years, submitting a current company tax clearance certificate, evidence of export performance within the previous two years, and a certified copy of form CAC 7.

3.42. Exporters are required to complete and register an export proceeds (NXP) form with an authorized dealer (commercial or merchant bank) of their choice. The NXP form is completed in six copies. The processing bank retains the first copy and the second copy is sent to the Central Bank of Nigeria (CBN). After extraction of relevant information, the same copy is forwarded to the National Maritime Authority (NMA). The third, fourth, fifth and sixth copies are sent to Customs. After shipment of the goods and necessary endorsements by Customs, the copies are sent to the CBN, the NEPC, and the exporter, while a copy is retained by Customs.<sup>19</sup>

3.43. The NXP aims to, *inter alia*, ensure that all export proceeds be repatriated into the exporter's non-oil domiciliary account, maintained with the processing bank, within 180 days of shipment. A currency retention scheme allows exporters to retain 100% of their foreign exchange earnings in their non-oil domiciliary accounts.

<sup>17</sup> For co-operative societies, evidence of registration is required in place of certificate of incorporation.

<sup>18</sup> The cost of the application form is ₦1,000 and the registration fee is ₦10,000. Renewals and replacements cost ₦5,000 and ₦10,000 respectively.

<sup>19</sup> Nigeria Customs Service online information, "Notice to Exporters". Viewed at: [https://www.customs.gov.ng/Stakeholders/notice\\_exporters.php](https://www.customs.gov.ng/Stakeholders/notice_exporters.php).

3.44. Other export documents include (where applicable): a pro forma invoice; a sales contract; an NEPC registration certificate; relevant sanitary and phytosanitary certificates; shipping documents; and other completed forms as required by the importing country.

### 3.2.2 Export taxes, charges, and levies

3.45. According to Nigeria's export amendment decree of 1992, and to encourage value addition, all raw materials or unprocessed commodities, whether agricultural or mineral, are subject to an export levy as prescribed by the NEPC. As a result, exports of unprocessed cocoa beans are subject to a US\$5 per tonne levy and exports of other raw materials to a levy of US\$3 per tonne. Revenue from these levies is primarily used for servicing Nigeria's financial obligations to the international commodity organizations to which it is a signatory. The levies are collected by the Central Bank of Nigeria on behalf of the Ministry of Agriculture and the Export Commodities Coordinating Committee.

3.46. The Nigerian authorities levy a charge of 0.5% on non-oil exports under the National Export Supervision Scheme; 75% of the revenue goes to a pre-shipment inspection company for every product that is being exported and the remaining 25% is retained by the Secretariat which monitors the export process and it is a unit within the Central Bank of Nigeria.

### 3.2.3 Export prohibitions, restrictions, and licensing

3.47. According to its Export Prohibition Act of 1989, Nigeria prohibits particular goods from being exported for purposes of domestic food security, value-added considerations, preservation of cultural heritage, and protection of the environment and wildlife. The list of goods has not changed during the period under review and includes: maize, timber (rough or sawn), raw hides and skin (including wet blue and all unfinished leather), scrap metals, unprocessed rubber latex and rubber lumps, artefacts and antiquities, and wildlife animals classified as endangered species and their products.<sup>20</sup> Licences are required to export petroleum products.

### 3.2.4 Export support and promotion

3.48. The Nigerian Export Promotion Council is responsible for promoting non-oil exports by encouraging Nigerian exporters to increase their export volume, broaden export product and market coverage, and diversify the productive base of the economy. Under the Export Act (Incentives and Miscellaneous Provisions) of 1992, as amended in 2004, the Export Expansion Grant (EEG) Scheme provides cash incentives for exporters based on the export value of their products.

3.49. To benefit from the scheme, the intended beneficiary must be: registered with the Corporate Affairs Commission (CAC); a registered exporter with the Nigerian Export Promotion Council (NEPC); a manufacturer/producer or merchant of products of Nigerian origin for the export market (i.e. the products must be made in Nigeria); and the export proceeds must be repatriated into a domiciliary account in Nigeria and confirmed by the Central Bank of Nigeria.

3.50. Applications for the EEG are assessed on "weighted eligibility criteria" (based on data provided by individual applicant companies): local value added (20%); local content (20%); employment of Nigerian nationals (20%); priority sector (10%); export growth (25%); and capital investment growth (5%). The maximum EEG rates for different product categories are: finished goods, 30%; semi-finished goods, 15%; and primary goods, 15%; while the minimum rates are 15%, 5%, and 5% respectively.

### 3.2.5 Export processing zones (EPZs)

3.51. The Nigerian Export Processing Zones Authority (NEPZA) is a Federal Government Agency under the supervision of the Federal Ministry of Industry, Trade and Investment, and was established under the Nigeria Export Processing Zones Act 63, of 1992. The Agency is responsible for promoting and facilitating local and international investments into licensed export processing

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<sup>20</sup> Nigeria Customs Service, Export Prohibition List. Viewed at: <https://www.customs.gov.ng/ProhibitionList/export.php> [27/10/2016].

zones (EPZs) in Nigeria. EPZs were set up to strategically improve Nigeria's investment climate by stimulating export-oriented business activities through strengthened strategic national economic policies, streamlined administrative approval processes and a one-stop-shop service for interested businesses.

3.52. NEPZA administers the incentives for EPZs which can be operated by the public or private sector or a combination of both. Incentives provided to companies located in EPZs include: tax holiday from all federal, state and local government taxes, and levies; duty free and VAT exemptions on the importation of capital goods, machinery/components, spare parts, raw materials and consumable items into the zones; 100% foreign ownership of investments; waiver of all import and export licences; waiver on all expatriate quotas; one-stop approvals for permits, operating licences and incorporation papers; permission to sell 25% of goods into the domestic market; and rent-free land during the first 6 months of construction (for government-owned zones).

3.53. An investor interested in setting up an enterprise in one of Nigeria's EPZs is required to complete and submit an investor's application form along with the required documents such as four copies of feasibility studies, four copies of an environment impact assessment (EIA), a marketing strategy, sources of funding as well as a five-year financial projection plan.

3.54. There are 34 EPZs spread across Nigeria. Some cater for specific economic activities while others are more general in nature. As at December 2015, there are 399 licensed enterprises operating in the various EPZs in Nigeria which directly employ around 12,000 people. In 2015, the total value of FDI was US\$200 billion and the value of exports was US\$145 million. Goods sold on the domestic market accounted for ₦73 million.

### **3.2.6 Export finance, insurance, and guarantees**

3.55. The Nigerian Export-Import Bank was established by Act 38 of 1991 as Nigeria's Export Credit Agency (ECA) with a share capital of ₦50 billion. The Bank is equally owned by the Central Bank of Nigeria (CBN) and the Federal Ministry of Finance Incorporated (MOFI).

3.56. The Bank has the broad mandate of diversifying the Nigerian economy and developing the external sector through the provision of: export credit facilities in both local and foreign currencies, risk-bearing facilities (Export Credit Guarantee and Export Credit Insurance), and business development and financial advisory services. The major sectors of participation are the manufacturing, agriculture, solid minerals and services sectors. The Bank's products and services can be accessed by an exporter either directly or through the deposit money banks (DMBs) at concessionary rates. NEXIM is also National Guarantor under the ECOWAS Inter-State Road Transit programme.

3.57. In order to benefit from the services of NEXIM, the exporter must be a duly registered Nigerian company and also be registered with the Nigerian Export Promotion Council (NEPC) as an exporter. The proportion to be financed depends on the type of facility/product: for pre-shipment, up to 75% of the value of the export; for post-shipment, up to 85% of the value of the export; for rediscounting and refinancing of export bills, up to 100% of the invoice value; and for project-related financing, up to 100% of the invoice value of the equipment provided it does not exceed 80% of the total project cost. NEXIM charges up to a maximum rate of 2% for guarantee fees and 1% for management fees for its guarantee facility.

## **3.3 Measures Affecting Production and Trade**

### **3.3.1 Taxation and incentives**

#### **3.3.1.1 Taxation**

3.58. Under the Taxes and Levies Decree of 1998, taxation in Nigeria is enforced by the three tiers of the Government, i.e. the federal, state, and local governments. Each tier of the Government has its sphere of taxation. At the federal level, in addition to import tariffs and export levies, the Federal Government may collect companies income tax, withholding tax on



companies<sup>21</sup>, petroleum profits tax, value added tax, capital gains tax, stamp duties, education tax, and some personal income tax.<sup>22</sup> Under the Ministry of Finance, the Federal Inland Revenue Service (FIRS) is the agency that handles all federal tax issues.<sup>23</sup>

3.59. The companies income tax is payable for each year of assessable profits of any company (outside the oil and gas sector)<sup>24</sup> at a rate of 30%. The taxation base includes profits accruing in, derived from, brought into or received from trade, business or investment. Nigerian resident companies are required to pay tax on their worldwide income; non-resident companies are taxed on the proportion of their income earned in Nigeria.<sup>25</sup>

3.60. Companies active in the oil and gas sector (including construction and consulting companies providing services to oil companies) are subject to the petroleum profits tax, under the Petroleum Profits Tax Act (a separate tax law regulating tax on companies income in the oil and gas sector). The taxable income of a petroleum company comprises proceeds from the sale of oil and related substances used by the company in its own refineries plus any other income of the company incidental to and arising from its petroleum operations.

3.61. For resident companies in the upstream sector of the oil and gas industry, the taxable income is subject to the rate of 85%, but this rate is lowered to 65.75% during the first five years of operation. Oil companies operating under production sharing contracts are liable to a tax rate of 50%. The petroleum profits tax rate for companies in the downstream sector is 30%, while it is applied at a rate of 45% to liquefied natural gas (LNG) projects. A petroleum profits tax of 20% is applied to the assessable income of non-resident companies engaged in the oil and gas sector.

3.62. A capital gains tax is imposed on all gains accruing to a taxpayer from the sale or lease or other transfer of proprietary rights in a chargeable asset. Such chargeable assets may be corporeal or incorporeal, regardless of whether such an asset is situated in Nigeria or not.<sup>26</sup> Computation of capital gains tax is done by deducting the sum received or receivable from the cost of acquisition to the person realizing the chargeable gain plus expenditure incurred on the improvement or expenses incidental to the realization of the asset.

3.63. Generally, company dividends or other company distribution whether or not of a capital nature are liable to the capital gains tax. However corporate securities are exempted from the tax. Dividends paid in the form of bonus shares or scrip shares to individual shareholders are not subject to the tax; also, where a company is a shareholder in another company then such dividends are excluded from the profits of the company for the purposes of computation of the tax. The capital gains tax is applied at a rate of 10% to companies and to Abuja residents only.

3.64. As stipulated in Nigerian laws<sup>27</sup>, certain activities and services are subject to a withholding tax. This basically means that where, during transactions in any of the specified activities or services, a payment is due from one person to another, the person making the payment is expected to deduct tax at the applicable rate and remit it to the relevant tax authority (Table 3.6). The withholding tax is applied to individuals and companies, irrespective of being resident or not.

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<sup>21</sup> Withholding tax on individuals is collected by the states.

<sup>22</sup> The Federal Government collects personal income tax in respect of armed forces personnel, police personnel, residents of Abuja FCT, external affairs officers, and non-residents. Other personal income taxes such as PAYE are collected by state governments.

<sup>23</sup> Nigerian Federal Inland Revenue Service (FIRS) online information. Viewed at: <http://www.firs.gov.ng/>.

<sup>24</sup> The Companies Income Tax is applied at a rate of 30% to gas production and gas transmission and distribution companies. See Nigeria Investment Promotion Commission online information, "Investment Incentives". Viewed at: <http://www.nipc.gov.ng/index.php/invest-in-nigeria/investment-incentives.html>.

<sup>25</sup> Companies are deemed to be resident companies if they are registered or incorporated in Nigeria.

<sup>26</sup> Similar to the spirit of the companies income tax, where the taxpayer is a non-resident company or individual, the tax will only be levied on the amount received or brought into Nigeria.

<sup>27</sup> Legal provisions are found in Sections 68 to 72 of the Personal Income Tax Decree No. 104 of 1993; Sections 60 to 64 of the Company Income Tax Act (as amended); and Section 51(a) of the Petroleum Profits Tax Act (as amended).

**Table 3.6 Rates of withholding tax, 2016**

| Activities/services                                                                     | Corporate body rate (%) | Individual rate (%) |
|-----------------------------------------------------------------------------------------|-------------------------|---------------------|
| Dividends                                                                               | 10                      | 10                  |
| Royalties                                                                               | 10                      | 10                  |
| Interest                                                                                | 10                      | 10                  |
| Director fees                                                                           | 10                      | 10                  |
| Rent (including hire of equipment)                                                      | 10                      | 10                  |
| All aspects of building construction and related activities                             | 5                       | 5                   |
| All aspects of contract activities or agency arrangements including contract for supply | 5                       | 5                   |
| Management services                                                                     | 10                      | 5                   |
| Consultancy and professional fees                                                       | 10                      | 5                   |
| Technical services                                                                      | 10                      | 5                   |
| Commission                                                                              | 10                      | 10                  |

Source: Information provided by the Nigerian authorities.

3.65. An education tax at a rate of 2% of assessable profits is imposed on all companies incorporated in Nigeria. This tax is viewed as a social obligation placed on all companies to ensure that they contribute to the development of educational facilities in the country.

3.66. Every employee of a Nigerian incorporated company is required to contribute a certain percentage of their salary to the Nigerian Social Investment Trust Fund. The rates of contributions are defined as: 2.5% of the salary (subject to a maximum of ₦1,200 per annum) of an employee, and 5% of the basic salary of an employer.<sup>28</sup> Expatriates are excluded from this requirement provided that they show proof of a similar contribution in their home country.

3.67. A number of transactions are subject to stamp duties; the duties are collected by the state and federal authorities, depending on the transaction/administrative service.<sup>29</sup> Indeed, stamp duties are regarded as transaction taxes, and the rates chargeable would depend on the classification of the document. Some documents attract specific stamp duties while *ad valorem* rates apply to others.

### 3.3.1.2 Tax incentives

3.68. Nigeria notified to the WTO that, over the period 2007-08, it did not maintain any subsidies under the meaning of Article 2 of the Agreement on Subsidies and Countervailing Measures.<sup>30</sup>

3.69. Pursuant to the Industrial Development (Income Tax Relief) Act, Nigeria provides companies income tax holidays to "pioneer status" companies investing in specified industrial activities. The tax holiday is for three years and may be extended for up to another two years upon satisfaction of specified conditions. To qualify, a joint venture company or a wholly foreign-owned company must have a minimum share capital of ₦10 million and have incurred a capital expenditure of not less than ₦5 million.<sup>31</sup> An application for pioneer status must be submitted within one year of the commencement of commercial production. Currently, there are 71 approved industries/activities with "pioneer status" in which companies may be engaged to benefit from the tax holiday.

3.70. Some concessions are granted to petroleum companies known as capital allowance and petroleum investment allowance. The capital allowance is deducted when calculating the taxable income and covers expenditure on equipment and pipelines, and storage facilities, as well as buildings and drilling costs, these being referred to as qualifying assets. The applicable rate of capital allowance for any year is 20% of the cost of the qualifying assets applied on a straight-line basis for the first four years and 19% for the fifth year.<sup>32</sup> The petroleum investment allowance is

<sup>28</sup> This contribution is based on the assumption that the maximum basic salary in Nigeria is ₦48,000 per annum.

<sup>29</sup> These transactions include: incorporation of companies, increase in companies authorized share capital, mortgage bonds, debenture and dealing in securities, settlement of estates and conveyance of property.

<sup>30</sup> WTO document G/SCM/N/186/NGA, 12 November 2009.

<sup>31</sup> For "indigenous company", the threshold is ₦150,000.

<sup>32</sup> For any accounting period, the tax on the company should not be less than 15% of the tax which would have been assessable, had no capital allowances been granted to the company.



regarded as an addition to capital allowance, and covers new investments in assets for petroleum exploration. It is available in the accounting period in which the assets are first used.

3.71. Nigeria also offers concessions on companies income tax to promote local raw materials utilization, local value added, and local manufacturing. A 20% tax credit is accorded for five years to firms in certain sectors, subject to minimum local raw materials utilization in their production (Table 3.7). A 10% tax concession for five years is granted essentially to engineering industries that use imported parts and components as inputs; the concession is aimed at encouraging local fabrication rather than the mere assembly of completely knocked down parts. Furthermore, any taxpayer who purchases locally manufactured plant and machinery and equipment is similarly entitled to a 15% investment tax credit on such fixed assets bought for business use.

**Table 3.7 Minimum levels of local raw materials for tax concession purposes, 2016**

| Industrial sector | Minimum level of local materials |
|-------------------|----------------------------------|
| Agro-allied       | 70%                              |
| Engineering       | 60%                              |
| Chemical          | 60%                              |
| Petrochemical     | 70%                              |

Source: Nigerian Investment Promotion Commission online information. Viewed at: <http://www.nipc.gov.ng/index.php/invest-in-nigeria/investment-incentives.html>.

3.72. Nigeria provides a number of export incentives (see Section 3.2.4).

3.73. Tax incentives are accorded to activities that address structural issues such as infrastructure development. For instance, a company may enjoy a once-and-for-all deduction of 20% of the cost of the activity from tax, if it provides basic infrastructure such as roads, water, and electricity where they do not exist. For research and development (R&D), there is an incentive of 120% tax deductible expenses provided the R&D is carried out in Nigeria; and 140% for R&D on local raw materials.

3.74. Companies engaged in gas utilization are entitled to a tax-free period of up to five years and tax-free dividends during the tax-free years. Also, companies engaged in gas utilization enjoy a 15% investment capital allowance; loan interest on gas projects may be tax deductible, subject to prior approval from the Federal Ministry of Finance.

### 3.3.1.3 Non-tax incentives

3.75. Nigeria maintains an Agricultural Credit Guarantee Scheme Fund (ACGSF) managed by the Central Bank of Nigeria. ACGSF guarantees up to 75% of the amount of credits lent by banks for agricultural projects.<sup>33</sup> Currently, the capital base for ACGSF is ₦3 billion.

3.76. In addition, ACGSF developed an Interest Drawback Programme (IDP) for farmers. The IDP aims at "reducing effective borrowing rates without the complication of introducing a dual interest rate regime or contradicting the existing deregulation policy of the government".<sup>34</sup> Under the IDP, farmers borrow from banks at market-determined rates and the IDP provides interest rebates to them where the loans are repaid as and when due.<sup>35</sup> The IDP was established with a fund of ₦2 billion.

3.77. Nigeria also developed an Agricultural Credit Support Scheme (ACSS) and a Commercial Agriculture Credit Scheme (CACS), in partnership with participating banks. The schemes provide loans to farmers and agro-allied entrepreneurs, at capped interest rates of 8% and 9%, respectively.

<sup>33</sup> The eligibility of agricultural projects for guarantees is set forth in the Guidelines for the Agricultural Credit Guarantee Scheme. Viewed at: <https://www.cbn.gov.ng/out/Publications/guidelines/dfd/1990/guidelines-acgsf.pdf>.

<sup>34</sup> The Central Bank of Nigeria online information, "Interest Draw Back". Viewed at: <https://www.cbn.gov.ng/devfin/idppage.asp>.

<sup>35</sup> The eligibility and conditions for interest drawback are set forth in the Guidelines for the Interest Drawback Programme. Viewed at: <https://www.cbn.gov.ng/out/Publications/guidelines/dfd/acgsfidp guideline.pdf>.

### 3.3.2 Trade-related investment measures (TRIMs)

3.78. Nigeria notified to the WTO that it does not have local content laws or regulations; however, "the Industrial Policy of Nigeria provides for incentives aimed at promoting the use of local raw materials".<sup>36</sup>

3.79. The Nigerian Oil and Gas Industry Content Development Act, enacted in April 2010, provides that first consideration shall be given to Nigerian operators, and to Nigerian goods and services, when awarding licences or contracts in the Nigerian oil and gas industry.<sup>37</sup> The Act provides a price preference of 10% for Nigerian bidders; the Act also provides a 1% preference for all bidders with Nigerian content that is at least 5% higher than the closest competitor.<sup>38</sup> Some restrictions are maintained on workforce employment including a cap on expatriate positions.<sup>39</sup> In the last TPR of Nigeria in 2011, some Members expressed concern that the provision of the Act may not be consistent with the obligations under the WTO Agreement on Trade-Related Investment Measures.<sup>40</sup>

3.80. Nigeria also provides several tax incentives for utilization of local raw materials or for increasing local value added (Section 3.3.1.2).

### 3.3.3 Standards, technical regulations and other requirements

3.81. During the period under review, the institutional framework for standards and technical requirements remained largely unchanged. The main piece of legislation is the Standards Organization of Nigeria Act, 2015; this Act repeals the old Standards Organization of Nigeria Act, 2004. The new act provides additional functions for the Organization, and increases penalties for non-compliance. The enquiry point for technical barriers to trade (TBT) is the Standards Organization of Nigeria (SON); and the Federal Ministry of Industry, Trade and Investment is responsible for notifications to the WTO.

3.82. Nigeria submitted three notifications to the WTO in the period from January 2011 to November 2016 regarding its technical regulations and conformity assessment procedures.<sup>41</sup> One of the notifications informed the WTO Members that Nigeria was developing its National Quality Policy (since December 2014), and it provided Members 60 days to comment on the draft policy. Nigeria notified two measures on conformity assessment that are applied to locally produced and imported goods, respectively; the notified measures were already in force at the time of notification. Nigeria did not notify any measures with regard to standards during the review period.

3.83. Standards established by SON are called Nigerian Industrial Standards (NIS). All standards in Nigeria are mandatory, i.e. technical regulations. Products currently covered include chemicals, civil engineering, electrical engineering, mechanical engineering, processed food, and textiles and leather. All Nigerian technical regulations are available in SON's library.<sup>42</sup> According to SON, 222 new standards have been established since January 2011, covering, *inter alia*, chemicals, electric/electronic goods, food, mechanical products, textiles, building materials and civil engineering.

3.84. Nigerian industrial standards are established by consensus and approved by the Standards Council of SON. Eight Technical Groups support the Standards Directorate.<sup>43</sup> At the national level, the Directorate coordinates the activities of the experts, relevant stakeholders and other interested parties on the National Technical Committees that develop the Nigerian Industrial Standards (NIS). According to the authorities, when formulating an NIS, Nigeria will consider adoption or adaptation of relevant international standards that already exist. As of end November 2016, there were about

<sup>36</sup> WTO document G/TRIMS/N/1/NGA/1, 31 July 1996.

<sup>37</sup> Articles 3, 7, and 12, the Nigerian Oil and Gas Industry Content Development Act of 2010.

<sup>38</sup> Articles 14 and 16, the Nigerian Oil and Gas Industry Content Development Act of 2010.

<sup>39</sup> Articles 31(2) and 32, the Nigerian Oil and Gas Industry Content Development Act of 2010.

<sup>40</sup> WTO document WT/TPR/M/247/Add.1, 29 August 2011.

<sup>41</sup> WTO documents G/TBT/N/NGA/2, G/TBT/N/NGA/3, and G/TBT/N/NGA/4, 14 December 2015.

<sup>42</sup> Standards Organization of Nigeria (SON) digital library. Accessed at:

[http://demo.acesd.com.ng/\[25/11/2016\]](http://demo.acesd.com.ng/[25/11/2016]).

<sup>43</sup> These Technical Groups include: Electrical/Electronic Group, Food/Codex Group, Chemical Technology Group, Civil/Building Group, Service Standards Group, Mechanical/Metrology Group, Textile & Leather Group, and International Standards Group.

1,300 Nigerian Industrial Standards and more than 13,000 international standards (including 41 ECOWAS standards) in force in Nigeria.

3.85. All goods (locally produced or imported) subject to technical regulations require conformity assessment and certification before they are placed on the market, under the Standards Organization of Nigeria Conformity Assessment Programme (SONCAP)<sup>44</sup> for imported goods, and under the Mandatory Conformity Assessment Programme (MANCAP) for domestically produced goods.

3.86. Under SONCAP, all imported products are subject to pre-shipment certification. A SONCAP Certificate (SC) is a mandatory customs clearance document in Nigeria and imports that are not accompanied by an SC will be denied entry. Exporters of goods to Nigeria must supply their local SON country office with a valid test report and photographs of the product they wish to export to Nigeria.<sup>45</sup> Four international accreditation firms (IAFs) operate the SONCAP on behalf of SON for certification.<sup>46</sup> An SC is required per container/per product, and is valid for between six to twelve months. It is reported that the cost of a SONCAP procedure amounts to some US\$600 per container/per product, and for mixed shipment (i.e. containing different products) the cost will be multiplied accordingly.

3.87. Similarly, the Mandatory Conformity Assessment Programme (MANCAP) is applied to all locally manufactured products.<sup>47</sup> The MANCAP aims to ensure that all locally manufactured products conform to the relevant NIS before being presented for sale in Nigeria or exported. A MANCAP certificate is valid for three years after which the product must undergo recertification. The MANCAP logo is to be fixed on the smallest unit pack of the product before the good is introduced into the market for sale.

3.88. SON also operates a number of voluntary certification schemes, including the Voluntary Product Certification Scheme (NIS Mark of Quality), Nigerian Quality Award Scheme (NQA), and Product-Type Certification for Exports.

3.89. Nigeria accepts test reports and certifications from laboratories in other countries as long as the laboratory is accredited to ISO 17025. However, the authorities noted that inspection, sampling, and re-testing (when necessary) must be done at the SON Laboratory.

3.90. SON carries out enforcement operations through market surveillance and border inspections with Customs (for imports). SON may initiate market surveillance, or react to complaints. Products that are not compliant with NIS will be removed from markets, and/or are subject to rectification. SON publishes lists of products that have been blacklisted/destroyed, rectified, and "downgraded" on its own website.<sup>48</sup> SON states that its enforcement activities are financed through rectification handling fees/fines.<sup>49</sup>

3.91. SON is a member of the International Organization for Standardization and the International Electrotechnical Commission. It is also affiliated to the British Standards Institute, The American National Standards Institute, the Deutsches Institute für Normung, the Japan Industrial Standards Committee, the Korean Agency for Technology and Standards, the Standardization Administration of China, the Ghana Standards Board, the Bureau of Indian Standards, and the South African Bureau of Standards.

3.92. All products circulated in the Nigerian market are required to bear a label indicating the name of the product, its country of origin, specifications, date of manufacture, batch or lot number, and the standard(s) to which it complies. The labelling must be in English, in addition to any other languages required, and metric units of measurement must be used. Pharmaceutical and chemical products must carry expiry dates and/or shelf life, and specify active ingredients, where

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<sup>44</sup> WTO document G/TBT/N/NGA/4, 14 December 2015.

<sup>45</sup> Photographs need to show all relevant markings such as country of manufacture, etc.

<sup>46</sup> The four international accreditation firms are: China Certification and Inspection Group, Cotecna Inspection Limited SA, Société Générale de Surveillance (SGS) SA, and Intertek.

<sup>47</sup> WTO document G/TBT/N/NGA/3, 14 December 2015.

<sup>48</sup> SON online information, "Enforcement". Viewed at: <http://son.gov.ng/enforcement/>.

<sup>49</sup> The fines and penalties are provided for in Section 28, the Standards Organization of Nigeria Act, 2015.

applicable, on their packaging. Information on performance life and rating may be required on electrical appliances, depending on the product.

3.93. Food products must comply with specific labelling requirements from NAFDAC, such as: production batch number; net contents, including essential ingredients in metric weights for solids, semi-solids, and aerosols, and metric volume for liquids; food colourings and additives; and a best-before date. It is mandatory for all products that have been registered by NAFDAC to display a NAFDAC registration number (see below).

### 3.3.4 Sanitary and phytosanitary measures

3.94. During the period under review, the institutional and legal framework concerning sanitary and phytosanitary (SPS) measures remained largely unchanged. The main legislation includes the Food and Drug Act (CAP. F32 L.F.N. 2004), the Food, Drugs and Related Products (Registration, etc.) Act (CAP. F33 L.F.N. 2004), the Animal Disease (Control) Act (CAP. A17 L.F.N. 2004), and the Agriculture (Control of Importation) Act (CAP. A13 L.F.N. 2004).

3.95. The Federal Ministry of Industry, Trade and Investment is the notification authority for Nigeria to the WTO SPS Committee, and the national enquiry points are: for food safety issues, the National Agency for Food and Drug Administration and Control (NAFDAC); for animal health, the Department of Veterinary & Pest Control Service (DVPCS) under the Federal Ministry of Agriculture and Rural Development (FMARD);<sup>50</sup> and for plant health, the Nigeria Agricultural Quarantine Service (NAQS). Nigeria is a member of the World Organisation for Animal Health (OIE), Codex Alimentarius Commission (CAC), and a contracting party to the International Plant Protection Convention (IPPC).

3.96. Nigeria notified 17 regular SPS measures to the WTO in the period from 1 January 2011 to 1 March 2017.<sup>51</sup> Nigeria indicated that 14 of the notified measures were based on international standards. All 17 notified measures were already in force prior to this review period and cover food safety (including food additives), pesticides, and food labelling. Nigeria has not notified any emergency SPS measures to the WTO.

3.97. Pursuant to the National Agency for Food and Drug Administration and Control Act (CAP. N1 L.F.N. 2004), NAFDAC regulates seven types of products (known as "regulated products"), namely, processed and semi-processed food, drugs, cosmetics, medical devices, packaged water, detergents, and chemicals. All "regulated products" must be registered with NAFDAC before they are manufactured, imported, exported, advertised, and circulated in the market. The registration process involves site inspection of facilities;<sup>52</sup> assessment of food safety and quality; laboratory analysis, and radiation testing, where applicable; the control of advertisement to ensure that claims are not exaggerated; and testing of compliance with labelling requirements. NAFDAC indicated that each registration must be specific to the individual product and individual operator (e.g. manufacturer, importer). A registration is valid for five years, renewable.

3.98. Imported "regulated products" are also subject to NAFDAC registration requirements. Imported drugs, cosmetics, medical devices, and food products must be covered by a certificate of manufacture and free sale from the competent regulatory body in the exporting country, and authenticated by the Nigerian Embassy in the country of origin<sup>53</sup>, prior to any importation. Furthermore, certain samples must be sent to NAFDAC's laboratories for testing, at least three months before the product arrives in Nigeria. NAFDAC applies Nigerian Industrial Standards as well as the CAC's food additive and contaminant regulations, and pesticide residue and mycotoxin standards, in its assessment of food safety. NAFDAC noted that imported "regulated products" are cleared at the point of entry.

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<sup>50</sup> The Department of Livestock was the original national enquiry point concerning SPS measures for animal health. The Department of Livestock was split into two entities in 2014, namely the Department of Veterinary & Pest Control Services and the Department of Husbandry Services. The Department of Veterinary & Pest Control Services assumes the role of veterinary authority of Nigeria.

<sup>51</sup> WTO documents G/SPS/N/NGA/1-17, all dated in September 2015.

<sup>52</sup> The cost of site inspection by NAFDAC officials is borne by the applicant for registration.

<sup>53</sup> If there is no Nigerian embassy in the country of origin, any commonwealth country embassy in that country can do the authentication.

3.99. For exports of the "regulated products", certificates from NAFDAC are also required. Export certificates are issued only if the manufacturer of the product maintains the requirements under "good manufacturing practice", and the product passes the NAFDAC's laboratory tests.

3.100. The Nigeria Agricultural Quarantine Service (NAQS) is an agency under the Federal Ministry of Agriculture and Rural Development. It regulates enforcement of animal, fisheries and plant health measures in connection with imports and exports of agricultural products at the borders, with a view to minimizing the risk to agriculture, food safety and the environment. NAQS publishes, on its website, a list of products subject to NAQS controls.<sup>54</sup> According to NAQS, this list is based on the result of risk analysis and will be revised periodically. NAQS operates a "single window" to electronically process documentation requirements (e.g. permit applications and issuance) and arrangements for border inspection of consignments.

3.101. Under the Animal Diseases (Control) Act, the importation of animals, animal products, hatching eggs, poultries, biologics, and infectious agents is prohibited unless a permit is granted from DVPCS. Importers must apply to DVPCS for an International Veterinary Certificate (i.e. an import permit) for each batch of imports. For imports of live animals (including poultry) and animal products (including meat), a sanitary certificate from the veterinary authorities of exporting countries is a prerequisite document for application for an import permit. According to the authorities, Nigeria's sanitary requirements, standards and guidelines are based on the provisions of the OIE Terrestrial Animal Health Code. Moreover, an import risk assessment is deemed necessary when higher standards are required. Once an import permit is granted, a copy of the permit will be forwarded to NAQS for enforcement at the borders.

3.102. The importation of meat, including beef, pork, mutton, and frozen chicken, remains prohibited. In March 2016, a Member raised its concerns in the WTO SPS Committee over Nigeria's import restrictions on all types of refrigerated or frozen meat and foods containing meat. In response, Nigeria indicated that the measures were applied to protect health and life due to a lack of importers' capacity to cope with safety requirements, and that the measures were under review.<sup>55</sup>

3.103. No imports of aquatic products are allowed in the absence of a quarantine permit of entry from NAQS issued within 24 hours before departure from the country of origin. Upon arrival, the aquatic products are subject to NAQS inspection and quarantine treatment for 14 days. Dependent on the quarantine observation and laboratory results, the imported aquatic products may be cleared from Customs or subject to quarantining extension.

3.104. The importation of plants, seeds, oil, artificial fertilizers and other similar products is subject to an import permit issued by NAQS. An export certificate from the exporting country is required for fresh plants and plant products as a prerequisite document for import permit application. The issuance of an import permit would depend on the risk level in the country of origin. A permit may not be issued if the plant type is prohibited or if the country of origin is known to be a high-risk area. An import permit is valid for a period of 12 months.

3.105. Nigeria prohibits imports of genetically modified products, except for research purposes. However, it is reported that in May 2016 Nigeria's National Biosafety Management Agency issued a permit for the commercial release of genetically modified cotton, and a permit for the confined field trial of genetically modified maize.<sup>56</sup> There are no provisions on food ingredients containing genetically modified organisms.

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<sup>54</sup> Nigeria Agricultural Quarantine Service online information, "List of HS Codes controlled by NAQS". Viewed at: <http://www.naqs.gov.ng/downloads/hscodes.xls>.

<sup>55</sup> WTO document G/SPS/R/82, 7 June 2016.

<sup>56</sup> *Premium Times* news article, "Nigeria deploys genetically modified cotton, maize despite safety concerns", 8 June 2016. Viewed at: <http://www.premiumtimesng.com/news/headlines/204966-nigeria-deploys-genetically-modified-cotton-maize-despite-safety-concerns.html>.

### 3.3.5 Competition policy and price controls

#### 3.3.5.1 Competition policy

3.106. Nigeria has no specific legislation on competition or anti-trust issues. Since 2002, a competition bill has been under consideration by the National Assembly. In July 2016, it was reported that the National Assembly has identified the bill as one of its "priority bills for passage". The draft bill attempted to regulate "possible abuses of dominant positions by business, and anti-competitive combines, and to establish the Federal Competition and Consumer Protection Commission". The authorities indicated that the bill is expected to be passed in the National Assembly by the end of 2017.

3.107. The Investment and Securities Act of 1999 grants powers to the Securities and Exchange Commission as well as to the Federal High Court to review or deny approval of any corporate merger or acquisition that may restrain trade or create monopolies. Proposed mergers and acquisitions must also be reviewed by the Federal and Inland Revenue Service, which examines the tax implications or consequences of such transactions.

#### 3.3.5.2 Price controls

3.108. The authorities indicated that the Price Control Act of 1977 was abolished in 1986, and that there has been no price control mechanism since then. Nonetheless, prices are being regulated for, *inter alia*, electricity, compulsory insurance, retailed refined petroleum, telecommunications, and postal services (Section 4).

### 3.3.6 State trading, state-owned enterprises, and privatization

#### 3.3.6.1 State trading enterprises

3.109. Nigeria notified to the WTO that it does not maintain any state trading enterprises within the meaning of the working definition contained in Paragraph 1 of the Understanding on the Interpretation of Article XVII of the GATT 1994.<sup>57</sup>

#### 3.3.6.2 State-owned enterprises and privatization

3.110. The legal framework for privatizing and divesting government shares in public sector enterprises (PSEs) was laid down in the Public Enterprises (Privatization and Commercialization) Act of 1999. It appears that the provision of the Act that allows the Government to retain a 40% stake in utilities, refineries, steel companies and fertilizer companies no longer applies.

3.111. During the period under review, privatization transactions were concentrated in the power sector. The authorities noted that all power generation companies have been privatized – 16 out of 19 companies were privatised in November 2013, two were privatised in 2014, and the last one in January 2015. Nigeria also privatized Nigerian Telecommunications Ltd (NITEL) and its subsidiary, Nigerian Mobile Telecommunications Ltd (MTEL) in April 2015.

3.112. The strategies for partial privatization in the finance sector for, *inter alia*, the Bank of Industry, the Bank of Agriculture, the Nigeria Commodity Exchange, and the Federal Mortgage Bank of Nigeria have been approved by the National Council of Privatization. The work to implement these strategies is ongoing, though at a slow pace.

3.113. The Bureau of Public Enterprises (BPE) remains as the executing agency in the field of privatization. According to the BPE, as of 9 February 2017, there were 110 enterprises that are fully or partially owned by the Federal Government of Nigeria.

### 3.3.7 Government procurement

3.114. During the period under review, the institutional framework for government procurement remained largely unchanged. The law pertaining to government procurement is the Public

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<sup>57</sup> WTO documents G/STR/N/13/NGA, 27 April 2011, and G/STR/N/14/NGA, 12 September 2012.



Procurement Act of 2007. According to the authorities, the UNCITRAL model legal framework is applied in Nigeria. Nigeria is neither a signatory nor an observer to the plurilateral Agreement on Government Procurement.

3.115. Under the Public Procurement Act, the National Council on Public Procurement (NCP) and the Bureau of Public Procurement (BPP) are responsible for the procurement of any goods, services or works by the Federal Government of Nigeria as well as by any entity that derives at least 35% of the funds used for procurement from the Federation's share of the Consolidated Revenue Fund.<sup>58</sup> The functions of the NCP include reviewing, amending, and approving procurement thresholds; setting policy on public procurement; approving the appointment of the directors of the BPP; reviewing and approving the audited accounts of the BPP; and approving changes in the procurement process to adapt to the improvement in modern technology. The BPP serves as the secretariat for the NCP.

3.116. The BPP publishes the thresholds for approval by the NCP.<sup>59</sup> The procurement method thresholds have not changed since the enactment of the Public Procurement Act (Table 3.8); any procurement of goods, services, or works valued above ₦2.5 million must be through an open competitive bidding process.

**Table 3.8 Procurement methods and thresholds of application, 2016**

| Procurement/selection method and prequalification            | Goods                                             | Works                                           | Non-consultant services                           | Consultant services     |
|--------------------------------------------------------------|---------------------------------------------------|-------------------------------------------------|---------------------------------------------------|-------------------------|
| International/national competitive bidding                   | ₦100 million and above                            | ₦1 billion and above                            | ₦100 million and above                            | n.a.                    |
| National competitive bidding                                 | ₦2.5 million and above but less than ₦100 million | ₦2.5 million and above but less than ₦1 billion | ₦2.5 million and above but less than ₦100 million | n.a.                    |
| Shopping (market survey)                                     | Less than ₦2.5 million                            | Less than ₦2.5 million                          | Less than ₦2.5 million                            | n.a.                    |
| Single source/ direct contracting (minor value procurements) | Less than ₦0.25 million                           | Less than ₦0.25 million                         | Less than ₦0.25 million                           | Less than ₦0.25 million |
| Prequalification                                             | ₦100 million and above                            | ₦300 million and above                          | ₦100 million and above                            | n.a.                    |
| Quality and cost based                                       | n.a.                                              | n.a.                                            | n.a.                                              | ₦25 million and above   |
| Consultant qualifications                                    | n.a.                                              | n.a.                                            | n.a.                                              | Less than ₦25 million   |
| Least cost                                                   | n.a.                                              | n.a.                                            | n.a.                                              | Less than ₦25 million   |

n.a. Not applicable.

Source: Information provided by the authorities.

3.117. The BPP issues a "certificate of no objection" to procuring entities for contract award (Table 3.9). The tender boards may approve and award a contract related to a procurement project that has obtained such a certificate without further review by the NCP. The approval thresholds have not changed since the enactment of the Act.

<sup>58</sup> Six state governments have also implemented the Act.

<sup>59</sup> The Bureau of Public Procurement (BPP) online information, "Approval Threshold". Viewed at: [http://www.bpp.gov.ng/index.php?option=com\\_joomdoc&view=documents&path=Approved\\_Thresholds\\_for\\_Service-Wide\\_Application.pdf&Itemid=724](http://www.bpp.gov.ng/index.php?option=com_joomdoc&view=documents&path=Approved_Thresholds_for_Service-Wide_Application.pdf&Itemid=724).

**Table 3.9 Procurement approval thresholds, 2016**

| Approving authority/"no objection" to award     | Goods                                            | Works                                            | Non-consultant services                          | Consultant services                              |
|-------------------------------------------------|--------------------------------------------------|--------------------------------------------------|--------------------------------------------------|--------------------------------------------------|
| BPP issues "no objection" to award/FEC approves | ₦100 million and above                           | ₦500 million and above                           | ₦100 million and above                           | ₦100 million and above                           |
| Ministerial Tenders Board                       | ₦5 million and above but less than ₦100 million  | ₦10 million and above but less than ₦500 million | ₦5 million and above but less than ₦100 million  | ₦5 million and above but less than ₦100 million  |
| Parastatal Tenders Board                        | ₦2.5 million and above but less than ₦50 million | ₦5 million and above but less than ₦250 million  | ₦2.5 million and above but less than ₦50 million | ₦2.5 million and above but less than ₦50 million |
| Accounting Officer: Permanent Secretary         | Less than ₦5 million                             | Less than ₦10 million                            | Less than ₦5 million                             | Less than ₦5 million                             |
| Accounting Officer: Director General/CEO        | Less than ₦2.5 million                           | Less than ₦5 million                             | Less than ₦2.5 million                           | Less than ₦2.5 million                           |

Source: Information provided by the authorities.

3.118. According to the latest available data from the authorities, in 2014, procurement through competitive bidding (including selective tendering) overtook procurement by direct contracting, and accounted for the largest share of procurements in terms of contract number and contract values. In 2014, 278 out of 585 contracts (48%) were awarded through competitive bidding, up from 135 in 2013 (44%); in terms of value, around 50% of the contracts were awarded through competitive bidding, up from 29% in 2013 (Table 3.10).

**Table 3.10 Contract awards, by procurement method, 2013-14**

| Procurement method                | Contract number |      | Contract value (₦ million) |           |
|-----------------------------------|-----------------|------|----------------------------|-----------|
|                                   | 2013            | 2014 | 2013                       | 2014      |
| International competitive bidding | 41              | 36   | 33,189                     | 619,058   |
| National competitive bidding      | 45              | 116  | 301,421                    | 781,434   |
| Selective tendering               | 49              | 126  | 152,840                    | 1,131,771 |
| Direct contracting                | 141             | 245  | 1,149,498                  | 2,511,012 |
| Repeat procurement                | 28              | 57   | 40,582                     | 46,585    |
| Emergency procurement             | 4               | 5    | 10,182                     | 7,788     |
| Total                             | 308             | 585  | 1,687,712                  | 5,097,647 |

Source: Information provided by the authorities.

3.119. The Public Procurement Act provides preferences to domestic suppliers when evaluating tenders under international competitive bidding.<sup>60</sup> However, the Act stipulates that where a procuring entity intends to allow domestic preferences, the bidding documents must clearly indicate the preferences to be granted and the information required to establish the eligibility of a bid for such preferences. The BPP must periodically set the limits and the formulae for the preference margin computation.

3.120. In case of a dispute, the bidder may apply for an administrative review in the first instance to the accounting officer<sup>61</sup> in the procuring entity. If the accounting officer fails to reach a mutually

<sup>60</sup> Section 34, the Public Procurement Act of 2007.

<sup>61</sup> The Accounting Officer in procurement is the person charged with line supervision of the conduct of all procurement processes, ensuring compliance with the provision of the Public Procurement Act by the entity. See Section 20, the Public Procurement Act.



satisfactory decision, the bidder may apply to the BPP for a review. Final recourse is to the Federal High Court. According to the latest available data, there were 194 petitions (i.e. requests for review) received in 2014, up from 167 petitions in 2012; among the 194 petitions in 2014, 165 petitions were related to bidding evaluation or contract awards. In 2014, there were 138 dispute cases settled, among which there were 41 rulings in favour of the procuring entity, 31 in favour of the bidders, and 13 cases where the procuring entity was ordered to re-procure (Table 3.11).

**Table 3.11 Results of closed dispute cases related to public procurement, 2013-14**

| Ruling                         | 2013 | 2014 |
|--------------------------------|------|------|
| In favour of petitioner        | 53   | 31   |
| In favour of procuring entity  | 74   | 41   |
| In favour of third party       | 7    | 16   |
| Wrong administrative procedure | 19   | 37   |
| Re-procure                     | 0    | 13   |
| Total                          | 153  | 138  |

Source: Information provided by the authorities.

3.121. Under the Act, a tender can be excluded from the bidding process: if a supplier, contractor or consultant has given or pledged any monetary benefit to an employee in the procurement entity so as to influence the procurement decision; where the supplier, contractor or consultant has reneged or failed to complete adequately any public procurement contract over the three years preceding the start of the current procurement proceedings; where the bidder is in receivership or is the subject of any insolvency proceedings; where the bidder is in arrears with respect to tax, pension or social insurance payments; or where the bidder has been convicted of a crime committed in connection with procurement proceedings.

3.122. The BPP maintains a Whistle Blowing Policy which will enable all stakeholders, contractors, civil society and the general public to report any observed and verifiable incidents of fraud, corruption, collusion and coercion in any government financed contracts.<sup>62</sup> The BPP has no powers to prosecute. Offenders are referred to the Attorney General of the Federation for prosecution.

### 3.3.8 Intellectual property rights

3.123. The institutional and legal framework for intellectual property rights (IPRs) in Nigeria remained largely unchanged during the period under review. Protected IPRs include patents, designs, trademarks, and copyrights.<sup>63</sup> Most of Nigeria's intellectual property laws date back to before 1995; all Nigerian IPRs legislation was notified to the WTO in 2001.<sup>64</sup> On 16 January 2017, Nigeria notified the WTO of its acceptance of the Protocol Amending the TRIPS Agreement.<sup>65</sup>

3.124. Nigeria is a member of the World Intellectual Property Organization (WIPO) and participates in a number of WIPO-administered treaties as a contracting party (Table 3.12).

**Table 3.12 Memberships of intellectual property treaties, 2016**

| Conventions/Treaties                                                                                     | Status   | Date of effect |
|----------------------------------------------------------------------------------------------------------|----------|----------------|
| Berne Convention for the Protection of Literary and Artistic Works                                       | In force | 14/09/1993     |
| Paris Convention for the Protection of Industrial Property                                               | In force | 02/09/1963     |
| Universal Copyright Convention                                                                           | In force | 14/02/1962     |
| Patent Cooperation Treaty                                                                                | In force | 08/05/2005     |
| Patent Law Treaty                                                                                        | In force | 28/04/2005     |
| Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations | In force | 29/10/1993     |
| Marrakesh VIP Treaty                                                                                     | Signed   | 28/06/2013     |
| WIPO Copyright Treaty                                                                                    | Signed   | 24/03/1997     |
| WIPO Performances and Phonograms Treaty                                                                  | Signed   | 24/03/1997     |

<sup>62</sup> BPP online information, "Procurement Procedure Manual Final Version". Viewed at: [http://www.bpp.gov.ng/index.php?option=com\\_joomdoc&view=documents&path=PROCUREMENT%20PROCEDURE%20MANUAL%20Final%20Version.doc&Itemid=781](http://www.bpp.gov.ng/index.php?option=com_joomdoc&view=documents&path=PROCUREMENT%20PROCEDURE%20MANUAL%20Final%20Version.doc&Itemid=781).

<sup>63</sup> The World Intellectual Property Organization (WIPO) online information, "WIPO Lex: Nigeria". Viewed at: <http://www.wipo.int/wipolex/en/profile.jsp?code=NG>.

<sup>64</sup> WTO documents series IP/N/1/NGA, 6 November 2001.

<sup>65</sup> WTO document, WT/Let/1235, 26 January 2017.

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Source: The World Intellectual Property Organization (WIPO) online information. Viewed at: [http://www.wipo.int/treaties/en/ShowResults.jsp?country\\_id=128C](http://www.wipo.int/treaties/en/ShowResults.jsp?country_id=128C); and information provided by the authorities.

3.125. Patent and design applications are filed, examined and granted by the Trademarks, Patents and Designs Registry. Patent applications must be made by Nigerian residents. Foreign technology transfer agreements that are effective in Nigeria are registered through the National Office for Technology Acquisition and Promotion (NOTAP). In Nigeria, applications for patents are subject only to formal examination, i.e. if the formal requirements for filing the application are satisfied, a patent will be granted. However, patents are not granted for inventions or innovations for private use, on a non-commercial scale, or for scientific research or teaching purposes; patents are not granted for plants or animal varieties or essentially biological processes.

3.126. Under the Act, patents are granted for a period of 20 years, subject to payment of annual fees. If a patent is not utilized or if it is underutilized for four years since it was applied for, or three years since it was granted (whichever is later), a mandatory licence may be obtained from the courts to use the patent. The Act does not provide for opposition procedures. Rather, any interested person can request the Federal Court to invalidate a patent based on any of the grounds listed in the Act.<sup>66</sup>

3.127. A compulsory licence may be granted if: the patented invention is not being worked in Nigeria; the extent of the working does not meet the demand for the patented invention on reasonable terms; "working in Nigeria is being hampered by importation of the patented invention"; and/or the establishment or development of industrial or commercial activities in Nigeria is being hampered by a lack of working of the patented invention. A compulsory licence can also be granted where a later patent cannot be worked without infringing an earlier issued patent.

3.128. The Patents and Designs Act also allows for the registration and protection of industrial designs. Under the Act, industrial designs are protected for an initial period of five years and may be renewed for two additional five-year terms.

3.129. The Trade Marks Act allows for registration of trademarks that meet the requirements of distinctiveness, for an initial period of seven years, renewable indefinitely subject to payment of a fee. The Act also permits the registration of collective marks and certification marks. Additionally, as part of the goodwill of a business, a registered trademark may be transferred. Protection of services is not covered under the current regime. According to the authorities, geographic indications (GIs) are protected as certification marks.

3.130. A trademark may be deregistered after a five-year period of non-use. However, Section 32 of the Trade Marks Act provides protection to an invented word or invented words that become so well known that their use in relation to other goods would be likely to be taken as indicating a connection in the course of trade between those goods and a person entitled to use the trademark in relation to the familiar goods; therefore famous trademarks are not subject to removal from the registry.

3.131. The Patents and Designs Act, as well as the Trade Marks Act, are administered by the Commercial Law Department, under the Federal Ministry of Industry, Trade and Investment. There are no provisions on protection of commercial secrets and undisclosed information.

3.132. The Copyright Act of 1988 (as amended in 1999) provides protection on literary, musical, artistic, cinematographic films, sound recordings and broadcasts.<sup>67</sup> The Act grants exclusive rights for the production, reproduction, translation, or publication of a work, public performance, or broadcast as well as the making of any cinematographic films. In addition, exclusive rights are granted in connection with any adaptation or distribution for commercial purposes. "Moral rights"

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<sup>66</sup> These could include situations such as: the subject matter of the patent is not patentable (namely, it lacks novelty, inventive activity and/or industrial applicability); the description of the invention does not sufficiently cover it and/or the claims do not define the scope of protection or exceed the limits of the description; and/or a patent for the same invention has already been granted in Nigeria based on a prior application or an application entitled to an earlier filing date.

<sup>67</sup> Computer programs and data compilation are protected as literary works.

are not covered under the Act. Literary, musical and artistic works are protected for the duration of the author's life plus 70 years. Cinematographic works, photographs, sound recordings, and broadcasts are protected for 50 years from the end of the year in which they were first released. As a signatory to the Universal Copyright Convention, Nigeria provides national treatment to all other signatories of the convention. The Copyright Act is administered by the Nigerian Copyright Commission, under the Federal Ministry of Justice.

3.133. Intellectual property rights infringements and violations are dealt with under Nigeria's general law of civil procedure. Courts may award injunctions, damages (including recovery of profits), and destruction of infringing goods (as well as materials and goods used for their production), and seizure and confiscation of counterfeit goods. However, enforcement is a slow process, and most companies consider damages awarded to be too small to be an effective deterrent. At present, most companies consider injunctions to be the most effective instrument against IPR infringements.

3.134. According to the authorities, Nigeria set up a Joint IPR Action Plan Committee to combat IPR infringements. The Joint Committee is comprised of representatives from the Trademarks, Patents and Designs Registry, the Nigerian Copyright Commission, the National Office for Technology Acquisition and Promotion, NAFDAC, SON, Nigeria Immigration Service, Nigeria Customs Service, and the Police. For instance, in 2015 the Nigerian Copyright Commission carried out 51 anti-piracy operations, and seized five containers of pirated goods such as books, CDs, and DVDs valued at about ₦1.6 trillion.

## 4 TRADE POLICIES BY SECTOR

### 4.1 Agriculture, Fishing and Forestry

#### 4.1.1 Agriculture

##### 4.1.1.1 Overview

4.1. Agriculture is crucial to the Nigerian economy due to, *inter alia*, its contribution to GDP, which was 21.2% in 2016. Farming provides a livelihood to over 60% of the Nigerian population. The agricultural sector has been in decline over the past four decades. However, since the last review in 2011, the Government has embarked on the Agricultural Transformation Agenda (ATA) and the Agricultural Promotion Policy (2016-2020) to transform agriculture from a development-oriented to an agribusiness-focused sector based on integrated value chains.

4.2. Nigeria is the largest producer of cassava in the world and fourth largest for cocoa. After years of declining production, national food production grew by 21 million tonnes between 2011 and 2014 and led to a sharp reduction in food imports. In general, crop production accounts for 85% of all agricultural production, with livestock, poultry, fisheries, and forestry accounting for the rest. The staple crops include rice, cassava, yam, sorghum, millet, groundnuts and palm oil (Table 4.1).

4.3. Agricultural production in Nigeria is primarily based on subsistence farming by smallholders using transitional rotational fallow farming with surplus production traded on local markets. The main cash crops, grown on larger farms, include cotton, cocoa, rubber and groundnuts.

**Table 4.1 Production of selected crops, 2009-2014**

('000 tonnes)

|                         | 2009   | 2010   | 2011   | 2012   | 2013   | 2014   | % of 2014 world production | Growth rate p.a. (%) 2009-2014 |
|-------------------------|--------|--------|--------|--------|--------|--------|----------------------------|--------------------------------|
| Cashew nuts, with shell | 800    | 864    | 814    | 839    | 867    | 894    | 24.1                       | 2.3                            |
| Cassava                 | 36,822 | 42,533 | 46,190 | 50,950 | 47,407 | 54,832 | 20.4                       | 8.3                            |
| Cow peas, dry           | 2,372  | 3,368  | 1,644  | 5,146  | 4,631  | 2,138  | 38.3                       | -2.1                           |
| Groundnuts, with shell  | 2,978  | 3,799  | 2,963  | 3,314  | 2,475  | 3,413  | 7.8                        | 2.8                            |
| Maize                   | 7,358  | 7,677  | 8,878  | 8,695  | 8,423  | 10,791 | 1.0                        | 8.0                            |
| Millet                  | 4,930  | 5,170  | 1,271  | 1,281  | 910    | 1,385  | 4.9                        | -22.4                          |
| Oil, palm               | 1,233  | 971    | 930    | 940    | 880    | 910    | 1.6                        | -5.9                           |
| Oil, palm fruit         | 8,500  | 8,000  | 8,000  | 8,100  | 8,000  | 7,962  | 2.9                        | -1.3                           |
| Okra                    | 1,050  | 1,084  | 844    | 1,999  | 1,886  | 2,040  | 21.2                       | 14.2                           |
| Onions, dry             | 1,300  | 1,346  | 1,238  | 900    | 802    | 985    | 1.1                        | -5.4                           |
| Palm kernels            | 221    | 233    | 210    | 220    | 228    | 235    | 1.5                        | 1.2                            |
| Pineapples              | 1,000  | 1,487  | 1,482  | 1,433  | 1,442  | 1,465  | 5.8                        | 7.9                            |
| Plantains               | 2,700  | 2,676  | 2,699  | 2,977  | 2,983  | 3,040  | 9.9                        | 2.4                            |
| Potatoes                | 1,000  | 1,004  | 1,071  | 1,098  | 1,142  | 1,185  | 0.3                        | 3.5                            |
| Rice, paddy             | 3,546  | 4,473  | 4,613  | 5,433  | 4,823  | 6,734  | 0.9                        | 13.7                           |
| Sorghum                 | 5,279  | 7,141  | 5,690  | 5,837  | 5,300  | 6,741  | 9.8                        | 5.0                            |
| Sugar cane              | 1,402  | 820    | 794    | 1,039  | 1,045  | 1,057  | 0.1                        | -5.5                           |
| Sweet potatoes          | 3,300  | 3,385  | 3,531  | 3,604  | 3,690  | 3,775  | 3.5                        | 2.7                            |
| Taro (cocoyam)          | 3,033  | 2,957  | 3,012  | 3,200  | 2,933  | 3,273  | 32.4                       | 1.5                            |
| Tomatoes                | 1,750  | 1,800  | 1,491  | 2,060  | 1,925  | 2,144  | 1.3                        | 4.1                            |
| Yams                    | 29,092 | 37,328 | 33,134 | 32,319 | 35,618 | 45,004 | 66.1                       | 9.1                            |

Source: FAOStat. Viewed at: <http://www.fao.org/faostat/en/#data> [Accessed March 2017].

**Table 4.2 Key crops: national demand and supply (2016 estimate)**

|            | Demand (tonnes)   | Supply (tonnes) | Observations                                                                                                                                                                  |
|------------|-------------------|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Rice       | 6.3 million       | 2.3 million     | Insufficient supply chain integration remains an issue                                                                                                                        |
| Wheat      | 4.7 million       | 0.06 million    | Driven by demand for various types of wheat (white, hard, durum, etc.) for bread, biscuits and semovita which are not found on the local market                               |
| Maize/Corn | 7.5 million       | 7.0 million     | Limited imports required but can increase if demand for feed rises                                                                                                            |
| Soya beans | 0.75 million      | 0.6 million     | Animal feed is driving demand                                                                                                                                                 |
| Chickens   | 200 million birds | 140 million     | Gap filled by illegal imports that enter the market at lower prices; gap also a moving target based on fast food demand                                                       |
| Fish       | 2.7 million       | 0.8 million     | A decrease in ocean catch and weakness in aquaculture yields due to the high cost of fish feed is a constraint on growth                                                      |
| Milk/Dairy | 2.0 million       | 0.6 million     | Gap driven by insufficient milking cows and low yields (15-25 litres/day versus averages of 35-40 litres in NZ/US)                                                            |
| Tomato     | 2.2 million       | 0.8 million     | Actual production is 1.5 million tonnes with 0.7 million tonnes (post-harvest) lost                                                                                           |
| Yams       | 39 million        | 37 million      | Limited shortages but supply expected to rise in the near future                                                                                                              |
| Oil palm   | 8.0 million       | 4.5 million     | Refers to fresh fruit bunch (FFB) from which oil is extracted at a 10%-15% efficiency rate                                                                                    |
| Cocoa      | 3.6 million       | 0.25 million    | Demand is driven by global demand which will rise to 4.5 million by 2020                                                                                                      |
| Cotton     | 0.7 million       | 0.2 million     | Demand is for cotton seed and could rise to 1.0-1.5 million tonnes subject to textile sector revival                                                                          |
| Sorghum    | 7.0 million       | 6.2 million     | Demand will rise further if use as feed grows in 2016-2020. Imports of malt extracts and glucose syrup currently fill the gap, hence a commercial threat for Nigerian farmers |

Source: Federal Ministry of Agriculture and Rural Development, *Agricultural Promotion Policy*. Viewed at: [http://fmard.gov.ng/publications/downloads/2016-nigeria-agric-sector-policy-roadmap\\_june-15-2016\\_final/](http://fmard.gov.ng/publications/downloads/2016-nigeria-agric-sector-policy-roadmap_june-15-2016_final/).

4.4. Nigeria has 84 million hectares of arable land, with only 40% cultivated and just 10% optimized according to the Federal Ministry of Agriculture and Rural Development (FMARD) (Table 4.2). Land in Nigeria is governed by the 1978 Land Use Act that gives the states control over land designated as urban, and local governments control over land considered as rural. Agricultural lands are available for 50-year leasehold or for 99-year freehold, regardless of the nationality of the investor. According to FAO, an occupancy certificate requires completion of 14 steps and takes six to nine months.

4.5. The livestock subsector is smaller than the crop subsector in Nigeria. Livestock farming plays an important role that goes beyond providing meat and animal products, as animals also provide manure, fuel, transport, and farm energy. Livestock farming is also the most efficient use of uncultivated land and animals can be fed on crop residues such as damaged fruit and grains as well as straw that would otherwise be wasted.

4.6. Livestock production grew by 5.4% in 2014, slightly lower than the 6% growth recorded in 2013. Poultry and beef production increased by 7.5% and 5.7% compared with their respective growth rates of 4.9% and 3.8% in 2013. The growth was enhanced by new investments in the subsector (Table 4.3).

**Table 4.3 Livestock production, 2009-2014**

('000 tonnes)

|                      | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|----------------------|------|------|------|------|------|------|
| Eggs, hen, in shell  | 613  | 622  | 636  | 640  | 650  | 660  |
| Hides, cattle, fresh | 51   | 50   | 59   | 60   | 62   | ..   |
| Cattle meat          | 330  | 312  | 356  | 288  | 378  | 381  |
| Chicken meat         | 273  | 245  | 246  | 276  | 285  | 293  |
| Game meat            | 145  | 155  | 163  | 165  | 165  | ..   |
| Goat meat            | 284  | 288  | 210  | 217  | 239  | 245  |
| Pig meat             | 226  | 234  | 243  | 249  | 254  | 262  |
| Sheep meat           | 149  | 171  | 172  | 123  | 136  | 139  |
| Whole fresh cow milk | 472  | 519  | 563  | 566  | 570  | 585  |

.. Not available.

Source: FAOStat. Viewed at: <http://www.fao.org/faostat/en/#data> [Accessed March 2017].

4.7. Challenges to the growth of the agriculture sector persist despite the new measures taken by the authorities in recent years. The challenges include a shortage of feedstock as inputs; poorly maintained drainage systems; and poor transport networks which prevent timely transfer of goods.

#### 4.1.1.2 Trade in agriculture

4.8. Nigeria continues to be a net importer of agricultural goods. Its main exports are concentrated in a few commodities: cocoa beans and products thereof, sesame seeds, gum arabic, cigarettes, cut flowers, and cotton; these crops accounted for around 91% of total agricultural exports in 2016.

4.9. Backed by high global commodity prices, exports of agricultural products continued to grow during the review period, peaking at around US\$7,630 million in 2012, after which they declined to around US\$1,402 million in 2015 and US\$680 million in 2016. The main destination for Nigeria's exports of cocoa and its by-products is the European Union, which accounts for 80% of Nigeria's exports (Table 4.4).

**Table 4.4 Exports of agricultural products, 2009-2016<sup>a</sup>**

(US\$ million)

|                                                                                 | 2009         | 2010         | 2011         | 2012         | 2013         | 2014         | 2015         | 2016 <sup>b</sup> |
|---------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------------|
| <b>Total exports of agricultural products</b>                                   | <b>2,226</b> | <b>3,181</b> | <b>2,356</b> | <b>7,630</b> | <b>4,634</b> | <b>2,085</b> | <b>1,402</b> | <b>680</b>        |
| <i>% of total exports (%)</i>                                                   | <i>4.5</i>   | <i>3.7</i>   | <i>1.9</i>   | <i>5.3</i>   | <i>5.1</i>   | <i>2.0</i>   | <i>2.8</i>   | <i>2.0</i>        |
| <b>Major products<sup>c</sup></b>                                               | <b>1,827</b> | <b>2,393</b> | <b>1,887</b> | <b>5,394</b> | <b>3,341</b> | <b>1,665</b> | <b>1,146</b> | <b>620</b>        |
| <i>% of total agricultural exports</i>                                          | <i>82.1</i>  | <i>75.2</i>  | <i>80.1</i>  | <i>70.7</i>  | <i>72.1</i>  | <i>79.9</i>  | <i>81.7</i>  | <i>91.1</i>       |
| HS 1801 Cocoa beans, whole or broken, raw or roasted                            | 1,251        | 1,048        | 959          | 3,033        | 1,543        | 627          | 460          | 237               |
| HS 2402 Cigars, cheroots, cigarillos and cigarettes, of which:                  | 97           | 170          | 174          | 272          | 170          | 138          | 106          | 123               |
| HS 240220 Cigarettes containing tobacco                                         | 96           | 170          | 173          | 252          | 163          | 138          | 105          | 123               |
| HS 1207 Other oil seeds and oleaginous fruits, whether or not broken, of which: | 195          | 641          | 390          | 498          | 867          | 557          | 363          | 102               |
| HS 120740 <i>Sesamum</i> seeds                                                  | 194          | 638          | 388          | 495          | 843          | 554          | 360          | 101               |
| HS 1804 Cocoa butter, fat and oil                                               | 152          | 185          | 87           | 161          | 270          | 146          | 58           | 54                |
| HS 0801 Coconuts, Brazil nuts and cashew nuts                                   | 87           | 234          | 205          | 634          | 285          | 92           | 73           | 31                |
| HS 1902 Pasta, whether or not cooked or stuffed or otherwise prepared           | 8            | 28           | 13           | 21           | 55           | 42           | 40           | 25                |
| HS 2302 Bran, sharps and other residues                                         | 21           | 13           | 8            | 678          | 20           | 17           | 15           | 16                |
| HS 1208 Flours and meals of oil seeds or oleaginous fruits                      | 0            | 0            | 0            | 0.2          | 1            | 0.1          | 0            | 15                |
| HS 2202 Waters, including mineral waters and aerated waters                     | 2            | 25           | 8            | 8            | 32           | 12           | 5            | 10                |

|                                                                              | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 <sup>b</sup> |
|------------------------------------------------------------------------------|------|------|------|------|------|------|------|-------------------|
| HS 0910 Ginger, saffron, turmeric, thyme, bay leaves, curry and other spices | 14   | 49   | 42   | 88   | 98   | 33   | 26   | 8                 |

Note: 0 refers to zero.

a WTO definition of agriculture: HS Chapters 01-24 less fish and fishery products (HS Chapter 3, 0508 0511.91, 1504.10, 1504.20, 1603-1605 and 2301.20) plus some selected products (HS 2905.43, 2905.44, 2905.45, 3301, 3501-3505, 3809.10, 3823, 3824.60, 4101-4103, 4301, 5001-5003, 5101-5103, 5201-5203, 5301, and 5302).

b Preliminary data.

c According to the size of 2016 exports.

Source: WTO Secretariat calculations, based on UNSD's Comtrade database; and data provided by the Nigerian authorities.

4.10. Nigeria continues to depend on imports to meet domestic demand for food, although the country's food import bill declined from US\$18,897 million in 2011 to US\$4,192 million in 2016 (Table 4.5). In 2016, the share of agricultural imports fell to 12% of total imports from 29.5% in 2011. Nigeria is a large importer of wheat which accounted for 27% of total agricultural imports in 2016. Imports of rice have significantly declined since 2012, due to the frequent ban on imports imposed by the authorities. Other imported agricultural goods of significance include cane sugar, milk in powder, malt extract and palm oil. Imports of wheat primarily come from the United States, milled rice from Thailand, raw cane sugar from Brazil, and milk powder from the EU.

**Table 4.5 Imports of agricultural products, 2009-2016<sup>a</sup>**

(US\$ million)

|                                                                                             | 2009         | 2010         | 2011          | 2012         | 2013         | 2014         | 2015         | 2016 <sup>b</sup> |
|---------------------------------------------------------------------------------------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|-------------------|
| <b>Total imports of agricultural products</b>                                               | <b>3,402</b> | <b>3,834</b> | <b>18,897</b> | <b>6,886</b> | <b>6,951</b> | <b>6,884</b> | <b>4,905</b> | <b>4,192</b>      |
| <i>% of total imports</i>                                                                   | <i>10.0</i>  | <i>8.7</i>   | <i>29.5</i>   | <i>19.2</i>  | <i>15.6</i>  | <i>14.8</i>  | <i>14.1</i>  | <i>12.0</i>       |
| <b>Major products<sup>c</sup></b>                                                           | <b>2,566</b> | <b>2,471</b> | <b>9,637</b>  | <b>5,575</b> | <b>3,500</b> | <b>5,429</b> | <b>3,755</b> | <b>3,178</b>      |
| <i>% of total agricultural imports</i>                                                      | <i>75.4</i>  | <i>64.4</i>  | <i>51.0</i>   | <i>81.0</i>  | <i>50.3</i>  | <i>78.9</i>  | <i>76.6</i>  | <i>75.8</i>       |
| HS 1001 Wheat and meslin                                                                    | 1,108        | 840          | 3,476         | 1,491        | 1,295        | 1,740        | 1,270        | 1,134             |
| HS 1701 Cane or beet sugar and chemically pure sucrose                                      | 305          | 373          | 1,479         | 948          | 873          | 854          | 601          | 774               |
| HS 0402 Milk and cream, of which:                                                           | 250          | 291          | 1,582         | 427          | 387          | 789          | 445          | 343               |
| HS 040221 Not containing added sugar or other sweetening matter                             | 168          | 156          | 1,046         | 274          | 220          | 474          | 243          | 210               |
| HS 040210 In powder, granules or other solid forms                                          | 47           | 97           | 232           | 91           | 117          | 215          | 109          | 86                |
| HS 1901 Malt extract                                                                        | 179          | 150          | 1,077         | 329          | 342          | 514          | 289          | 234               |
| HS 1511 Palm oil and its fractions, of which:                                               | 10           | 9            | 40            | 91           | 167          | 402          | 265          | 202               |
| HS 151110 Crude oil                                                                         | 9            | 9            | 40            | 55           | 122          | 360          | 182          | 105               |
| HS 2106 Food preparations not elsewhere specified or included                               | 101          | 109          | 77            | 75           | 121          | 102          | 100          | 144               |
| HS 2401 Unmanufactured tobacco; tobacco refuse                                              | 66           | 87           | 58            | 84           | 95           | 97           | 82           | 102               |
| HS 2207 Undenatured ethyl alcohol of an alcoholic strength by volume of 80 % vol. or higher | 40           | 79           | 88            | 128          | 114          | 131          | 128          | 102               |
| HS 1107 Malt, whether or not roasted                                                        | 35           | 40           | 106           | 80           | 68           | 120          | 77           | 72                |
| HS 1006 Rice, of which:                                                                     | 472          | 495          | 1,653         | 1,920        | 38           | 679          | 498          | 71                |
| HS 100630 Semi-milled or wholly milled rice                                                 | 355          | 404          | 1,552         | 1,466        | 29           | 657          | 492          | 70                |

a WTO definition of agriculture (see above).

b Preliminary data.

c According to the size of 2016 imports.

Source: WTO Secretariat calculations, based on UNSD's Comtrade database; and data provided by the Nigerian authorities.



#### 4.1.1.3 Agricultural policy

4.11. The Federal Ministry of Agriculture and Rural Development (FMARD) is responsible for Nigeria's overall agricultural policy, including on veterinary matters. Nigeria's agriculture sector has undergone major reforms since the last review. In 2011, the Government introduced the Agricultural Transformation Agenda (ATA) (2011-15) to overhaul agricultural productivity and output (Table 4.6). Its main objectives are (i) to increase agricultural and domestic food production and generate employment; (ii) to make Nigeria self-sufficient and increase production of five key crops: rice, cassava, sorghum, cocoa, and cotton; and (iii) to develop the agribusiness sector by building supply value chains.

4.12. To reach these objectives, several programmes were initiated under ATA to help farmers. These include the Growth Enhancement Support Scheme (GESS), the Staple Crop Processing Zones (SCPZs) and the Nigeria Incentive-Based Risk Sharing System (NIRSAL). NIRSAL has reduced the risks of banks' lending to farmers by de-risking lending to the agricultural sector. Under GESS, input costs to farmers, such as the cost of seeds and fertilizers, are subsidized. With the support of the Government, farmers enrolled in the programme receive a 50% subsidy on their inputs. The Government manages the distribution of inputs through an electronic-wallet system. As at the end of 2014, there were 14 million farmers benefiting from this scheme.

4.13. The Staple Crop Processing Zones are regionally customized industrial parks that are designed to attract large-scale food processors and other industrial users of agricultural products to boost local value added. Currently, 14 sites have been selected across Nigeria for the first set of SCPZs, which are intended for the production and processing of priority agricultural products under the ATA, i.e. rice, sorghum, cassava, livestock, fish, cocoa, cotton, maize, palm oil, onions, soybean and tomato.

**Table 4.6 Nigeria's Agricultural Transformation Agenda: selected achievements (2011-2015)**

| Value chain stage                     | Illustrative achievements                                                                                                                                                                                                                                                                                                                                                                                          |
|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Input supply</b>                   | Set-up of the Growth Enhancement Support Scheme (GESS) to register smallholder farmers and provide targeted input subsidies (E-Wallet): <ul style="list-style-type: none"> <li>• GESS database contains 10.5 million farmers</li> <li>• Targeted means-based subsidies provided to 12 to 14 million farmers between 2011 and 2014</li> </ul> Farmers gained improved access to inputs, i.e. fertilizers and seeds. |
| <b>Financing</b>                      | In partnership with the Central Bank and Bankers Committee, set up of NIRSAL credit guarantees; Revival and partial ₦15 billion recapitalization of the Bank of Agriculture; Engagement with commercial banks to finance GESS and boost lending to agriculture from 1% to 6% of all formal credit by 2015; Creation of special funds to support farmers e.g. N10B Cassava Fund and FAFIN/KfW Facility of US\$35M.  |
| <b>Infrastructure &amp; logistics</b> | Designation of staple crop processing zones; First site in Kogi for cassava production remains under development; Concession of federal warehouses and storage assets.                                                                                                                                                                                                                                             |
| <b>Production</b>                     | Introduction of new higher yielding crop varieties e.g. cocoa and rice (Faro 42 and 44); Domestic food production rose by an incremental 20.1 million tonnes: <ul style="list-style-type: none"> <li>• Rice paddy production rose by an estimated 2.0-2.5 million tonnes</li> <li>• Creation of a Federal Department of Agricultural Extension.</li> </ul>                                                         |
| <b>Market access</b>                  | Re-establishment of selected commodity marketing boards, e.g. Cocoa Marketing Corporation                                                                                                                                                                                                                                                                                                                          |
| <b>Others</b>                         | Reforms of the Agricultural Research Network (ARCN)                                                                                                                                                                                                                                                                                                                                                                |

Source: FMARD, *Agricultural Promotion Policy*. Viewed at: [http://fmard.gov.ng/publications/downloads/2016-nigeria-agric-sector-policy-roadmap\\_june-15-2016\\_final/](http://fmard.gov.ng/publications/downloads/2016-nigeria-agric-sector-policy-roadmap_june-15-2016_final/)

4.14. In 2016, a new strategy was adopted – the Agriculture Promotion Policy (APP) (2016-2020) – which builds on the ATA. The new strategy focuses on four main goals: food security; import



substitution; job creation; and economic diversification.<sup>1</sup> To achieve food security and boost export earnings (through economic diversification), the strategy focuses on expanding production for a number of crops (from 2016-2018), including rice, wheat, maize, soya beans and gum arabic. For export crops, the focus will be on cocoa, cassava, palm oil, sesame and gum arabic.

4.15. The Government aims to increase its overall production of priority commodities (i.e. wheat, rice, cassava, and sugarcane) to reach 20 million tonnes. It also wishes to attain rice self-sufficiency by 2017 and 50% lower wheat imports by the end of 2017. To this end, several measures have been implemented: a tariff of 15% has been imposed on imports of wheat grain; a 65% levy has been imposed on imports of wheat flour; and a policy has been introduced to require millers to fortify wheat flour with vitamin A. In addition to being on the Import Prohibition List<sup>2</sup>, cassava is eligible for fiscal incentives aimed at stimulating increased domestic production and processing of the crop. In 2012, the Government required bakeries to include 10% cassava flour in wheat flour for bread production; this was gradually increased to 40% by 2015. Bakeries were required to have complied with the new requirements within 18 months of their introduction in July 2013. Some fiscal incentives, such as duty-free imports of related equipment and machinery, were also introduced to make the policy attractive and easily attainable. Imports of rice were banned from 2012 to October 2015. Since 25 March 2016, rice imports through land borders have been banned. Furthermore, in August 2015, the Central Bank of Nigeria banned access to foreign exchange by importers of 41 categories of goods (including rice) (Section 3).

4.16. On average, tariffs on agricultural products (WTO definition) were higher at 16.6% in 2017 than on other products (12.7%). Using the ISIC definition, the tariff rates on agricultural products averaged 11.9% in 2016. However, the level of nominal protection by tariff and other duties and charges ranges up to 70% in the case of cereals, alcoholic beverages and tobacco (Table A3.1). Value-added tax is also charged on a wide range of alcohol products upon entry, at a rate of 5% (Section 3).

4.17. In order to assist farmers, the Government has plans to set aside ₦40 billion (about US\$200 million) at an interest rate of 9% under its new Anchor Borrowers Program, which will be managed by the Central Bank of Nigeria. Under this programme, farmers would be given financial assistance through a bank loan. The loan would be held in an account from which agricultural input suppliers will be paid directly for their supplies of, *inter alia*, seeds, fertilizers, and equipment to farmers.

4.18. Incentives available to the sector include:

- Pioneer Status;
- Tax relief for research & development;
- A minimum local raw materials utilization tax credit of 20% for 5 years to industries that attain minimum levels of local materials sourcing and utilization (70% for agro-allied businesses);
- Imports of agricultural machinery and equipment are duty free (effective January 2012);
- Corporate tax rebates of 12% are available to bakers on attainment of 40% cassava blend within a period of 18 months (effective March 2012);
- Companies in the agro-allied business do not have their capital allowance restricted, and the payments of minimum tax by companies that make small or no profits do not apply to agro-allied business;

<sup>1</sup> Agriculture Promotion Policy (2016-2020). Viewed at: <http://fmard.gov.ng/wp-content/uploads/2016/03/2016-Nigeria-Agric-Sector-Policy-Roadmap-June-15-2016-Final.pdf>.

<sup>2</sup> Import Prohibition List. Nigeria Customs Service. Viewed at: <https://www.customs.gov.ng/ProhibitionList/import.php> (29/09/2016).

- Agricultural Credit Guarantee Scheme Fund (ACGSF) administered by the Central Bank of Nigeria: up to 75% guarantee for all loans granted by commercial banks for agricultural production and processing; and
- Interest Drawback Program Fund: 60% repayment of interest paid by those who borrow from banks for the purpose of cassava production and processing provided such borrowers repay their loans on schedule.

#### 4.1.2 Fishing

4.19. Nigeria has rich offshore waters between the 30 mile territorial limit and the 200 mile Exclusive Economic Zone (EEZ). The country has coastal waters adjacent to its 853 km coastline, and a continental shelf varying in width between 2 and 12 miles off the coast from the western to the eastern borders; the huge river Niger delta; and inland waters associated with the major rivers, Niger, Benue, etc., their tributaries and flood plains.

4.20. These resources together provide a basis for the long-established industrial and artisanal capture fisheries, and the more recent aquaculture industry that is fast growing in content and output. In general, Nigerian fisheries can be divided into: marine capture (industrial and artisanal); inland capture (mainly artisanal); and aquaculture (commercial and subsistence). Freshwater and inshore capture fishing is carried out by a large fleet of artisanal canoes, as well as by inshore shrimping vessels and inshore fishing vessels.

4.21. Throughout the 2012-15 period, artisanal fishing brought in the greatest annual catch, along with aquaculture (Table 4.7). Aquaculture production takes place at all levels, from simple subsistence ponds with low productivity of about 2 kg/m<sup>2</sup>/year to intensive recirculation aquaculture systems and larger commercial farms with much higher productivity. In addition to shrimps, the most commonly cultivated fish are tilapia, *Clarias*, and carp. Growth in the fishery subsector is driven largely by fish farming, and the continued utilization and/or rehabilitation of fish cage structures and dam reservoirs across the country. Other factors that contributed to growth were the decrease in losses and the high demand for catfish.<sup>3</sup>

**Table 4.7 Estimated output for fisheries, 2012-15**

('000 tonnes)

|                            | 2012    | 2013    | 2014    | 2015    |
|----------------------------|---------|---------|---------|---------|
| Artisanal                  |         |         |         |         |
| Coastal and brackish water | 370,918 | 418,537 | 435,384 | 382,964 |
| Inland rivers and lakes    | 297,836 | 326,393 | 324,444 | 311,903 |
| Aquaculture                | 253,898 | 278,706 | 313,231 | 316,727 |
| Industrial (trawlers)      |         |         |         |         |
| Inshore fish               | 27,977  | 37,652  | 29,237  | 10,727  |
| Inshore shrimp             | 17,654  | 22,219  | 20,715  | 4,737   |
| EEZ                        | 0       | 0       | 0       | 0       |
| Distant water              | 128,619 | 770,802 | 109,801 | 183,549 |

Source: Federal Ministry of Agriculture and Rural Development, Fisheries Department.

4.22. Nigeria is a net importer of fish and fish products (2% of total imports in 2016). Although exports increased overall in the 2009-2016 period, reaching a high of US\$331 million in 2012, they dropped significantly over the 2013-2016 period to US\$62 million. Based on data provided to the WTO by the authorities, most exports are of frozen shrimp to EU countries. Exports to the EU must be certified by the Federal Department of Fisheries. The Federal Department takes samples from each consignment for physical and laboratory analyses in the EU-certified laboratory in the Federal Department of Fisheries in Lagos.

<sup>3</sup> Central Bank of Nigeria, *Draft Annual Report 2015*, <https://www.cbn.gov.ng/Out/2016/RSD/Central%20Bank%20of%20Nigeria%20Annual%20Economic%20Report%20-%20Draft.pdf>.

**Table 4.8 Trade in fish and fish products, 2009-2016<sup>a</sup>**

(US\$ million)

|                                                                                           | 2009 | 2010 | 2011  | 2012  | 2013  | 2014  | 2015  | 2016 <sup>b</sup> |
|-------------------------------------------------------------------------------------------|------|------|-------|-------|-------|-------|-------|-------------------|
| <b>Imports</b>                                                                            | 819  | 998  | 2,065 | 1,479 | 1,242 | 1,317 | 1,233 | 681               |
| <i>% of total imports (%)</i>                                                             | 2.4  | 2.3  | 3.2   | 4.1   | 2.8   | 2.8   | 3.5   | 2.0               |
| HS 0303 Fish, frozen, excluding fish fillets and other fish meat                          | 572  | 746  | 1,787 | 1,231 | 970   | 899   | 935   | 467               |
| HS 0305 Fish, dried, salted or in brine; smoked fish                                      | 172  | 165  | 145   | 182   | 174   | 197   | 154   | 137               |
| HS 0302 Fish, fresh or chilled, excluding fish fillets and other fish meat                | 6    | 0.1  | 2     | 3     | 16    | 161   | 91    | 43                |
| HS 2301 Flours, meals and pellets, of meat or meat offal, of fish or of crustaceans       | 13   | 43   | 87    | 28    | 27    | 24    | 25    | 26                |
| HS 1604 Prepared or preserved fish; caviar and caviar substitutes prepared from fish eggs | 19   | 24   | 19    | 26    | 14    | 21    | 11    | 4                 |
| <b>Exports</b>                                                                            | 337  | 324  | 104   | 331   | 291   | 94    | 96    | 62                |
| <i>% of total exports (%)</i>                                                             | 0.7  | 0.4  | 0.1   | 0.2   | 0.3   | 0.1   | 0.2   | 0.2               |
| HS 0306 Crustaceans                                                                       | 337  | 324  | 83    | 330   | 182   | 94    | 68    | 62                |
| HS 0303 Fish, frozen, excluding fish fillets and other fish meat                          | 0.0  | 0.0  | 21    | 0     | 86    | 0     | 7     | 0                 |

Note: 0 refers to zero, 0.0 is greater than zero, but rounded to 0.0.

a Fish and fish products refers to HS Chapter 3, 0508, 0511.91, 1504.10, 1504.20, 1603-1605 and 2301.20.

b Preliminary data.

Source: WTO Secretariat calculations, based on UNSD's Comtrade database; and data provided by the Nigerian authorities.

4.23. Imports of fish and fish products increased steadily from 2009 to 2015, reaching a peak of US\$2,065 million in 2011 before falling back sharply (Table 4.8). In 2016, imports totalled US\$681 million, almost half the amount of previous years. The main imports are "fish n.e.s., frozen, whole" (HS 0303) and smoked fish (HS 0305). The simple average applied tariff on fish and fish products was 15.4% in 2017.

4.24. The Federal Government has exclusive responsibility for managing marine resources, and a shared responsibility with the states for the inland resources. The institutions involved include: the Federal Department of Fisheries (FDF), through the Fisheries Resources Monitoring Control and Surveillance (MCS) Unit; the Fish Quality Control and Assurance Service; the Fish Quarantine Service; the Lake and Lagoon Fisheries Management Unit; the Nigerian Navy; the National Agency for Food and Drug Administration and Control (NAFDAC); the Nigerian Ports Authority; the the Inland Waterways Department; and the Departments of Fisheries at state level.

4.25. The fisheries sector is regulated by the Exclusive Economic Zone Decree No. 28 of 1978; the Sea Fisheries Decree No. 71 of 1992; and the Sea Fisheries (Licensing) Regulations of 1992 which regulate fishing licences. Nigeria's policy objective is to achieve self-sufficiency in fish production through the provision of appropriate infrastructure to enhance fish production and utilization by the private sector. The strategies adopted include a combination of management measures, mainly technical and input controls, and, to some extent, output controls and economic incentives.

#### 4.1.3 Forestry

4.26. Forestry was one of the most developed subsectors within the Nigerian economy from the 1960s to the early 1970s. However, the oil surplus of the 1970s led to the exploitation of round logs for export until their ban in 1976. The over-exploitation of wood resources has impacted negatively on the development of the forest products industry. This coupled with the old age of equipment has resulted in the dwindling of Nigeria's forest industry.

4.27. There are five major wood industries in Nigeria: the saw mill, wood-based panel, furniture, safety match and wood treatment industries. Forestry production increased by 4.6% from 195.6 million cubic metres in 2013 to 204.5 million cubic metres in 2014. The growth was due to increased government support to the subsector and efforts to create awareness of the dangers of deforestation in the country.<sup>4</sup> However, the deforestation rate in Nigeria is about 3.5% annually, about 350,000-400,000 hectares of forest land.<sup>5</sup>

4.28. Nigeria is a member of the African Timber Organization (ATO) and the International Tropical Timber Organization (ITTO). Tariffs on imports of wood and wood products vary from 5-20% with 5% VAT on all tariff lines in HS chapter 44. An additional charge of 10% is applied to wooden boards, pallets, boxes, etc. to promote value-addition. Doors and their frames and thresholds (HS 4418.20) are subjected to a nominal tariff protection of 55%. In 2009, Nigeria experienced a trade surplus in wood and wood products (HS 44), but afterwards a trade deficit (except in 2013). The main exports are densified wood (HS 4413) and charcoal (HS 4402). Exports of timber (rough/sawn) are prohibited.

4.29. The Federal Department of Forestry under the Federal Ministry of Environment is responsible for regulating the forestry sector in Nigeria. Its main objectives are to, *inter alia*, ensure that 25% of the total land area of Nigeria is brought under sustainably managed forest cover aimed at producing forest resources (flora and fauna) in perpetuity and fostering environmental stability; and to employ sound forest management principles and practices, and initiate appropriate forestry development programmes, policy and legislation in partnership with relevant stakeholders (national and international).<sup>6</sup>

4.30. The National Forestry Development Committee (NFDC) is the highest technical committee that acts in an advisory capacity to the Government on all forestry matters in Nigeria. Membership comprises the Federal Director of Forestry as Chairman, States Directors of Forestry, the Executive Director of the Forestry Research Institute of Nigeria, the Conservator-General of the National Parks Service, and heads of Forestry Departments in universities. The Forestry Association of Nigeria (an NGO) is also a member of the Committee.

4.31. A National Forest Policy was approved by the Federal Executive Council in June 2006 and ratified/endorsed by the National Economic Council (NEC) in October 2008 to be enforced by all states in Nigeria. The major thrust of the policy is geared towards poverty reduction, promotion of food security, and environmental and biodiversity conservation, in addition to sustainable production of wood and non-wood products (non-timber forest products). The policy is also to be backed up by the enactment of the first ever national forest law. The draft National Forestry Act has been forwarded to the Federal Ministry of Justice for fine-tuning. The states are encouraged to use these two forest management tools as models in reviewing their respective state forest policy and legislation.

## 4.2 Mining and Energy

### 4.2.1 Overview

4.32. Nigeria is the largest oil producer in Africa and sixth-largest in the world.<sup>7</sup> The country holds the largest natural gas reserves on the continent, and was the world's fourth-largest exporter of liquefied natural gas (LNG) in 2015.<sup>8</sup> Nigeria became a member of the Organization of the Petroleum Exporting Countries (OPEC) in 1971, more than a decade after oil production began in the oil-rich Bayelsa State (southern Nigeria) in the 1950s. The main source of Nigeria's oil and gas is the southern Niger Delta, the onshore waters and the shallow offshore waters.

<sup>4</sup> Central Bank of Nigeria, *Draft Annual Report 2015*. Viewed at: <https://www.cbn.gov.ng/Out/2016/RSD/Central%20Bank%20of%20Nigeria%20Annual%20Economic%20Report%20-%20Draft.pdf>.

<sup>5</sup> *Vanguard*, "Why Nigeria must invest heavily in the forest sector – Stakeholders", 9 February 2016. Viewed at: <http://www.vanguardngr.com/2016/02/why-nigeria-must-invest-heavily-in-the-forest-sector-stakeholders/>.

<sup>6</sup> Federal Department of Forestry online information. Viewed at: <http://environment.gov.ng/index.php/about-moe/departments-agencies/technical-department/dfd>.

<sup>7</sup> Nigerian National Petroleum Corporation online information. Viewed at: <http://nnpcgroup.com/NNPCBusiness/UpstreamVentures/OilProduction.aspx> (November 2016).

<sup>8</sup> BP, *Statistical Review of World Energy – Excel workbook of historical data*, 2015.

4.33. Nigeria's proven crude oil reserves have been stable since 2012 at around 37 billion barrels (Table 4.9). Nigeria produces only high-value, low sulphur content, light crude oils. With a maximum crude oil production capacity of 2.5 million barrels per day (bbl/d), production has slowly declined since 2011 from 1.9 million bbl/d to 1.7 million bbl/d in 2015. Although Nigeria is the leading oil producer in Africa, production is affected by sporadic supply disruptions, which have resulted in unplanned outages of up to 500,000 bbl/d. Moreover, oil theft leads to pipeline damage that is often severe, causing loss of production, pollution, and forcing companies to shut down production. Aging infrastructure and poor maintenance have also resulted in oil spills.

**Table 4.9 Oil reserves, production and exports, 2011-15**

|                                            | 2011    | 2012    | 2013    | 2014    | 2015    |
|--------------------------------------------|---------|---------|---------|---------|---------|
| Proven crude oil reserves (billion bbl)    | 36,247  | 37,139  | 37,071  | 37,448  | 37,062  |
| Production ('000 bbl/d)                    | 1,974.8 | 1,954.1 | 1,753.7 | 1,807.0 | 1,748.2 |
| Value of petroleum exports (million US\$)  | 88,449  | 95,131  | 89,930  | 77,489  | 41,818  |
| Spot crude oil prices (\$/bbl) (all crude) | 113.65  | 114.21  | 111.95  | 101.35  | 54.41   |

Source: OPEC (2016), *Annual Statistical Bulletin 2016*.

4.34. Nigeria's economy is highly dependent on oil and natural gas. Since the last review, the economy was benefiting from high oil prices: oil accounted for over 95% of exports and 80% of government revenue and is the main source of foreign exchange. However, with the recent decline in oil prices<sup>9</sup>, Nigeria's economy has been significantly affected with government revenues from oil plummeting to about 7.8% of GDP in 2015.

4.35. According to the IMF, oil and natural gas export revenue of almost US\$87 billion in 2014 accounted for 58% of Nigeria's total government revenue. Nigeria has an Excess Crude Account and a Sovereign Wealth Fund which includes savings generated when oil revenues exceed budgeted revenues. However, those funds have declined from US\$11 billion at the end of 2012 to US\$2 billion at the end of 2014. Nigeria also held US\$34.25 billion in gross international reserves at the end of 2014.<sup>10</sup>

4.36. In 2015, Nigeria's crude oil exports fell by almost half from 2014 levels, primarily due to the decline in oil prices. Disaggregation of oil exports by region showed that Europe as a group maintained its position as the largest importer of Nigeria's crude oil with a share of 48.6% of the total, followed by Asia and the Far East (24.9%); the Americas (15.5%); and African countries (10.9%). In value terms, crude oil exports to Europe declined by 11.6% from US\$5,510.9 billion in 2013 to US\$4,873.3 billion in 2014. Within Europe as a group, the Netherlands was the biggest importer accounting for 13.8% of total imports of Nigeria's crude, followed by Spain (10.1%), France (7.0%), Italy (4.6%), the United Kingdom (4.2%), and Germany (2.0%).

#### 4.2.2 Policy

4.37. According to the Constitution, the Federal Government owns all minerals, including crude oil and natural gas. Under the Petroleum Act of 1969 as amended, production licences may only be granted to Nigerian citizens. The Petroleum Profit and Tax Act of 2004 regulates the fiscal policy of the Nigerian oil and gas sector.

4.38. The Nigerian National Petroleum Corporation (NNPC) was created in 1977 to oversee the regulation of the country's oil and natural gas industry, with secondary responsibilities for upstream and downstream developments. The NNPC is divided into 12 strategic business units covering the entire spectrum of oil industry operations: exploration and production, gas development, refining, distribution, petrochemicals, engineering, and commercial investments. The Department of Petroleum Resources, within the Ministry of Petroleum Resources, is another key regulator, focused on general compliance, leases and permits, and environmental standards.<sup>11</sup> In

<sup>9</sup> Average crude oil prices have been on a downward trend since 2012, from US\$114.21 per barrel to US\$54.51 per barrel in 2015. The fall in crude oil prices was attributed to its global oversupply, coupled with global slowdown of economic activities.

<sup>10</sup> International Monetary Fund, *Nigeria – IMF Country Report No. 15/84*, March 2015, pages 28-30. <http://www.imf.org/external/pubs/ft/scr/2014/cr14103.pdf>.

<sup>11</sup> NNPC online information. Viewed at: <http://nnpcgroup.com/AboutNNPC/CorporateInfo.aspx>.

March 2016, the NNPC was restructured into seven new divisions: the upstream, downstream, refining, gas and power, ventures, finance, and services groups.<sup>12</sup>

4.39. Nigeria's major oil and natural gas projects are conducted through either concessionary arrangements (royalty/joint ventures (JV)) or production-sharing contracts (PSCs) between international oil companies (IOCs) and the Nigerian National Petroleum Corporation (NNPC), where nationals (including NNPC) are majority shareholders. Projects under joint-ventures are primarily onshore shallow water projects. The rest of the projects are managed through PSCs. PSCs typically, but not always, regulate deep water projects and contain more attractive terms than joint-venture arrangements.

4.40. Under the royalty/JV system, the IOC bids for the right to explore and produce oil and gas for a specified period. Once awarded the bid, the IOC funds all exploration, development and operations expenses to the extent of the working interest (equity in the licence). The Government, through NNPC, holds 55-60% interest in JVs with IOCs. If exploration is successful and production is initiated, the IOC pays royalties, depreciates its assets and deducts its expenses against revenue. Company profits are taxed and the IOC receives a share of production and can book reserves.

4.41. Under the PSCs arrangement, the IOC bids for the right to explore and produce oil and gas for a specified period as a contractor to the NNPC which owns the oil and gas. Once awarded the bid, the IOC funds all exploration, development and operations expenses. Under the PSC, assets are installed by the IOC but owned by the State. The PSC defines four types of allocation of proceeds between the parties: (i) royalty oil (ii) cost oil (iii) tax oil, and (iv) profit oil. For risk sharing, the contractor may be more than one IOC, in which case they would have signed a joint agreement to regulate their working relationship. If exploration is successful and production is initiated, the IOC recovers its costs. After cost recovery and deduction of tax oil, profit oil is shared among the parties (IOC and NNPC) according to a predetermined split based on cumulative production. In Nigeria, IOC tax is paid on behalf of the IOC by NNPC through the tax oil. The IOC receives a share of production (cost oil plus profit oil) and can book reserves.

4.42. According to the authorities, Nigeria operates one of the highest costs of extraction among oil producing countries in the world, and it is therefore not sustainable in the long run. As a result, in September 2016, the Federal Government developed the National Petroleum Fiscal Policy (NFPF) with the aim of establishing a new fiscal framework to guide the planning and development of petroleum activities in a rational and sustainable manner for the socio-economic development of Nigeria. The NFPF covers upstream, midstream and downstream activities. According to the NFPF, both fiscal arrangements, i.e. the royalty/JV and PSC arrangements face several problems that the NFPF seeks to address and amend as part of reforming the legal framework of the sector.

4.43. Since 2008, the authorities have started the process to enact new legislation to regulate the oil and gas sector. The Petroleum Industry Bill (PIB) was initially proposed with the aim of changing the organizational structure and fiscal terms governing the oil and natural gas industry. In December 2015, a new draft of the PIB was introduced, proposing that Nigeria's NNPC be split into a national oil company and a Nigeria Petroleum Assets Management Company. The draft also proposed the creation of a Special Investigations Unit to curtail corruption.

4.44. IOCs are concerned that proposed changes to fiscal terms may make some projects commercially unviable, particularly deep water projects that involve greater capital spending. Some of the most contentious areas of the various PIB drafts include: the potential renegotiation of contracts with IOCs; changes in tax and royalty structures; deregulation of the downstream sector; restructuring of NNPC; a concentration of oversight authority in the Minister of Petroleum Resources; and a mandatory contribution by IOCs of 10% of monthly net profits to the Petroleum Host Communities Fund. This regulatory uncertainty has resulted in fewer investments in new oil and natural gas projects, and no licensing has occurred since 2007.<sup>13</sup>

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<sup>12</sup> *This Day*, "President Approves NNPC's Restructuring into Seven Units, 20 Companies", 9 March 2016. Viewed at: <http://www.thisdaylive.com/index.php/2016/03/09/president-approves-nnpcs-restructuring-into-seven-units-20-companies/>.

<sup>13</sup> U.S. Energy Information Administration online information. Viewed at: <https://www.eia.gov/beta/international/analysis.cfm?iso=NGA> [November 2016].



4.45. IOCs participating in onshore and shallow water oil projects in the Niger Delta region have been affected by the instability in the region. As a result, there has been a general trend for IOCs to sell their interests in marginal onshore and shallow water oil fields, mostly to Nigerian companies and smaller IOCs, and to focus their investments on deep water projects and onshore natural gas projects.<sup>14</sup>

### 4.2.3 Petroleum products

4.46. Nigeria has four oil refineries: two in Port Harcourt, one in Warri and one in Kaduna, with a combined crude oil distillation capacity of 445,000 bbl/d. Despite holding Africa's largest oil reserves, Nigeria imports almost all of its refined petroleum products largely due to low capacity utilization rates and security problems at its refineries. The price of retailed refined petroleum is regulated in Nigeria.

4.47. In 2015, Nigeria consumed 266,000 b/d of petroleum products, slightly less than the 275,000 bbl/d in 2014. The refineries operate below full capacity due to technical problems, fires, and sabotage, mainly on the crude oil pipelines feeding the refineries. The combined refinery utilization rate dropped to 14.4% in 2014 from 22% in 2013. As a result, the country had to import petroleum products (156,000 bbl/d in 2014), even though its refinery capacity exceeds domestic demand. Three of the country's four facilities were closed for some time due to vandalism and maintenance work.

4.48. For several years, the Nigerian Government has planned the construction of new refineries, but the lack of financing and government policies on fuel subsidies have caused delays. A Nigerian company, the Dangote Group, plans to construct a 500,000 bbl/d refinery near Lagos. The cost estimates for the refinery have ranged from US\$9 billion to US\$14 billion. Plans for the refinery complex include petrochemical and fertilizer plants. The Dangote Group expects the refinery to begin operations by late 2017. Once built, this refinery will be the largest in Africa.

4.49. One controversial component of the draft PIB was a proposal to privatize the refining sector and to liberalize domestic fuel prices by removing subsidies. There was a proposal to the Federal Government to privatize the refining sector in late 2013, but the Federal Government did not approve it. The country's two main oil workers' unions had threatened to go on strike if the refineries were sold.<sup>15</sup>

4.50. Despite being the largest oil producer in Africa and importing petroleum products, Nigeria still suffers from periodic fuel shortages. The most severe fuel shortage crisis occurred in 2015 because of a disagreement over payment between fuel importers and marketers and the Nigerian Government. Fuel importers had been accused of taking advantage of Nigeria's fuel subsidy programme and diverting some of the imported petroleum to neighbouring countries.

4.51. Nigeria's fuel subsidy programme had been surrounded by controversy, allegations of corruption and mismanagement while costing the Government billions of dollars. In 2011, fuel subsidies cost the economy US\$8 billion, accounting for 30% of the Government's expenditure, about 4% of GDP, and 118% of the capital budget.<sup>16</sup>

4.52. The drop in global crude oil prices in recent years allowed Nigeria to slowly phase out its contentious fuel subsidy programme that it began reforming in early 2012. The subsidy was completely removed in May 2016 by a decision from the President of Nigeria. This overdue decision was taken on the grounds that fuel subsidies caused market distortions, encumbered investment in the downstream sector, supported economic inequalities (as rich fuel-importing companies were the main beneficiaries), and created a nebulous channel for fraud.

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<sup>14</sup> U.S. Energy Information Administration online information. Viewed at: <https://www.eia.gov/beta/international/analysis.cfm?iso=NGA> [November 2016].

<sup>15</sup> S&P Global Platts, "Nigerian government did not approve oil refineries privatization plan: report", 3 January 2014. Viewed at: <http://www.platts.com/latest-news/oil/lagos/nigerian-government-did-not-approve-oil-refineries-26590820>.

<sup>16</sup> Brookings Institution, "Removal of Fuel Subsidies in Nigeria: An Economic Necessity and a Political Dilemma", 10 January 2012. Viewed at: <https://www.brookings.edu/opinions/removal-of-fuel-subsidies-in-nigeria-an-economic-necessity-and-a-political-dilemma/>.

#### 4.2.4 Natural gas

4.53. Nigeria has the ninth-largest proven gas reserves in the world. A significant amount of Nigeria's gross natural gas production is flared (burned off) because some of Nigeria's oil fields lack the infrastructure needed to capture the natural gas produced with oil, known as associated gas. In 2014, Nigeria flared 9,687 million tonnes of its associated gas production, or 12% of its gross production. Nigeria now ranks as the fifth-largest natural gas flaring country, down from the second position it held in 2011, accounting for 8% of the total amount flared globally in 2014 (Table 4.10).

**Table 4.10 Natural gas production, 2011-15**

(million standard m<sup>3</sup>)

|                     | 2011     | 2012     | 2013     | 2014     | 2015     |
|---------------------|----------|----------|----------|----------|----------|
| Gross production    | 84,004.0 | 84,846.0 | 79,626.0 | 86,325.2 | 85,223.2 |
| Marketed production | 41,323.0 | 42,571.0 | 38,411.0 | 43,841.6 | 45,148.1 |
| Flaring             | 14,270.0 | 13,182.0 | 12,112.0 | 10,736.8 | 9,687.3  |
| Reinjection         | 22,519.0 | 20,520.0 | 21,466.0 | 22,894.3 | 21,040.2 |
| Shrinkage           | 5,892.0  | 8,573.0  | 7,637.0  | 8,852.6  | 9,347.6  |
| Gas export          | 25,941.0 | 28,266.0 | 24,543.0 | 26,777.7 | 26,703.5 |

Source: OPEC, *Annual Statistical Bulletin 2016*.

4.54. The Nigerian Gas Company (NGC), a subsidiary of NNPC, has a monopoly on the supply of gas to the domestic market. It operates a 1,000 km gas gathering, transmission, and distribution pipeline network with a capacity of about 56.6 million m<sup>3</sup> per day.<sup>17</sup>

4.55. Sporadic natural gas and oil supply disruptions in the onshore Niger Delta region have increased in recent years, highlighting the ongoing security and financial risks of operating in the volatile area. In 2008, the Government developed a Gas Master Plan to promote investment in pipeline infrastructure and new gas-fired power plants to help reduce gas flaring and provide more gas to fuel much-needed electricity generation. However, progress is still limited because security risks in the Niger Delta have made it difficult for IOCs to construct infrastructure that would support gas commercialization.

4.56. Nigeria exports the vast majority of its natural gas in the form of liquefied natural gas (LNG), and a small amount is exported via the West African Gas Pipeline (WAGP) to nearby countries. The WAGP began commercial operations in 2011 and operates at about one-third of its capacity. It was closed during 2012-2013 for repair.<sup>18</sup>

4.57. Nigeria exported about 26,777 million tonnes of LNG in 2014, accounting for about 8% of LNG traded globally and ranking Nigeria as the world's fourth-largest LNG exporter, behind Qatar, Malaysia, and Australia.<sup>19</sup> Trade patterns for Nigerian LNG have changed over the past few years. Most notably, Nigeria's LNG exports to Europe have decreased significantly. In 2010, Europe imported about 67% of total Nigerian LNG exports, but that share dropped to 23% in 2014. Nigeria has increased its LNG exports to Asia, namely Japan, following the Fukushima nuclear incident in March 2011. Japan's imports of Nigerian LNG were almost eight times the 2010 level in 2014. Japan is the largest importer of Nigerian LNG and imported 26% of the total in 2014, followed by South Korea (17%). The United States no longer imports natural gas from Nigeria; primarily as a result of growing US natural gas production.

4.58. Nigeria's facility on Bonny Island is its only operating LNG plant. Nigeria LNG Limited (NLNG) operates the facilities and its partners include NNPC (49%), Shell (25.6%), Total (15%),

<sup>17</sup> Nigerian Gas Company online information. Viewed at: <http://nnpcgroup.com/NNPCBusiness/subsidiaries/NGC.aspx>.

<sup>18</sup> The pipeline is operated by the West African Gas Pipeline Company Limited (WAPCo), which is owned by Chevron West African Gas Pipeline Limited (36.9%), NNPC (24.9%), Shell Overseas Holdings Limited (17.9%), Takoradi Power Company Limited (16.3%), Societe Togolaise de Gaz (2%), and Societe BenGaz S.A. (2%).

<sup>19</sup> OPEC, *Annual Statistical Bulletin 2016*.



and Eni (10.4%). NLNG currently has six liquefaction trains with a production capacity of 22 million tonnes per year (1,056 Bcf/y) of LNG and 4 million tonnes per year (80,000 bbl/d) of liquefied petroleum gas. A seventh train is planned to increase the facility's LNG capacity to more than 30 million tonnes per year (1,440 Bcf/y).

4.59. Plans to expand production in LNG are in the process of being developed. Brass LNG Limited, a consortium made up of NNPC, Total, and Eni, is developing the Brass LNG Liquefaction Complex. ConocoPhillips was a partner in the consortium but divested from the project in mid-2014 and transferred its shareholder interest to the other members. The LNG facility is expected to have two liquefaction trains with a total capacity of 10 million tonnes per year (480 Bcf/y). The project is in the early engineering phase.

4.60. Nigeria and Algeria have proposed plans to construct the Trans-Saharan Gas Pipeline (TSGP). The 2,500-mile pipeline would carry natural gas from oil fields in Nigeria's Delta region to Algeria's Beni Saf export terminal on the Mediterranean Sea and eventually supply natural gas to Europe. In 2009, NNPC signed a memorandum of understanding (MOU) with Sonatrach, the Algerian national oil company, to proceed with plans to develop the pipeline. Some national and international companies have shown interest in the project including Total and Gazprom. However, security concerns along the entire pipeline route, increasing costs, and ongoing regulatory and political uncertainty in Nigeria have continued to delay this project.

#### 4.2.5 Solid minerals

4.61. Nigeria is richly endowed with a variety of solid minerals of various categories ranging from precious metals to various precious stones and industrial minerals. According to the Nigerian Extractive Industries and Transparency Initiative (NEITI), there are about 40 different kinds of untapped solid minerals and precious metals in Nigerian soil yet to be exploited. Limestone reserves in the south-west amount to about 380 million tonnes while iron ore reserves are estimated at over one billion tonnes. The commercial value of solid minerals has been estimated to run into hundreds of trillions of dollars, with 70% of the untapped minerals in Northern Nigeria.

4.62. As at 2014, the contribution of solid minerals to the economy was 1% but has the potential to increase to at least 5% by 2017 and 10% by 2020 according to the National Bureau of Statistics (NBS). The subsector is also capable of creating three million jobs directly and indirectly by the year 2017. The Ministry of Mines and Steel Development identified seven minerals for strategic and priority development in its mining sector strategy: iron ore, coal, lead/zinc, bitumen, gold, limestone and barite.

4.63. Overall, aggregate production of solid minerals increased over the review period. The development was attributed to increased production of some principal minerals, especially limestone, which reached 21.95 million tonnes in 2015, granite aggregates, laterite, clay, marble aggregate, stone aggregate, gold, coal, barites, lead-zinc, iron ore and cassiterite (Table 4.11).

**Table 4.11 Production of solid minerals, 2011-15**

| Commodity                        | Units                   | 2011      | 2012      | 2013     | 2014    | 2015    |
|----------------------------------|-------------------------|-----------|-----------|----------|---------|---------|
| Aluminium                        | Tonnes                  | 20,926.98 | 27,228.17 | 5,738.53 | 829.74  | 700.18  |
| Gold                             | Kilograms               | ..        | 4.3       | 6.26     | 35.09   | 21.47   |
| Lead-zinc ore                    | '000 tonnes             | 13.53     | 3.53      | 15.37    | 34.91   | 13.56   |
| Niobium and tantalum concentrate | Niobium content, tonnes | 125.79    | 3,233.33  | 328.05   | 425.92  | 571.89  |
| Steel                            | Tonnes                  | 1.5       | 1.85      | 2.0      | 2.5     | 2.3     |
| Tin                              | Tin content, tonnes     | 436.63    | 846.05    | 841.633  | 381.92  | 881.30  |
| Coal                             | Tonnes                  | 48,523    | 64,348    | 40,359   | 385,897 | 121,952 |
| Limestone                        | Million tonnes          | 8.28      | 17.66     | 23.48    | 26.46   | 21.95   |
| Barites                          | Tonnes                  | 4,988     | 16,292    | 18,960   | 7,113   | 3,322   |

.. Not available.

Source: Ministry of Mines and Steel Development.

4.64. The Ministry of Mines and Steel Development oversees the industry's activities related to mining and metallurgical industries. The administration is carried out by the Mines Inspectorate

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Department; Artisanal and Small-Scale Mining Department; and the Mines, Environment and Compliance; and the Mining Cadastral Office.

4.65. In 2011, the Federal Government introduced the Nigerian Minerals and Mining Regulation (NMMR) to streamline procedures for granting licences to investors (both local and foreign) in the form of mining titles. The regulation provided for the transfer of mining titles, subject to the approval of the Minister; and for the right to search for, or exploit minerals in Nigeria. Mining titles are issued on a first-come-first-served and use-it-or-lose-it basis, and are obtained through the Mining Cadastral Office. The different mining titles for investment in Nigeria are:

- A reconnaissance permit is needed for a preliminary investigation and gives the holder the non-exclusive right to enter or traverse land and to take surface samples. The permit is valid for one year, renewable annually. A permit cannot be given for land that is already the subject of an exploratory licence, mining lease or water use permit.
- An exploration licence gives the holder the exclusive right to carry out a detailed exploration of the area (up to 200 km<sup>2</sup>) subject to the licence. The licence is valid for three years, which may be renewed a maximum of two times for periods of two years each.
- A mining lease may cover a maximum area of 50 km<sup>2</sup>. It can only be granted to the holder of the exploration licence or small-scale mining lease covering that area. A mining lease is valid for 25 years, renewable every 24 years.
- A small-scale mining lease applies to areas between 5 acres and 3 km<sup>2</sup> and is valid for five years, renewable for further periods of five years. Other conditions may be imposed by the Artisanal and Small-Scale Mining Department of the Ministry.
- A quarry lease applies to material obtained by quarrying, such as marble, limestone, grave, gypsum, etc. A quarry lease applies to an area of up to 5 km<sup>2</sup> for periods of up to five years (renewable).
- A water use permit is valid for as long as the title granted is.

4.66. Mining titles are granted to individuals, companies and co-operatives. Applications for a reconnaissance permit and exploration licence are processed within 30 days of receipt of the application and fee payment by the Mining Cadastral Office. For small-scale mining leases, mining leases and quarry leases the process takes 45 days.

4.67. Licences can be granted through competitive bidding or individual request. Under competitive bidding, mineral locations are consolidated into blocks by the Government and such blocks are offered for sale to both local and foreign investors who have financial and technical capacities to undertake mining activities, especially for coal. The competitive bidding process includes advertisement in the media; due diligence process using data room; receipt of expression of interest (EOI); and preferred investor selection.

4.68. The sector's legislation guarantees the following: security of tenure through mining leases; transparent procedures for granting access to mining titles on a first-come-first-served, use-it-or-lose-it basis by the Ministry of Mines and Steel Development; internationally competitive mining incentives; and comprehensive geoscience data on mineral deposits and their locations in Nigeria.

4.69. Foreigners are only authorized to start and carry on a mining business through limited liability companies as per section 54 of the Companies and Allied Matters Act (CAMA). The NIPC Act No. 16 of 1995 allows for 100% ownership of investment while the Foreign Exchange Miscellaneous Act 17 of 1995 guarantees 100% repatriation of capital, profits and dividends. All mining companies are required under the Minerals and Mining Act of 2007 to sign a Community Development Agreement with their host communities so that operating companies also benefit them as part of their corporate social responsibility.

4.70. Other mining incentives include: deferred royalty payments; capital allowances of up to 95% of qualifying capital expenditure; exemption from customs and import duties for plant,

machinery and equipment for mining and metallurgical operations; three to five years' tax holiday as applicable; possible capitalization of expenditure on exploration and surveys; resident permits in respect of the approved expatriate personnel; exemption from any tax imposed by any enactment for the transfer of external currency out of Nigeria.

4.71. In 2014, the Federal Executive Council submitted the Nigerian Metallurgical Industry Draft Bill to the National Assembly. The Bill provides a framework for regulating the operations of all metallurgical plants in Nigeria to ensure that metallurgical products and raw materials manufactured locally or imported into the country meet the required standards. The Bill also provides for the establishment of an inspectorate department that would enforce compliance with quality, safety and metallurgical environmental regulations.<sup>20</sup>

4.72. Due to low oil prices, Nigeria is looking to expand the base of its mining sector on the back of new finds, such as the nickel deposit in Kaduna State, which the Government estimates could generate US\$400 billion in revenue.

#### 4.2.6 Electricity

4.73. Nigeria has one of the lowest rates of net electricity generation per capita in the world, despite its wealth of oil and gas. Only 45% of Nigerians have access to electricity leaving approximately 93 million people without electricity. Power supply averages 3,500 megawatts (MW) versus a deficit estimated at 10,000 MW daily. Those with access to electricity face load shedding and blackouts, and are also obliged to rely on private generators.

4.74. Nigeria's generation capacity was 10,775 MW in 2016, 81% (8,425 MW) of which was from combustible fuel sources, 20% (2,350 MW) from hydro sources, and less than 1% from biomass, waste and wind. Net electricity generation falls well below capacity due to poor maintenance of electricity facilities, natural gas supply shortages, and an inadequate (obsolete) transmission and distribution network.

4.75. A power sector reform was initiated by the 2005 Electric Power Sector Reform (EPSR) Act, which required the Federal Government to unbundle the state-owned Power Holding Company of Nigeria (PHCN) and privatize the electricity generation and distribution companies, while continuing to own the transmission company.

4.76. On 1 November 2013, Nigeria's Federal Government transferred a total of 15 state-owned electricity generation and distribution companies (out of 17) to private operators. Five of the six generation companies and ten of the eleven distribution companies were privatized, while the remaining two companies were transferred to Nigeria's state-owned Transmission Company, which remains under the Federal Government's control. The private companies took physical ownership of the generation and distribution infrastructure and responsibility for improving and repairing the system.

4.77. The Nigeria Electricity Regulatory Commission (NERC) regulates the electricity industry and issues licences for each of the generation, transmission and distribution functions.<sup>21</sup> NERC also sets prices for the generation, transmission and distribution of electricity. Under Section 76 of the EPSR Act 2005, NERC established a methodology for regulating electricity prices called the Multi-Year Tariff Order (MYTO). The MYTO provides a 15-year tariff path for the Nigerian electricity industry with limited minor reviews each year in light of changes in a limited number of parameters (such as inflation and gas prices). On 1 July 2008, the Commission issued the Multi-Year Tariff Order (MYTO) for the determination of charges and tariffs for electricity generation, transmission and retail tariffs over the period from 1 July 2008 to 30 June 2013. According to the authorities, prices were last reviewed and increased in February 2016.

4.78. Incentives in the power sector include a duty-free tariff on power generation equipment; a 20% capital allowance for 5 years; a cost-reflective gas pricing mechanism; and a tax holiday for manufacturing activities (up to 3 years' tax holiday renewable for an additional 2 years).

<sup>20</sup> Central Bank of Nigeria, *Annual Report 2014*.

<sup>21</sup> Regulation No. NERC-R-0110A, the Nigerian Electricity Regulatory Commission (NERC). Viewed at: <http://www.nercng.org/nercdocs/Regulation-for-the-Application-for-Licence.pdf>.

4.79. Nigeria has set ambitious goals to increase generation capacity as large untapped resources remain in power generation, distribution and transmission. The Federal Government's target is to achieve up to 75% access to electricity by 2020 by connecting an average of 1.5 million households annually through grid extension as well as non-grid solutions using renewable energy (solar, wind, and small and medium hydro). Nigeria plans to increase generation from fossil-fuel sources to more than 20,000 MW by 2020 and to increase hydroelectricity generation capacity to 5,690 MW by 2020, almost tripling capacity from the 2012 level. This includes upgrading current hydroelectricity plants and constructing new plants: Gurara II (360 MW), Zungeru (700 MW), and Mambilla (3,050 MW). In late 2013, the Nigerian Government announced a US\$1.3 billion deal with China to build the 700 MW Zungeru hydropower project. The Export-Import Bank of China will finance 75% of the cost, and the Nigerian Government will finance the remaining amount. The project was initially scheduled to be completed in 2017, but construction work has been delayed.

4.80. In October 2014, the CBN established the Nigeria Electricity Market Stabilisation Facility (NEMSF) to mitigate the current challenges facing the power and gas sector and fast-track the development of a viable and sustainable domestic energy market. Disbursement of funds under the Facility would be at a 10% interest rate per year with a tenor of not more than 10 years.

### 4.3 Manufacturing

#### 4.3.1 Overview

4.81. The manufacturing sector gained importance in Nigeria's economy over the review period. Its share of GDP grew from 6% in 2010 to 8.8% in 2016. The improved performance in the cement and motor vehicle assembly subsectors accounted, largely, for the growth in the manufacturing sector. Other important subsectors include: textiles, apparel and footwear; food processing; and non-metallic mineral products.

4.82. Nigeria is a net importer of manufactured goods (Section 1). In 2014, the authorities launched the Nigeria Industrial Revolution Plan (NIRP). In order to enhance the competitiveness of Nigerian industrial products, the NIRP has set specific targets to meet by 2020. These include increasing the domestic production of automobiles by 50% and increasing the production of metals, petrochemicals and processed palm oils; and fast track investments in industries such as agribusiness, solid minerals, and oil and gas, as well as six others priority industries: the palm oil, textiles, basic metals, automotive, base petrochemicals, and plastics and rubber industries.

4.83. The Nigerian manufacturing sector has continued to improve its productivity based on various intervention programmes introduced by the Government. These include the Industry Specific Intervention Fund to support manufacturing by ₦220 billion and the MSMEs and the Textile Intervention Fund by ₦100 billion. Furthermore, there are SME-targeting lending programmes through non-commercial outlets like the Bank of Industry. The SME Credit Guarantee Scheme and the SME Manufacturing Restructuring Fund were established in 2010.

4.84. The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) initiates and articulates policy ideas for small and medium enterprises' growth and development. It promotes and facilitates development programmes, instruments, and support services to accelerate the development and modernization of micro, small and medium enterprise operations.

4.85. The average applied MFN tariff on non-agricultural products (WTO definition) in 2017 was 12%, higher than the 11.3% level in 2011; and manufactured products (ISIC definition) were subject to an average tariff of 13% in 2017, up from 12% in 2011. Imports of cement in bags (HS2523.2900.22) and motor vehicles over ten years old (HS8703.1000-8703.9000) are prohibited (Section 3).

4.86. In order to encourage manufacturers to export, the Manufacture-in-Bond Scheme is designed to encourage manufacturers to import raw material inputs and other intermediate products duty-free for the production of finished goods for export, backed by a bond issued by any recognized financial institution. The bond is discharged after evidence of exportation and repatriation of foreign exchange. The Federal Ministry of Finance is in charge of this scheme.

4.87. Challenges to the manufacturing sector include poor electricity supply and infrastructure; lack of stringent border controls to prevent smuggling; and poor access to credit.

#### 4.3.2 Automotive industry

4.88. Nigeria's automotive industry grew during the review period. According to the NIRP, the domestic assembly of motor vehicles is one of the Government's priority industries.

4.89. In Nigeria, the Stallion Group, which is part of a diversified sub-Saharan conglomerate, has been in a production partnership with Nissan since 2013 and is currently the largest local passenger car producer. Stallion also owns a Volkswagen of Nigeria (VON) plant in Lagos and assembles cars for Honda (Japan) and Hyundai (Republic of Korea). The formal retail market is dominated by Toyota Nigeria, which accounts for 70% of vehicles imported. For commercial cars, Tata Motors has been a strong performer, growing sales by 100% since 2008.

4.90. Nigeria imports almost all of its cars, with an average of 50,000 new and 150,000 used vehicles entering the market monthly. In 2016, Nigeria imported automotive products (HS 87) of a total value of US\$1,617 million, around 4.6% of total imports. Demand for commercial vehicles will continue to be largely met by imports. However rising tariffs, coupled with a depreciated naira, has made it more difficult to import. The authorities have set a target to supply around 50% of passenger cars from domestic production by 2020.

4.91. The National Automotive Design and Development Council, a government agency under the Federal Ministry of Industry, Trade and Investment (FMITI), ensures policy implementation in the automotive industry. In order to develop the Nigerian automotive industry, a new policy was developed in 2013 and aims to protect the domestic car assembly sector by taxing imports of vehicles. Under the Automotive Industrial Policy Development Plan (2013-2024) and based on a circular of the Ministry of Finance issued in November 2013:

- imports of fully built units (FBU), i.e. all passenger cars, are subject to a combined rate of 70% (35% duty and 35% levy) until 2019, after which it will fall to 55%;
- imports of commercial automobiles are taxed at 35%;
- imports of completely knocked down kits (CKD) for domestic assembly are duty free;
- imports of semi-knocked down kits (SKD) for domestic assembly are subject to either 5% or 10%, depending on whether the body parts are painted or glazed;
- local assembly plants are granted concessionary rates on FBU cars and vehicles (35% and 20% respectively) in numbers equal to their imported CKD/SKD kits;
- for the tyre industry: car tyres and lorry/bus tyres are subject to a 20% duty plus 5% VAT;
- importation of machinery and equipment for the automotive assembly industry is duty free; and
- local tyre manufacturing plants are allowed to import tyres at a 5% duty in numbers equal to their production for two years from the date of commencement of production.

4.92. The revenue from the taxation of imports of these items is intended for the financing of schemes targeting the development of the automotive industry, including a supply chain for parts through the establishment of industrial parks.

4.93. The Federal Government implemented pre-shipment verification of conformity for used vehicles imported into Nigeria. As a result, three companies, Quality Assurance Projects Limited, Medtech Scientific Limited, and Cotecna Destination Inspection Limited were accredited.<sup>22</sup>

<sup>22</sup> Central Bank of Nigeria, *Annual Report (2014)*.

### 4.3.3 Cement

4.94. Nigeria's cement industry grew during the review period. Nigeria has the largest demand for cement in sub-Saharan Africa and about 95% of the inputs for cement production are sourced locally, yet the country's cement consumption remains the lowest in Africa. This can be attributed to the high cost of cement as well as supply inadequacies. Housing and infrastructure needs are drivers for the growth of the cement industry in Nigeria. However, the Government remains the largest consumer of cement in the country with an estimated 50% of total consumption.

4.95. The cement industry is dominated by a few large companies, with smaller firms importing and reselling. There are about six manufacturers and seven importers of cement in Nigeria. Dangote controls about 60% of the cement market share. Other players in the market include Lafarge and Holcim. Lafarge WAPCO dominates the south-western markets while Ashaka cement controls sales in the north-eastern region of the country. Benue Cement (BCC) and Obajana Cement Company have their sales concentrated in the north and central markets, both recently merged to become part of Dangote Group. The UNICEM cement company and the Cement Company of Northern Nigeria (CCNN) are strategically positioned to serve the south-eastern and the north-western markets respectively. This scattered locations of the cement factories and the fragmentation of the cement market in the country are partly due to high haulage costs as a result of the lack of durable transport infrastructure, such as rail, and partly due to the varying availability of limestone, which is the main raw material in cement production, in different parts of the country. Capacities of most of the cement manufacturing companies vary from one company to the other.

4.96. The nominal tariff protection on cement clinkers (HS2523.1000.00) is 50% in 2017. White and aluminous cement are subject to a tariff of 20%, while other cement excluding white is subject to 50%. However, imports of cement in bags (HS2523.2900.22) are prohibited. A statistical tax of 1% is charged on all imports of cement (Section 3).

4.97. In 2014, the Standards Organisation of Nigeria (SON) issued a 60-day ultimatum to cement manufacturers regarding product labelling and traceability requirements. Primarily, the new guidelines mandate the manufacturers to indicate on product bags the manufacturing and expiry dates, product application information, as well as the batch numbers of the product. The move, which is expected to enhance traceability in case of product failures, also places a responsibility on cement manufacturers to ensure that their products meet required guidelines, and health and safety requirements.

4.98. Establishing a cement factory is highly capital intensive and the cost of cement production is very high with energy being the major cost factor. As a result of the backward integration policy on cement production in Nigeria introduced by the Federal Government in 2002, the local manufacturing output of cement increased from 2 million tonnes in 2002 to 10.5 million tonnes in 2010. However, stakeholders have highlighted the following as the causes of the high price of Portland cement in Nigeria: a huge cement supply gap (where demand is higher than supply) which forces the price up; too many middle men in the supply and distribution of cement; unstable power supply which leads to overdependence on expensive alternative fuel which carries about 50% of the total cost of production; hoarding of cement by marketers to sustain importation; the huge cost of transportation of cement from factory to end-users *vis-à-vis* the poor distribution network of some cement companies; the monopoly of importation by a few players; the high tax burden on production and importation; and the high capital involved in setting up more factories which leads to a cement supply gap.<sup>23</sup>

## 4.4 Services

### 4.4.1 Financial services

4.99. Financial institutions and insurance companies contributed to 3.5% of overall GDP in 2016, according to the National Bureau of Statistics. Nigeria has a dynamic financial sector in which a large number of mainly indigenous (State) banks and insurance companies operate. Many of these companies are listed on the Nigerian Stock Exchange (NSE). However, the financial sector is a

<sup>23</sup> PanAfrican Capital Plc, *Nigerian Cement Industry ...a review of opportunities and recurrent price hike*, April 2011. Viewed at: <https://www.panafricancapitalplc.com/downloadi.php?id=3>.



small employer, having generated 6,053 new formal jobs in 2015, or less than 0.5% of overall hiring.

4.100. The financial sector in Nigeria is regulated by the Central Bank of Nigeria (CBN) established under the Central Bank of Nigeria Act of 1958, as an autonomous entity responsible for monetary, credit, and exchange rate policies. Its activities are now governed by the CBN Act of 2007. The CBN's main objectives are: ensuring monetary and price stability; issuing legal tender; maintaining external reserves; regulating the financial system of the country; and acting as banker to the Federal Government.<sup>24</sup>

4.101. Nigeria is largely a cash-dependent economy and lags behind many African countries in the use of financial services. In 2010, 36.4% of adults, roughly 31 million out of an adult population of 85 million, were served by formal financial services.<sup>25</sup>

4.102. Nigeria's insurance and asset management subsectors remain underdeveloped. However, given the large unmet needs for savings, there is potential for growth. The NSE has well-developed segments for stocks and government bonds, but a limited offering of other instruments. Lagos is Nigeria's main financial centre, but major commercial banks also maintain a strong presence in the capital, Abuja, to service the public sector; in Port Harcourt, for the oil sector; and in Kano, the country's most important northern city.

4.103. Under the GATS, Nigeria bound, without limitation, cross-border supply and commercial presence for banking and other financial services (except insurance). Foreigners, corporations or individuals, may own up to 100% equity in any enterprise.<sup>26</sup>

#### 4.4.1.1 Banking

4.104. The structure of the banking sector remained unchanged during the review period. The number of licenced banks stood at 25 at end-December 2015 and comprised 20 commercial banks, 4 merchant banks and 1 non-interest bank. Two banks, Enterprise and Mainstreet banks, were acquired by Heritage and Skye banks, respectively, during 2015, while SunTrust Bank Ltd was issued a commercial banking licence. In 2014, the Central Bank of The Gambia took over Keystone Bank (Gambia) due to the inability of the subsidiary to meet the country's minimum capital requirement. The number of bank branches declined from 5,670 in 2014 to 5,634 at end-December 2015.<sup>27</sup>

4.105. According to the IMF, banks in general remain adequately capitalized (with the exception of two banks). However, rising non-performing loans (NPLs) and reduced creditworthiness of borrowers suggest some increase in vulnerabilities in the banking system and could dampen private sector credit growth; a doubling of NPLs from the corporate sector could reduce the ability of banks to extend credit by 11%. In July 2016, the CBN ousted the management and board of Skye Bank, the country's eighth-largest lender, for missing minimum capital and liquidity levels.

4.106. Bank lending is concentrated in a few, unstable segments of the economy. The oil and gas sector, hard hit by the sustained slump in global fuel prices, accounted for ₦3.3 trillion (US\$10.5 bn), or 24.8%, of total bank credit at the end of 2015, according to the CBN. Manufacturing held ₦1.9 trillion, or 13.9%, of outstanding loans with industry suffering from a shortage of hard currency to pay for necessary imported inputs. Banks moved to restrict credit in 2015; loans from banks grew by just 4.3% to ₦13.1 trillion in 2015.

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<sup>24</sup> The Central Governor of the CBN is also involved in policy making as he is a member of the Economic Management Team, which is chaired by the Vice President, and he is also a member of the National Economic Council which includes the State Governors, the Minister of Finance, and the Minister of National Planning.

<sup>25</sup> National Financial Inclusion Strategy (NFIS). Viewed at: <https://www.cbn.gov.ng/Out/2012/publications/reports/dfd/CBN-Summary%20Report%20of-Financial%20Inclusion%20in%20Nigeria-final.pdf>.

<sup>26</sup> WTO document S/DCS/W/NGA, 19 August 2004.

<sup>27</sup> Central Bank of Nigeria, *Draft Annual Report 2015*. Viewed at: <https://www.cbn.gov.ng/Out/2016/RSD/Central%20Bank%20of%20Nigeria%20Annual%20Economic%20Report%20-%20Draft.pdf>.



4.107. All financial institutions require a licence granted by the CBN, which also has the right to revoke licences. To obtain and retain a banking licence, all banks must implement the CBN prudential requirements, based on Basel II. The CBN has also established a committee to plan for the implementation of Basel III. In October 2010, the CBN stopped issuing universal banking licences and reverted to a system of issuing a different licence and different minimum capital requirements depending on the type of financial service provided.

4.108. Banks are required to regularly provide the CBN with data to show it is meeting these requirements. Bank transactions are monitored by the CBN through the enhanced Financial Analysis and Surveillance System (e-FASS). In addition, in 2006, the CBN issued the Code of Corporate Governance for Banks in Nigeria Post-Consolidation, which built on its Code of Best Practices for Public Companies introduced in 2003 for all public companies, including banks.

4.109. Domestic and foreign banks are subject to the same rules in terms of establishment, operation and supervision. There are no policy or ownership restrictions on either the establishment foreign banks or the number of branches that foreign banks may open. Foreign banks are allowed to raise capital domestically. There is no distinction made between nationals and foreigners regarding the eligibility criteria for banking licences.

#### 4.4.1.2 Insurance

4.110. Nigeria's insurance market has huge potential for growth; as it has a very low penetration rate of below 1%. Only three million Nigerians have insurance policies in a population of about 175 million. Gross premium income amounted to ₦284 billion in 2014. In 2015, there were 30 general insurers, 15 life insurers and 13 composite providers licenced by the National Insurance Commission (NAICOM). In addition, 2,453 agents and 588 brokers were licenced. There are two local reinsurers, Africa Re and Continental Re.

4.111. NAICOM is responsible for regulating the insurance subsector in Nigeria. Pursuant to the Insurance Act of 2003, insurance companies are classified as either life or general; each insurance company must be registered with NAICOM. The Act also sets out capitalization requirements for insurance companies; qualification requirements for establishing insurance, reinsurance, insurance broker or loss adjuster businesses; minimum times for insurance brokers to pay premiums to insurance companies; and activities and assets requiring compulsory insurance. Prices are regulated for compulsory insurance.

4.112. NAICOM also maintains the Insurance Special Supervisory Fund, to which contributions are mandatory at a rate of 1% of annual premiums. As it is not a financially independent regulator like the CBN or the Securities and Exchange Commission, NAICOM collects this levy on gross premium income, broker commissions and loss adjusters' fees; it also has other sources of income such as fees, penalties and investment income.

4.113. All imports into Nigeria are to be insured locally by insurance companies registered in Nigeria. An insurance broker must obtain approval before entering into a contract with foreign insurers. Insurance companies must invest and hold Nigerian assets, at least equivalent to the amount of insurance business transacted in Nigeria.

4.114. The minimum capital requirements for insurance companies are ₦2 billion for life insurance, ₦3 billion for general insurance, ₦5 billion for composite insurance, and ₦10 billion for reinsurance. The establishment of a reinsurance company in Nigeria is subject to approval by NAICOM, with the possibility of appeal to the Minister of Finance. Insurers are required by law to cede 30% of their business compulsorily to Nigeria Reinsurance Corporation before ceding any reinsurance business outside Nigeria, subject to approval from NAICOM.

4.115. In 2013, NAICOM announced a moratorium on new licences, to encourage industry consolidation. The ten largest insurers accounted for 47.4% of total assets of the industry making Nigeria a fragmented market for insurance. As part of ongoing efforts to reform the subsector, in 2012, NAICOM adopted International Financial Reporting Standards (IFRS) and in 2013, due to high levels of non-payment of premiums, NAICOM issued enforcement guidelines which impose a fine of ₦500,000 per policy on any company that offers cover to a policyholder who has not paid the premium in advance. In 2013, guidelines for takaful (Islamic insurance) and micro-insurance

were introduced by NAICOM. As part of the National Financial Inclusion Strategy (NFIS), the insurance sector has set a target for insurance penetration to grow to 40% by 2020.

#### 4.4.2 Transport

4.116. Nigeria's transportation matrix is one of the best in West Africa, highlighting a comprehensive system of paved highways, roads, railways, airports, seaports and inland waterways. The sector contributes about 3% to GDP annually.

4.117. In 2015, the Federal Ministry of Transport (FMT) merged with the Ministry of Aviation and as a result has overall responsibility for the transport subsector. It sets policy and oversees a set of regulators including the Nigeria Port Authority (NPA), the Nigerian Railway Corporation (NRC), the National Inland Waterways Authority (NIWA), and the Federal Airports Authority of Nigeria (FAAN). The subsector's long-term vision and strategy is articulated in the National Transport Policy (NTP), which aspires to boost efficiency, transform Nigeria into a regional logistics hub and encourage more private sector investment.

4.118. In February 2015, eight bills were approved by the Federal Executive Council and are currently at the National Assembly. These include: the National Transportation Commission Bill; the Nigeria Ports and Harbour Bill; the Nigerian Railway Bill; and National Inland Waterways Bill.

4.119. Currently, the Government is revitalizing the railway network to service a large proportion of passenger and freight movement. The aviation subsector is also being transformed into a more user-friendly and affordable mode of transport. Similarly, the capacity of the inland waterways is being built to effectively complement the other modes of transport. To develop transport infrastructure and facilitate private sector participation, the Government established the Infrastructure Concession Regulatory Commission (ICRC) to manage the selection, development, procurement, implementation and monitoring of public-private-partnership (PPP) projects.

4.120. Incentives to the transport subsector include:

- Infrastructure: 20% of the cost of providing basic infrastructure, such as roads, water, and electricity, where they do not exist, is tax deductible.
- Local value added: 10% tax concession for five years. This applies essentially to engineering industries, while some finished imported products serve as inputs. This is aimed at encouraging local fabrication rather than the mere assembly of completely knocked down parts.
- Shipbuilding, repairs and maintenance of vessels, diving and underwater engineering services, and aircraft maintenance and manufacturing are considered pioneer products. As a result, they enjoy a 5-7 year tax holiday depending on location.

##### 4.4.2.1 Road transport

4.121. There are about 195,200 kilometres of roads in Nigeria: about 34,123 kilometres are federal roads, which are constructed and maintained by the Ministry of Works; about 30,500 kilometres are state roads, which are the responsibility of the state governments; and 129,577 kilometres are local government roads. About 60,000 kilometres of roads are paved (including 1,194 kilometres of expressways).

4.122. Road transportation accounts for more than 80% of passenger and freight movement in the country. In addition to their importance for transport and trade within Nigeria, several important trans-African roads originate in or cross the country, including:

- the Trans-Sahara Highway from Lagos, through Niger and Algeria to Algiers (the Highway is essentially completed but some unpaved sections remain and many sections are in poor condition);
- the Trans-Sahelian Highway from Dakar in Senegal to Ndjamena in Chad, passing through Mali, Burkina Faso, Niger, Nigeria, and Cameroon (although most of the

route is paved, many sections are in poor condition and are not passable during some seasons);

- the Trans-West African Coastal Highway, which goes westwards from Lagos to Dakar in Senegal crossing 11 countries (most of the route is in poor condition); and
- the Lagos-Mombasa Highway (one of the few east-west African links) which passes eastwards from Lagos, across central Africa to Mombasa in Kenya (slightly more than half the route is paved but much of it is in poor condition).

4.123. Most goods are transported by road in Nigeria, with the exception of oil and gas which are carried by pipelines. About half of all roads are in poor condition and passenger and goods vehicles are often overloaded. The Draft National Transport Policy sets the objective of greatly improving the quality of road infrastructure based on funding from the Government, road user charges, and private sector investment. The private sector investment could be in return for tolling concessions.

4.124. Vision 20:2020 also promotes the development of the road network and endorses the participation of the private sector in road building, either by means of build-operate-transfer (BOT) or build-operate-own arrangements, as well as rail, water, and air transport infrastructure. In May 2009, the Government completed a 25-year agreement with the Bi-Courtney Consortium to rebuild, expand, and operate the Lagos-Ibadan expressway.

#### 4.4.2.2 Rail transport

4.125. The Nigerian Railway Corporation's infrastructure and facilities comprise:

- 3,505 km of narrow gauge rail line and 827 km of narrow gauge sidings and loops;
- 512 km of standard gauge rail line;
- 674 km of branch lines;
- 304 railway stations (280 narrow gauge and 24 standard gauge) and 273 railway outstations;
- 434 railway bridges across the entire track length (371 for narrow gauge and 63 for standard gauge).

4.126. Rail transport in Nigeria comprises passenger, parcel and freight transport. Passengers include commuters, suburban, and intercity passengers. Pricing for commuters is flat while for suburban and intercity passengers it is graduated based on passengers per kilometre. Parcels are charged based on kilogram per distance travelled. Freight is either for dry goods or for petroleum products. Charges for dry goods are ₦7.10 per ton-km and ₦8.70 per ton-km for petroleum products. In 2015, a total of 2,581,046 passengers and 161,696 tonnes of freight were moved by rail, including haulage of several tonnes of cement, petroleum products, inland port containers and flour cargos from Lagos to the northern states.

4.127. The Nigerian Railway Corporation (NRC) owns, operates and maintains Nigeria's railway system. A new legislative framework, the Nigerian Railway Corporation Bill, is yet to be enacted. The main elements of the new bill include the separation of the operation and regulatory aspects of the Nigerian rail sector and the creation of the legislative framework for private and state participation in the sector. According to the authorities, the railway sector suffers from underinvestment and poor maintenance.

4.128. During the period under review, NRC undertook several rehabilitation projects of rail lines. These included rehabilitation of the Lagos to Kano Western line (1,124 km); rehabilitation of the Port Harcourt to Maiduguri Eastern line (1,657 km) within the Port-Harcourt to Gombe segment including the branch line from Kafanchan to Kaduna; and the rehabilitation of sidings and loop lines along the Western line, including connection to key industrial locations within Lagos Port Complex (Apapa), 74 stations and branch lines between Lagos and Kano. The railway rolling stock was also upgraded with the inauguration of two diesel multiple units (DMUs) train sets and eleven

68-seater air conditioned passenger coaches. This was aimed at improving the existing rail infrastructure.

4.129. Other modernization efforts included the construction of the first standard gauge railway from Abuja to Kaduna, which spans 186 km, with nine stations and a design speed of 150 km/h. Similarly, the Government signed a contract with China Railway Construction Corporation Limited worth US\$12.1 billion for the construction of a 1,402 km one-way mileage coastal railway line that will transverse 10 states of Nigeria with a design speed of 150 km/h, including the construction of 22 railway stations, spanning from Lagos to Kalaba.

#### 4.4.2.3 Air transport

4.130. In 2015, the Federal Ministry of Aviation merged with the Federal Ministry of Transport. The Federal Ministry of Transport regulates air travel and aviation services in Nigeria. The ministry is responsible for formulation and management of the Government's aviation policies and is directly responsible for overseeing air transportation, airport development, maintenance, and provision of aviation infrastructural services and other needs.

4.131. The Nigerian Civil Aviation Authority (NCAA) provides services related to aviation safety and economic regulation. It was established by the Civil Aviation Act of 2006 which is currently under review. The Act provides for a 5% levy on air tickets, charter and cargo sales, which is paid to the NCAA and funds its activities as well as those of the Nigerian Airspace Management Agency (NAMA), the Nigerian Meteorological Agency, the Nigerian College of Aviation Technology and the Accident Investigation and Prevention Bureau.<sup>28</sup> The NCAA also collects other fees for licences and certificates, and other charges related to civil aviation.

4.132. Under the Federal Airports Authority of Nigeria Act of 2004, the Federal Airports Authority (FAAN) is responsible for the maintenance of existing facilities and the construction of new ones, carrying out all economic activities in the airport (itself, through an agent or in partnership), and providing security and other airport-related services. The FAAN continues to pursue a policy of public-private partnerships through concession agreements with airport service providers. The Nigerian Airspace Management Agency (NAMA) was established to meet international requirements for safe and economic air navigation.

4.133. There are 22 airports government-managed by FAAN and 6 airports owned by the states. Out of the 22, 4 are international airports<sup>29</sup>, 7 are major domestic airports<sup>30</sup>, and 11 are "other" domestic airports. Nigeria does not have its own national carrier. There are 20 international airlines operating in Nigeria. All nine domestic airlines operating in Nigeria are privately owned.

4.134. Passenger traffic, both domestic and international, continued to grow over the review period, reaching a total of 7,529,535 passengers in 2015, with about 70% of the passengers taking domestic flights. Aircraft movement increased over the review period by 12.2% from 128,614 in 2011 to 144,347 in 2015. Cargo movement at designated airports was highest in 2014, with 76,593 thousand kilograms loaded, but fell in 2015 to reach 43,380 thousand kilograms (Table 4.12).

<sup>28</sup> Civil Aviation Act, 2006. Viewed at: <http://www.ncaa.gov.ng/regulations/ncaa-regulations/civil-aviation-act-2006/> (February 2017).

<sup>29</sup> The international airports are: Murtala Muhammed International Airport, Lagos; Njamdi Azikwe International Airport, Abuja; Mallam Aminu Kano International Airport; and Port Harcourt International Airport.

<sup>30</sup> The major domestic airports are: Kaduna Airport; Enugu Airport; Margaret Ekpo International Airport, Calabar; Maiduguri Airport; Sultan Saddik Abubakar Airport, Sokoto; Yakubu Gowon Airport, Jos; and Yola Airport.

**Table 4.12 Air traffic data, 2011-16**

(Number)

|                                            | 2011      | 2012      | 2013      | 2014      | 2015      | Provisional<br>2016 |
|--------------------------------------------|-----------|-----------|-----------|-----------|-----------|---------------------|
| <b>Total aircraft movements (arrivals)</b> | 128,614   | 112,352   | 118,320   | 129,187   | 144,347   | 107,123             |
| Domestic                                   | 108,332   | 88,113    | 95,907    | 106,158   | 122,788   | 85,543              |
| International                              | 20,282    | 24,239    | 22,413    | 23,029    | 21,559    | 21,559              |
| <b>Passenger traffic</b>                   |           |           |           |           |           |                     |
| Domestic                                   | 5,540,097 | 4,876,814 | 5,038,219 | 5,626,882 | 5,320,213 | 5,168,447           |
| International                              | 1,779,536 | 2,109,761 | 2,267,182 | 2,213,393 | 2,209,322 | 2,043,854           |
| <b>Cargo (000 kg) (loaded)</b>             | 38,399    | 40,547    | 53,848    | 76,593    | 43,380    | 68,248              |

Source: Federal Airports Authority of Nigeria.

4.135. During the period under review, competition and service delivery in the domestic airline industry improved with the commencement of local flight operations by new entrants, namely: Azman Air, Discovery Air, and Air Peace, while others were at various stages of obtaining the Air Operators' Certificate (AOC). Nigeria also retained the United States Federal Aviation Administration (FAA) Category 1 (CAT-1) status in 2014. The retention of the CAT-1 status enhanced the safety rating of the country's aviation industry, thereby improving patronage of facilities by airlines and travellers.

4.136. To further strengthen the counter-terrorism capacity in Nigeria's airports, the Government deployed hi-tech screening equipment at all airports. The country's Accident Investigation and Prevention Bureau (AIPB) became the first in Africa to commission a hangar equipped to quickly download, extract, decode and analyse aircraft accident data from the cockpit voice recorders (CVR) and flight data recorders (FDR), also known as black boxes.

4.137. The remodelling and upgrading of various airports across the country and the provision of safety and security infrastructure were intensified in 2014. New terminals in Lagos, Abuja, Kano Port Harcourt, and Enugu are under a bilateral arrangement with a loan from the Chinese Government. According to the authorities, both the Lagos and Abuja terminals are expected to be completed by the second quarter of 2017, to be followed by Port Harcourt, Enugu, and Kano. The Abuja airport closed from 8 March to 19 April 2017 for maintenance operations.

4.138. Nigeria is a signatory to the Yamoussoukro Convention, and provides up to the fifth freedom rights among African countries. Nigeria is a category II member of the ICAO, that is, it provides navigational facilities at its international airports to comply with the ICAO Standards and Recommended Practices. Cabotage is not allowed in Nigeria.

#### 4.4.2.4 Maritime transport

4.139. Nigeria boasts 825 kilometres of coastline connected to an extensive network of inland rivers that includes the River Niger, West Africa's largest river and the eleventh-largest in the world. Nigeria has 6 main seaports<sup>31</sup>, 22 oil terminals, and 62 private jetties, handling about 77 million tonnes of cargo. Nigeria has one dry port, the Inland Container Nigeria Limited (ICNL) Bonded Terminal in Kaduna. Due to high utilization rates, six new deep port projects are in the pipeline. The most advanced is Lagos' new seaport at Lekki, which is expected to be operational by 2018.

4.140. The Nigerian Ports Authority Act, CAP 126 LFN of 2004 is the main law regulating ports in Nigeria. The Nigerian Ports Authority (NPA) owns all ports and equipment in the ports and plays the role of landlord. Under the landlord system the existing port terminals are leased to a private company with concession periods of 10 or 25 years. The NPA is responsible for planning and development, regulatory tasks (such as safety, security, and protection of the environment), and nautical management. In order to improve the regulatory environment of the sector, the Nigerian

<sup>31</sup> Lagos Port Complex, Tin Can Island Port Complex, Calabar Port, Onne Port Complex, Rivers Port, and Delta Port Complex.

Shippers' Council was appointed as an economic port regulator by the Federal Government in 2015.

4.141. Significant improvement and expansion of port infrastructure as well as increased cargo throughput and revenue was a result of the transfer of cargo operations at eight major ports and oil terminals to private operators through concessions in 2006. These private operators are responsible for terminal operations, employment of port labour, land-based investment, maintenance of infrastructure and equipment, and insurance of concession assets.

4.142. Domestic shipping lines have exclusive rights to carry at least 40% of Nigerian sea-borne trade, according to the Coastal and Inland Cabotage Act of 2003. Half of Nigeria's oil exports must be carried by vessels flying the Nigerian flag.

4.143. Since 2012, the Nigerian maritime subsector has witnessed increased activities and facility upgrade. Measures to improve the operational efficiency of the ports were undertaken with the introduction of the Pre-Arrival Assessment Report by the Nigerian Customs Service, which replaced the Risk Assessment Report (RAR) used in the inspection of cargo imports. The change was aimed at reducing the average turnaround time in clearing goods at the ports. The 24-hour cargo clearance service received a boost with the replacement of the RAR with the PAAR and the take-over of its implementation by Nigeria Customs Service in 2014. Consequently, the Government stopped the operation of the three companies that operated the scheme: Quality Assurance Projects Limited, Medtech Scientific Limited and Cotecna Destination Inspection Limited.

**Table 4.13 Performance of ports, 2009-15**

|                         |        | 2009       | 2010       | 2011       | 2012       | 2014       | 2015       |
|-------------------------|--------|------------|------------|------------|------------|------------|------------|
| Number of vessels       | No.    | 4,721      | 4,881      | 5,232      | 4,837      | 5,541      | 5,014      |
| Cargo throughput        | Tonnes | 65,775,509 | 76,744,727 | 83,461,697 | 77,092,625 | 84,951,927 | 77,387,638 |
| Turnaround time         | Days   | 6.55       | 5.38       | 5.48       | 8.86       | 5.05       | 5.01       |
| Waiting time of vessels | Days   | 2.12       | 1.15       | 1.67       | 1.78       | 1.51       | 1.40       |

Note: Excludes crude oil.

Source: Information provided by the Nigerian Ports Authority.

4.144. Although container dwell times have fallen from 35 days to between 22 and 25 days, they are still amongst the highest in West Africa. According to the Nigerian Ports Authority (NPA), the average waiting time of vessels (pre-berth) declined to 1.40 days with the average turnaround time also reduced to 5.01 days in 2015 (Table 4.13). The cargo throughput handled at Nigerian ports (excluding crude oil terminals) has generally increased. These improvements were largely due to the various measures implemented by the NPA to improve port service efficiency and effectiveness. These include: the deployment of a Virtual Private Network (VPN) that connects all the ports with the Head Office to enable secure data communication/information management; the issuance of the electronic Ship Entry Notice (e-SEN) to eliminate unnecessary delays of vessels and reduce high demurrage; and aggressive channel management and wreck removal from the waterways.

4.145. Nigeria is signatory to a number of bilateral and regional conventions and agreements in the maritime subsector, including the African Union Revised Charter on Maritime Transport (2010), and is a member of the Association of African Maritime Administrations (AAMA) established in 2013. Nigeria has also ratified several conventions under the International Maritime Organization especially in the area of merchant shipping.

#### 4.4.3 Telecommunications

4.146. Nigeria has Africa's largest mobile market, with about 154 million subscribers and a penetration rate of 110% in 2016. The Nigerian telecommunications subsector continued to grow during the review period. Prior to the liberalization of the Nigerian telecom industry, there were only about 400,000 lines with a teledensity of just 0.4% in 1999. As in many African countries, subscriptions of fixed lines are declining; in 2011, there were 719,406 subscribers of fixed lines in Nigeria and in 2016, it dwindled to 154,513 (Table 4.14).



**Table 4.14 Telecommunications data, 2011-16**

(Number unless otherwise stated)

|                                      | 2011       | 2012        | 2013        | 2014        | 2015        | 2016        |
|--------------------------------------|------------|-------------|-------------|-------------|-------------|-------------|
| Fixed lines                          | 719,406    | 418,166     | 360,537     | 183,290     | 187,155     | 154,513     |
| Mobile lines                         | 95,167,308 | 112,777,785 | 127,246,092 | 138,960,320 | 150,830,089 | 154,342,168 |
| National carriers                    | 2          | 2           | 2           | 2           | 2           | 2           |
| Active licensed fixed-line operators | 7          | 5           | 5           | 6           | 6           | 5           |
| Licensed mobile operators            | 4          | 4           | 4           | 4           | 4           | 4           |
| Teledensity                          | 68.49      | 80.85       | 91.95       | 99.39       | 107.87      | 110.38      |

Source: Nigerian Communications Commission.

4.147. In an effort to streamline oversight, in 2011 the Government moved all of Nigeria's telecom regulators and related entities under the newly formed Federal Ministry of Communication Technology (FMCT). FMCT serves as the policy coordination and development body for the country's communications strategies. Agencies within the ambit of the FMCT include the National Information Technology Development Agency, which has a broad mandate to facilitate the expansion of ICT in Nigeria; Nigerian Communications Satellite, an independent state-owned company that manages NigComSat-1R (a Nigerian geostationary communications satellite); and Galaxy Backbone, a state-owned ICT provider.

4.148. The Nigerian Communications Commission (NCC) is an independent agency responsible for regulating the sector; granting licences across the mobile, fixed-line and internet segments; fixing and collecting associated fees; approving charges set by licence holders; monitoring and enforcing the terms and conditions of licences; setting and enforcing technical specifications and standards; and advising the Minister on policy.

4.149. In Nigeria, all telecommunications service operators are required to apply to the NCC for relevant licences by obtaining an application form and complying with the requirements therein. Operators require two licences in order to operate a mobile service. First, an operational licence which is processed and granted administratively; and a spectrum licence, which is granted following an auction, selection process, public tender invitation or competitive bidding process. The licence fee structure was established in 2007.<sup>32</sup>

4.150. Tariffs and charges are set by licence holders on the basis of ceilings determined by the NCC; the tariffs are subject to approval by the NCC. Between 2013 and early 2016, the NCC applied a price floor on voice and data tariffs in a bid to prevent the dominant operators from squeezing competitors. According to the NCC Act, tariffs should be fair and non-discriminatory; cost-oriented; void of cross-subsidization; and attractive to investors, taking into account regulations and recommendations of international organizations of which Nigeria is a member. The tariffs should not contain discounts that unreasonably prejudice competitive opportunities of other providers. Operators are allowed to manage their own infrastructure. However, all network services or facilities providers are obliged to allow interconnection with their communication systems for licensees that so request. All interconnection agreements are to be agreed upon between the relevant operators and registered with the NCC, with the latter acting as an arbiter in the event of any anti-competitive practice. Interconnection rates were last set in 2013 by the NCC for mobile and fixed voice services and SMS terminations irrespective of the originating network.

4.151. The mobile market comprises four GSM operators who hold virtually the entire telecoms subscriber base. MTN, a subsidiary of South Africa's MTN Group, remains the dominant player for mobile telecommunications services, with 60.6 million active mobile-phone subscriptions in January 2016. It is followed by Nigerian-owned Globacom's Glo Mobile (33.2 million), India-based Airtel (33.2 million) and the fast-growing Etisalat (22 million), a UAE-based telecoms provider that only entered the market in 2008, further boosting competition. Growth in the mobile market has increased competition and contributed to better service quality and reduced tariffs. This also reflects the population's continued preference for mobile services, increasingly as a means for consuming television and video content.

<sup>32</sup> Nigerian Communication Commission, Licence Fees and Pricing. Viewed at: <http://www.ncc.gov.ng/licensing-regulatory/licensing/fees-pricing#individual-license>.



4.152. In April 2013, the NCC launched the Strategic Management Plan (SMP) which is set to run to 2017. The SMP includes provisions aimed at boosting access to telecoms services in rural and urban areas; attracting additional investment to the subsector; and streamlining the industry's regulatory framework. More specifically, the NCC plans to make market-based investments in telecom, with the goal of focusing on private sector-led development.

4.153. Mobile-number portability, which was introduced in April 2013, made the use of multiple handsets and subscriptions by individual users less necessary as they have the option of migrating to other operators. Network reception is notoriously poor, and three of the four main mobile operators were fined a combined total of ₦647.5 million (US\$4.2 million) by the NCC in February 2014 and barred from selling SIM cards for not meeting the required standard. Moreover, Nigeria's National Assembly is currently considering the imposition of a new 9% tax on telecoms services (including voice calls, SMS and data among others) that will be borne by mobile users.

4.154. Nigeria accounts for 29% of all internet usage in Africa, and most Nigerians access the internet via their mobile handsets. As 3G becomes more widely available, this share is likely to increase. The number of active mobile GSM Internet subscriptions reached 95.8 million in January 2016, up from 81.9 million in 2015, according to the NCC.

#### 4.4.4 Postal services

4.155. The Nigerian Postal Service (NIPOST) is responsible for Nigeria's postal services. Law 41 of 1992 gave NIPOST the status of a government parastatal with the following basic functions: to develop, promote, and provide adequate and coordinated postal services at reasonable rates; to maintain an efficient system of collection, sorting and delivery of mail nationwide; to provide various types of mail services to meet the needs of different categories of mailers; to establish and maintain postal facilities; and to represent Nigeria in relations with other postal administrations and international bodies.

4.156. As regulator and operator, NIPOST registers courier companies and provides guidelines for their operations. In order to create an independent postal regulatory commission, a new bill, the Postal Sector Bill is currently in the National Assembly which seeks to separate the two functions of regulator and operator.

4.157. Nigeria has over 300 registered courier companies operating in the country. There are no restrictions for foreign investment in the sector. Prices for postal services are regulated by NIPOST.

#### 4.4.5 Entertainment

4.158. The Nigerian entertainment industry became a significant services sector after the rebasing exercise of 2014. For the first time, entertainment was classified as a distinct sector separate from "other services". In 2016, the entertainment subsector was worth around ₦853.9 billion (US\$5.1 billion) and contributed to 1.4% of GDP, thus confirming Nigeria's status as one of the world's leading film production centres.

4.159. Nigeria has the third-largest film industry next to Hollywood, the US film industry and Bollywood, India's film industry. In terms of volume, its output of 40 films a week is higher than the leading two but most are low budget productions. Nollywood, as it is known in Nigeria, employs an estimated 200,000 people directly as actors, producers, distributors and promoters. However, piracy prevents the industry from generating more revenue. Most films are sold as DVDs at the roadside, either at market stalls, from wheelbarrows or by hawkers at traffic lights.

4.160. The music industry is not as successful as the film industry but nevertheless exports its products internationally, including to neighbouring Hausa communities and to the region. The market for Nigerian music is large, especially at domestic and continent-wide levels. However, piracy, and poor distribution and marketing have prevented the industry from expanding. Capturing a higher share of the growing international market for live performances and establishing better platforms to showcase and distribute Nigerian music should help develop exports.

4.161. The Federal Ministry of Information and Culture is the main regulator of the entertainment industry. In 2014, the Entertainment and Creative Services Department was created to coordinate activities in the industry. Other regulatory bodies include: the Copyright Commission, the Nigeria Film and Video Censor Board, the Nigerian Film Corporation, and the Performing Musicians Association (PMAN). The National Film and Video Censor Board is a regulatory agency for the censorship of film and video production for viewing. There are proposals to create a Nigerian Film Institute which would: (i) provide studio facilities; (ii) improve standards through training and capacity building; (iii) create a hub for core industry skills; and (iv) lease film equipment.

4.162. According to the National Broadcasting Act No. 38 of 1992, television is required to air local programmes promoting Nigerian culture during specific times. The Nigerian State is required to produce at least 80% of its programmes with local content.<sup>33</sup> Broadcasters are also encouraged to use their indigenous languages and wear their traditional attires.

4.163. The World Bank is assisting the Government through the Growth and Employment (GEM) project to support the entertainment industry, along with other industries.<sup>34</sup> Nigeria has already started to develop exports of entertainment services for both film and music but much of the potential revenue from these exports is lost due to piracy. Capturing a higher proportion of lost export revenues for the film industry, through combating piracy and developing better formal distribution systems, should catalyse the investment needed to upgrade production and enable the industry to become even more dominant in the African and diaspora markets.

4.164. In recognition of the subsector's importance, the Government, in 2013, announced a ₦3 billion cash injection to develop Nollywood and created a US\$200 million Stimulation Loan Facility, which is being provided for intervention in the entertainment industry under the Nigerian Creative and Entertainment Industry Stimulation Loan Scheme (NCEILS). The loan is intended to attract investment in the development of content and infrastructure in the media and entertainment subsector, as well as to improve production, distribution, marketing and exhibition standards. The categories eligible for funding support include production, distribution and exhibition of films, television, radio and fashion, and the creation of distribution infrastructure/platforms.

4.165. According to the authorities, the entertainment subsector has improved in terms of quality over the years, however it face many challenges. These include lack of enforcement of intellectual property rights, piracy, low DVD production, distribution bottlenecks, lack of digital platforms, inadequate publicity, poor packaging and marketing, an inadequate number of cinema houses, informal operations, few copyright products, as well as the small number of Nigerian film-making schools.

#### 4.4.6 Tourism

4.166. The Nigerian tourism industry has perhaps a greater potential than any other single industry, due to its multiplier effects on economic growth and job creation. The direct contribution of travel and tourism to GDP in 2015 was ₦1,560.2 billion (1.7% of GDP). In 2015, Nigeria attracted around 6 million tourists, almost double the number of visitors in 2011.<sup>35</sup> This primarily reflects the economic activity generated by industries such as hotels, travel agents, airlines and other passenger transportation services (excluding commuter services). It also includes the activities of the restaurant and leisure industries.<sup>36</sup> However the sector is underdeveloped and faces numerous challenges from poor infrastructure, undeveloped facilities, and, in some areas, security concerns.

<sup>33</sup> Cultural Policy of Nigeria (1988), Article 8.3, page 15.

<sup>34</sup> *United Nations Africa Renewal*, "Nigeria's film industry: a potential gold mine?", May 2013. Viewed at: <http://www.un.org/africarenewal/magazine/may-2013/nigeria%E2%80%99s-film-industry-potential-gold-mine>.

<sup>35</sup> UN World Tourism Organization, Nigeria: Country-specific: Basic indicators. Viewed at: <http://www.e-unwto.org/doi/suppl/10.5555/unwtotfb0566010020112015201611>.

<sup>36</sup> World Travel and Tourism Council, *Travel & Tourism Economic Impact 2015: Nigeria*. Viewed at: <https://www.wttc.org/-/media/files/reports/economic%20impact%20research/countries%202015/nigeria2015.pdf>.

4.167. The Federal Government of Nigeria has prioritized tourism as one of its key drivers of growth and diversification. The recognition of tourism potential is highlighted in the various development strategies of the country, as well as in the National Tourism Policy (NTP) and through the establishment of the Nigerian Tourism Development Corporation (NTDC) by Act 81 of 1992. In order to facilitate the entry of tourists into Nigeria, as at 2016 a tourist visa could be obtained upon arrival at the airport.

4.168. The main tourist attractions in Nigeria are adventure, historic, eco-adventure, beach, religious, and conference tourism. The prevalence of several natural and historic tourist sites add to the subsector's potential such as the Sukur World Heritage site at Adamawa and Osun Oshogbo Sacred Grove which are included in UNESCO's World Heritage List.

4.169. The Ministry of Information and Culture is responsible for policy and, through the Nigerian Tourism Development Corporation (NTDC), for promoting and regulating tourism in Nigeria. The NTDC is responsible for the registration and classification of enterprises engaged in tourism as well as advising state and local government, and the private sector on tourism development. Tour operators are the major suppliers. The Federation of Tourism Associations of Nigeria (FTAN) is the umbrella group for several tourist-related industries and works closely with the NTDC on development of the sector.

## 5 APPENDIX TABLES

Table A1.1 Merchandise exports by product group, 2010-16

|                                                          | 2010                | 2011         | 2012         | 2013        | 2014         | 2015        | 2016 <sup>a</sup> |
|----------------------------------------------------------|---------------------|--------------|--------------|-------------|--------------|-------------|-------------------|
| <b>Total (US\$ billion)</b>                              | <b>86.6</b>         | <b>125.6</b> | <b>143.2</b> | <b>90.6</b> | <b>102.9</b> | <b>49.8</b> | <b>33.7</b>       |
|                                                          | (Per cent of total) |              |              |             |              |             |                   |
| <b>Total primary products</b>                            | <b>93.2</b>         | <b>97.4</b>  | <b>97.1</b>  | <b>96.5</b> | <b>93.5</b>  | <b>91.4</b> | <b>99.0</b>       |
| Agriculture                                              | 5.0                 | 7.9          | 12.6         | 8.3         | 2.3          | 3.2         | 2.3               |
| Food                                                     | 3.3                 | 1.8          | 5.4          | 5.1         | 1.9          | 2.9         | 2.2               |
| Agricultural raw material                                | 1.6                 | 6.1          | 7.3          | 3.2         | 0.4          | 0.3         | 0.2               |
| Mining                                                   | 88.2                | 89.4         | 84.5         | 88.3        | 91.2         | 88.2        | 96.7              |
| Ores and other minerals                                  | 0.6                 | 0.1          | 0.1          | 0.1         | 0.0          | 0.1         | 0.0               |
| Non-ferrous metals                                       | 0.5                 | 0.2          | 0.4          | 0.5         | 0.3          | 0.3         | 0.1               |
| Fuels                                                    | 87.1                | 89.1         | 84.0         | 87.6        | 90.9         | 87.9        | 96.5              |
| 3330 - Petroleum oils and oils, crude                    | 70.4                | 71.7         | 69.2         | 82.8        | 72.9         | 71.0        | 82.0              |
| 3431 - Natural gas, liquefied                            | 3.3                 | 4.7          | 3.9          | 2.0         | 8.5          | 11.0        | 11.7              |
| 3449 - Gaseous hydrocarbons in the gaseous state, n.e.s. | 0.0                 | 0.0          | 0.0          | 0.0         | 0.0          | 0.5         | 0.9               |
| 3421 - Propane, liquefied                                | 0.1                 | 0.6          | 0.1          | 0.0         | 2.1          | 2.9         | 0.5               |
| 3442 - Gaseous hydrocarbons, liquefied, n.e.s.           | 0.2                 | 0.0          | 0.0          | 0.1         | 0.6          | 0.3         | 0.4               |
| 3425 - Butanes, liquefied                                | 1.8                 | 0.0          | 0.0          | 0.0         | 0.1          | 0.6         | 0.4               |
| <b>Manufactures</b>                                      | <b>6.7</b>          | <b>2.5</b>   | <b>2.9</b>   | <b>3.4</b>  | <b>6.5</b>   | <b>8.6</b>  | <b>1.0</b>        |
| Iron and steel                                           | 0.1                 | 0.0          | 0.0          | 0.0         | 0.0          | 0.0         | 0.0               |
| Chemicals                                                | 0.6                 | 0.2          | 0.2          | 0.4         | 0.1          | 0.2         | 0.5               |
| Other semi-manufactures                                  | 3.8                 | 0.9          | 0.9          | 1.2         | 0.8          | 0.7         | 0.4               |
| Machinery and transport equipment                        | 1.2                 | 1.2          | 1.3          | 0.9         | 2.8          | 7.4         | 0.0               |
| Textiles and clothing                                    | 0.3                 | 0.1          | 0.2          | 0.2         | 0.7          | 0.0         | 0.1               |
| Other consumer goods                                     | 0.8                 | 0.2          | 0.2          | 0.7         | 2.0          | 0.3         | 0.0               |
| <b>Other</b>                                             | <b>0.1</b>          | <b>0.1</b>   | <b>0.0</b>   | <b>0.1</b>  | <b>0.0</b>   | <b>0.0</b>  | <b>0.0</b>        |

a Preliminary data.

Source: UNSD Comtrade database, SITC Rev.3; and data provided by Nigeria's National Bureau of Statistics (NBS).

Table A1.2 Merchandise imports by product group, 2010-16

|                                                                                                      | 2010                | 2011        | 2012        | 2013        | 2014        | 2015        | 2016 <sup>a</sup> |
|------------------------------------------------------------------------------------------------------|---------------------|-------------|-------------|-------------|-------------|-------------|-------------------|
| <b>Total (US\$ billion)</b>                                                                          | <b>44.2</b>         | <b>64.0</b> | <b>35.9</b> | <b>44.6</b> | <b>46.5</b> | <b>34.8</b> | <b>34.9</b>       |
|                                                                                                      | (Per cent of total) |             |             |             |             |             |                   |
| <b>Total primary products</b>                                                                        | <b>13.4</b>         | <b>45.9</b> | <b>28.0</b> | <b>42.6</b> | <b>35.9</b> | <b>38.0</b> | <b>44.1</b>       |
| Agriculture                                                                                          | 11.0                | 34.8        | 23.5        | 20.6        | 17.7        | 17.7        | 14.1              |
| Food                                                                                                 | 10.3                | 30.6        | 22.7        | 17.8        | 17.0        | 16.9        | 13.3              |
| 0411 - Durum wheat, unmilled                                                                         | 0.1                 | 0.1         | 0.2         | 0.1         | 0.1         | 2.3         | 3.1               |
| 0611 - Sugars, beet or cane, raw, in solid form, not containing added flavouring or colouring matter | 0.8                 | 2.1         | 2.4         | 1.9         | 1.8         | 1.7         | 2.2               |
| 0342 - Fish, frozen                                                                                  | 1.7                 | 2.8         | 3.4         | 2.2         | 1.9         | 2.7         | 1.3               |
| 0224 - Whey; products consisting of natural milk constituents, n.e.s.                                | 0.0                 | 0.0         | 0.0         | 0.0         | 0.0         | 1.3         | 1.0               |
| Agricultural raw material                                                                            | 0.8                 | 4.2         | 0.8         | 2.8         | 0.7         | 0.8         | 0.8               |
| Mining                                                                                               | 2.4                 | 11.1        | 4.5         | 22.0        | 18.2        | 20.3        | 30.0              |
| Ores and other minerals                                                                              | 0.3                 | 0.2         | 0.4         | 0.4         | 0.5         | 0.5         | 0.5               |
| Non-ferrous metals                                                                                   | 0.8                 | 1.0         | 1.7         | 1.4         | 1.3         | 1.3         | 0.9               |
| 6842 - Aluminium and aluminium alloys, worked                                                        | 0.5                 | 0.7         | 1.2         | 1.0         | 0.9         | 0.8         | 0.6               |
| Fuels                                                                                                | 1.3                 | 9.9         | 2.4         | 20.2        | 16.3        | 18.5        | 28.6              |
| 334 - Petroleum oils and oils obtained from bituminous minerals (other than crude)                   | 0.8                 | 9.1         | 1.5         | 19.3        | 15.3        | 18.0        | 28.1              |
| <b>Manufactures</b>                                                                                  | <b>86.5</b>         | <b>54.1</b> | <b>72.0</b> | <b>57.3</b> | <b>64.1</b> | <b>62.0</b> | <b>55.9</b>       |
| Iron and steel                                                                                       | 2.7                 | 2.4         | 4.4         | 3.5         | 4.3         | 4.2         | 2.3               |
| Chemicals                                                                                            | 10.8                | 7.9         | 12.0        | 12.2        | 12.5        | 12.9        | 12.5              |
| Other semi-manufactures                                                                              | 15.2                | 7.5         | 8.5         | 7.6         | 8.2         | 7.8         | 6.0               |
| Machinery and transport equipment                                                                    | 50.1                | 31.6        | 42.5        | 29.8        | 34.9        | 32.7        | 31.2              |
| Power generating machines                                                                            | 1.6                 | 1.4         | 2.3         | 2.0         | 2.6         | 2.0         | 3.0               |
| Other non-electrical machinery                                                                       | 12.3                | 8.7         | 10.9        | 9.9         | 13.1        | 13.1        | 12.5              |
| Office machines & telecommunication equipment                                                        | 6.8                 | 3.9         | 5.7         | 3.6         | 4.0         | 4.8         | 4.0               |
| Other electrical machines                                                                            | 6.2                 | 4.4         | 3.6         | 3.2         | 3.3         | 3.8         | 2.8               |
| Automotive products                                                                                  | 20.0                | 9.7         | 15.9        | 5.3         | 6.5         | 4.8         | 3.9               |
| Other transport equipment                                                                            | 3.2                 | 3.5         | 4.2         | 5.7         | 5.5         | 4.2         | 5.1               |
| Textiles                                                                                             | 2.5                 | 0.9         | 1.0         | 1.0         | 1.0         | 0.8         | 0.7               |
| Clothing                                                                                             | 0.2                 | 0.3         | 0.2         | 0.2         | 0.2         | 0.3         | 0.3               |
| Other consumer goods                                                                                 | 5.1                 | 3.4         | 3.3         | 3.1         | 3.1         | 3.3         | 2.9               |
| <b>Other</b>                                                                                         | <b>0.0</b>          | <b>0.0</b>  | <b>0.0</b>  | <b>0.0</b>  | <b>0.0</b>  | <b>0.0</b>  | <b>0.0</b>        |

a Preliminary data.

Source: UNSD Comtrade database, SITC Rev.3; and data provided by Nigeria's National Bureau of Statistics (NBS).

Table A1.3 Merchandise exports by destination, 2010-16

|                                                 | 2010                | 2011         | 2012         | 2013        | 2014         | 2015        | 2016 <sup>a</sup> |
|-------------------------------------------------|---------------------|--------------|--------------|-------------|--------------|-------------|-------------------|
| <b>Total (US\$ billion)</b>                     | <b>86.6</b>         | <b>125.6</b> | <b>143.2</b> | <b>90.6</b> | <b>102.9</b> | <b>49.8</b> | <b>33.7</b>       |
|                                                 | (Per cent of total) |              |              |             |              |             |                   |
| <b>Americas</b>                                 | <b>46.9</b>         | <b>39.7</b>  | <b>30.4</b>  | <b>20.5</b> | <b>13.7</b>  | <b>13.6</b> | <b>19.4</b>       |
| United States                                   | 34.4                | 22.5         | 16.9         | 8.5         | 3.8          | 3.6         | 12.1              |
| Other America                                   | 12.6                | 17.1         | 13.6         | 12.1        | 9.9          | 10.0        | 7.3               |
| Canada                                          | 2.9                 | 1.2          | 1.5          | 1.8         | 0.2          | 1.1         | 2.7               |
| Brazil                                          | 7.0                 | 8.4          | 7.5          | 9.5         | 8.1          | 6.6         | 2.4               |
| Argentina                                       | 0.1                 | 0.0          | 0.1          | 0.0         | 0.2          | 0.9         | 0.8               |
| <b>Europe</b>                                   | <b>23.5</b>         | <b>29.5</b>  | <b>36.4</b>  | <b>43.5</b> | <b>43.5</b>  | <b>40.9</b> | <b>36.6</b>       |
| EU-28                                           | 22.4                | 28.5         | 35.6         | 42.2        | 41.1         | 38.8        | 35.8              |
| Spain                                           | 3.3                 | 5.9          | 5.5          | 7.0         | 9.3          | 9.5         | 9.2               |
| Netherlands                                     | 4.5                 | 2.1          | 7.0          | 10.5        | 10.2         | 11.8        | 7.8               |
| France                                          | 4.0                 | 5.9          | 4.2          | 5.9         | 5.7          | 5.3         | 6.3               |
| United Kingdom                                  | 1.5                 | 6.2          | 6.3          | 5.1         | 5.1          | 4.3         | 3.5               |
| Italy                                           | 3.5                 | 5.1          | 6.1          | 7.0         | 4.4          | 2.3         | 2.1               |
| Sweden                                          | 0.1                 | 0.0          | 0.7          | 1.4         | 1.4          | 0.9         | 2.0               |
| Germany                                         | 0.6                 | 1.0          | 1.5          | 2.3         | 1.7          | 2.0         | 1.8               |
| Portugal                                        | 2.2                 | 1.5          | 0.8          | 1.0         | 1.7          | 0.8         | 1.3               |
| EFTA                                            | 0.2                 | 0.6          | 0.2          | 0.5         | 0.1          | 0.6         | 0.0               |
| Other Europe                                    | 0.9                 | 0.4          | 0.6          | 0.7         | 2.3          | 1.5         | 0.7               |
| <b>Commonwealth of Independent States (CIS)</b> | <b>0.0</b>          | <b>0.1</b>   | <b>0.0</b>   | <b>0.2</b>  | <b>0.1</b>   | <b>0.0</b>  | <b>0.0</b>        |
| <b>Africa</b>                                   | <b>11.9</b>         | <b>10.4</b>  | <b>9.9</b>   | <b>12.3</b> | <b>11.8</b>  | <b>14.5</b> | <b>14.6</b>       |
| South Africa                                    | 2.1                 | 2.1          | 3.3          | 4.8         | 5.0          | 5.5         | 5.5               |
| Côte d'Ivoire                                   | 1.5                 | 1.4          | 1.8          | 2.6         | 2.3          | 3.4         | 2.6               |
| Cameroon                                        | 0.6                 | 0.3          | 0.7          | 1.7         | 1.3          | 1.0         | 1.5               |
| Senegal                                         | 0.2                 | 0.4          | 0.7          | 0.7         | 0.6          | 1.3         | 1.4               |
| Ghana                                           | 0.5                 | 0.7          | 0.9          | 1.5         | 0.9          | 1.1         | 1.3               |
| <b>Middle East</b>                              | <b>0.3</b>          | <b>0.2</b>   | <b>0.1</b>   | <b>0.7</b>  | <b>0.4</b>   | <b>0.8</b>  | <b>1.3</b>        |
| <b>Asia</b>                                     | <b>17.1</b>         | <b>19.9</b>  | <b>22.7</b>  | <b>21.5</b> | <b>27.3</b>  | <b>28.4</b> | <b>27.5</b>       |
| China                                           | 1.7                 | 2.0          | 5.6          | 1.2         | 1.6          | 1.6         | 1.4               |
| Japan                                           | 0.5                 | 0.3          | 0.5          | 0.5         | 3.2          | 3.5         | 1.3               |
| Other Asia                                      | 15.0                | 17.5         | 16.6         | 19.8        | 22.6         | 23.3        | 24.7              |
| India                                           | 10.5                | 10.2         | 11.1         | 12.6        | 14.6         | 17.3        | 18.0              |
| Indonesia                                       | 1.1                 | 0.7          | 1.1          | 2.3         | 3.9          | 2.4         | 3.9               |
| Singapore                                       | 0.2                 | 0.3          | 1.0          | 0.7         | 0.4          | 0.8         | 1.2               |
| <b>Other</b>                                    | <b>0.3</b>          | <b>0.2</b>   | <b>0.4</b>   | <b>1.3</b>  | <b>3.2</b>   | <b>1.8</b>  | <b>0.6</b>        |
| <b>Memo:</b>                                    |                     |              |              |             |              |             |                   |
| ECOWAS                                          | 2.4                 | 2.8          | 3.9          | 5.3         | 5.1          | 6.3         | 6.8               |

a Preliminary data.

Source: UNSD Comtrade database, SITC Rev.3; and data provided by Nigeria's National Bureau of Statistics (NBS).

Table A1.4 Merchandise imports by origin, 2010-16

|                                                 | 2010                | 2011        | 2012        | 2013        | 2014        | 2015        | 2016 <sup>a</sup> |
|-------------------------------------------------|---------------------|-------------|-------------|-------------|-------------|-------------|-------------------|
| <b>Total (US\$ billion)</b>                     | <b>44.2</b>         | <b>64.0</b> | <b>35.9</b> | <b>44.6</b> | <b>46.5</b> | <b>34.8</b> | <b>34.9</b>       |
|                                                 | (Per cent of total) |             |             |             |             |             |                   |
| <b>Americas</b>                                 | <b>29.4</b>         | <b>34.0</b> | <b>25.2</b> | <b>13.0</b> | <b>14.5</b> | <b>13.0</b> | <b>12.2</b>       |
| United States                                   | 17.9                | 18.0        | 13.6        | 8.7         | 10.4        | 8.7         | 8.0               |
| Other America                                   | 11.5                | 16.0        | 11.5        | 4.3         | 4.1         | 4.3         | 4.2               |
| Brazil                                          | 3.3                 | 5.5         | 8.0         | 2.8         | 2.5         | 2.6         | 2.9               |
| Canada                                          | 0.0                 | 0.0         | 0.0         | 0.6         | 0.8         | 0.7         | 0.8               |
| <b>Europe</b>                                   | <b>24.4</b>         | <b>27.9</b> | <b>26.5</b> | <b>34.0</b> | <b>37.0</b> | <b>36.7</b> | <b>45.8</b>       |
| EU-28                                           | 21.8                | 24.5        | 23.3        | 31.1        | 33.5        | 34.2        | 43.4              |
| Belgium                                         | 3.9                 | 3.1         | 3.7         | 4.9         | 7.2         | 7.5         | 12.1              |
| Netherlands                                     | 0.8                 | 2.4         | 1.4         | 5.4         | 6.1         | 6.2         | 11.7              |
| United Kingdom                                  | 2.8                 | 2.7         | 6.6         | 5.2         | 3.9         | 4.2         | 4.1               |
| France                                          | 5.8                 | 4.5         | 2.1         | 2.8         | 2.5         | 2.3         | 3.9               |
| Germany                                         | 0.5                 | 4.7         | 2.7         | 3.5         | 3.8         | 3.1         | 3.1               |
| Spain                                           | 0.7                 | 1.5         | 0.9         | 2.1         | 1.7         | 2.1         | 1.7               |
| Italy                                           | 4.5                 | 2.8         | 2.1         | 1.7         | 2.2         | 2.4         | 1.4               |
| Latvia                                          | 0.1                 | 0.1         | 0.1         | 0.9         | 1.5         | 2.0         | 1.3               |
| Ireland                                         | 0.4                 | 1.3         | 1.1         | 0.9         | 1.1         | 1.0         | 1.0               |
| EFTA                                            | 1.4                 | 1.2         | 1.9         | 1.8         | 2.3         | 1.7         | 1.8               |
| Norway                                          | 0.7                 | 0.6         | 0.6         | 1.1         | 1.3         | 0.9         | 1.2               |
| Other Europe                                    | 1.1                 | 2.2         | 1.4         | 1.1         | 1.2         | 0.8         | 0.7               |
| <b>Commonwealth of Independent States (CIS)</b> | <b>0.6</b>          | <b>0.7</b>  | <b>1.5</b>  | <b>1.2</b>  | <b>1.6</b>  | <b>1.4</b>  | <b>1.5</b>        |
| Russian Federation                              | 0.2                 | 0.3         | 0.7         | 0.5         | 0.9         | 0.9         | 1.2               |
| <b>Africa</b>                                   | <b>6.4</b>          | <b>4.5</b>  | <b>4.4</b>  | <b>8.1</b>  | <b>3.8</b>  | <b>6.3</b>  | <b>4.1</b>        |
| South Africa                                    | 1.1                 | 1.2         | 2.0         | 1.9         | 2.0         | 1.8         | 1.5               |
| <b>Middle East</b>                              | <b>6.7</b>          | <b>2.8</b>  | <b>2.8</b>  | <b>2.5</b>  | <b>3.2</b>  | <b>3.3</b>  | <b>3.5</b>        |
| United Arab Emirates                            | 4.1                 | 1.2         | 1.9         | 1.2         | 1.6         | 1.5         | 1.8               |
| <b>Asia</b>                                     | <b>32.0</b>         | <b>29.5</b> | <b>39.4</b> | <b>35.6</b> | <b>39.9</b> | <b>39.3</b> | <b>32.6</b>       |
| China                                           | 16.6                | 14.8        | 21.5        | 21.7        | 21.9        | 23.4        | 19.7              |
| Japan                                           | 2.6                 | 4.5         | 2.7         | 1.3         | 1.7         | 1.3         | 1.5               |
| Other Asia                                      | 12.9                | 10.2        | 15.2        | 12.6        | 16.2        | 14.5        | 11.4              |
| India                                           | 5.4                 | 3.9         | 8.0         | 4.7         | 6.0         | 6.1         | 5.1               |
| Korea, Republic of                              | 1.3                 | 1.0         | 1.5         | 3.0         | 3.7         | 1.7         | 1.1               |
| Malaysia                                        | 0.6                 | 0.4         | 0.4         | 0.6         | 0.6         | 0.7         | 1.0               |
| Indonesia                                       | 0.0                 | 0.0         | 0.1         | 0.9         | 1.4         | 1.3         | 1.0               |
| Thailand                                        | 0.0                 | 0.0         | 0.6         | 0.5         | 1.7         | 2.0         | 0.7               |
| <b>Other</b>                                    | <b>0.4</b>          | <b>0.6</b>  | <b>0.2</b>  | <b>5.5</b>  | <b>0.0</b>  | <b>0.0</b>  | <b>0.3</b>        |
| <b>Memo:</b>                                    |                     |             |             |             |             |             |                   |
| ECOWAS                                          | 0.4                 | 1.2         | 0.4         | 4.9         | 0.6         | 3.2         | 1.2               |

a Preliminary data.

Source: UNSD Comtrade database, SITC Rev.3; and data provided by Nigeria's National Bureau of Statistics (NBS).



**Table A2.1 Nigeria's Involvement in Dispute Settlement Cases - as Third Party**

| Subject                                                                                                                                                          | Respondent/<br>complainant/<br>appellant    | Request for<br>consultation<br>received | Status                                                                                 | WTO<br>document<br>series |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|-----------------------------------------|----------------------------------------------------------------------------------------|---------------------------|
| United States – Import Prohibition of Certain Shrimp and Shrimp Products                                                                                         | U.S./India, Malaysia, Pakistan and Thailand | 8 Oct 1996                              | Compliance proceedings completed without finding of non-compliance on 21 November 2001 | WT/DS58                   |
| Australia – Certain measures concerning trademarks and other plain packaging requirements applicable to tobacco products and packaging                           | Australia/Ukraine                           | 13 Mar 2012                             | Authority for panel lapsed on 30 May 2016                                              | WT/DS434                  |
| Australia – Certain measures concerning trademarks, geographical indications and other plain packaging requirements applicable to tobacco products and packaging | Australia/Honduras                          | 4 Apr 2012                              | Panel composed on 5 May 2014                                                           | WT/DS435                  |
| Australia – Certain measures concerning trademarks, geographical indications and other plain packaging requirements applicable to tobacco products and packaging | Australia/Dominican Republic                | 18 Jul 2012                             | Panel composed on 5 May 2014                                                           | WT/DS441                  |
| Australia – Certain measures concerning trademarks, geographical indications and other plain packaging requirements applicable to tobacco products and packaging | Australia/Cuba                              | 3 May 2013                              | Panel composed on 5 May 2014                                                           | WT/DS458                  |
| Australia – Certain measures concerning trademarks, geographical indications and other plain packaging requirements applicable to tobacco products and packaging | Australia/Indonesia                         | 20 Sep 2013                             | Panel composed on 5 May 2014                                                           | WT/DS467                  |

Source: WTO Secretariat

Table A2.2 Selected notifications to the WTO, July 2010 to December 2015

| WTO Agreement                              | Description of requirement                                                                                                                                                                                         | Most recent notification                                                                                                                                                                                                                                                                              | Date                                                                                                                                                                                                                                       | Period covered by notification |
|--------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| Technical Barrier to Trade (TBT) Agreement | Notification is being circulated in accordance with Article 10.6                                                                                                                                                   | G/TBT/N/NGA/2<br>G/TBT/N/NGA/3<br>G/TBT/N/NGA/4                                                                                                                                                                                                                                                       | 14/12/2015<br>14/12/2015<br>14/12/2015                                                                                                                                                                                                     |                                |
| Sanitary and Phytosanitary (SPS) Agreement | Regular notifications                                                                                                                                                                                              | G/SPS/N/NGA/1<br>G/SPS/N/NGA/2<br>G/SPS/N/NGA/3<br>G/SPS/N/NGA/4<br>G/SPS/N/NGA/5<br>G/SPS/N/NGA/6<br>G/SPS/N/NGA/7<br>G/SPS/N/NGA/8<br>G/SPS/N/NGA/9<br>G/SPS/N/NGA/10<br>G/SPS/N/NGA/11<br>G/SPS/N/NGA/12<br>G/SPS/N/NGA/13<br>G/SPS/N/NGA/14<br>G/SPS/N/NGA/15<br>G/SPS/N/NGA/16<br>G/SPS/N/NGA/17 | 02/09/2015<br>02/09/2015<br>02/09/2015<br>02/09/2015<br>08/09/2015<br>16/09/2015<br>16/09/2015<br>16/09/2015<br>16/09/2015<br>16/09/2015<br>23/09/2015<br>23/09/2015<br>23/09/2015<br>23/09/2015<br>30/09/2015<br>30/09/2015<br>30/09/2015 |                                |
| Trade Facilitation Agreement               | Notification of category A commitments under the Agreement on Trade Facilitation – Communication from Nigeria                                                                                                      | WT/PCTF/N/NGA/1                                                                                                                                                                                                                                                                                       | 10/11/2014                                                                                                                                                                                                                                 |                                |
| Working Party on State Trading Enterprises | New, Full and Updated Notifications Pursuant to Article XVII:4(a) of the GATT 1994 and Paragraph 1 of the Understanding on the Interpretation of Article XVII                                                      | G/STR/N/9/NGA<br>G/STR/N/10/NGA<br>G/STR/N/11/NGA<br>G/STR/N/14/NGA                                                                                                                                                                                                                                   | 12/09/2012<br>12/09/2012<br>12/09/2012<br>12/09/2012                                                                                                                                                                                       |                                |
| Committee on Market Access                 | Schedule XLIII – Invocation of paragraph 5 of article XXVIII                                                                                                                                                       | G/MA/326                                                                                                                                                                                                                                                                                              | 07/01/2015                                                                                                                                                                                                                                 |                                |
| Committee on Anti-dumping Practices        | Under Article 16.4 of the WTO Agreement on Implementation of Article VI of the GATT 1994, Members shall submit, on a semi-annual basis, reports of any anti-dumping actions taken within the preceding six months. | G/ADP/N/202<br>G/ADP/N/202/Add.1/Rev.1<br>G/ADP/N/230<br>G/ADP/N/230/Add.1<br>G/ADP/N/223<br>G/ADP/N/223/Add.1<br>G/ADP/N/216<br>G/ADP/N/216/Add.1/Rev.1                                                                                                                                              | 01/07/2010<br>24/11/2011<br>14/06/2012<br>12/10/2012<br>21/12/2011<br>20/04/2012<br>29/06/2011<br>25/07/2012                                                                                                                               |                                |
| Committee on Import Licensing              | Replies to questionnaire on import licensing procedures Notification under Article 7.3 of the Agreement on Import Licensing Procedures                                                                             | G/LIC/N/3/NGA/7                                                                                                                                                                                                                                                                                       | 17/01/2012                                                                                                                                                                                                                                 |                                |
| Committee on Agriculture                   | Under Article 18.2 of the Agreement on Agriculture, Nigeria has notified the Committee on Agriculture that it did not provide domestic support for the reporting period 2011.                                      | G/AG/N/NGA/15                                                                                                                                                                                                                                                                                         | 16/01/2012                                                                                                                                                                                                                                 | Reporting period 2011          |
|                                            | Under Articles 10 and 18.2 of the Agreement on Agriculture, Nigeria has notified the Committee on Agriculture that it did not grant any export subsidies for the reporting period 2011.                            | G/AG/N/NGA/16                                                                                                                                                                                                                                                                                         | 16/01/2012                                                                                                                                                                                                                                 |                                |

Source: WTO Secretariat

Table A3.1 Nigeria's applied MFN tariff summary, 2017

|                                               | Number of lines | Simple average (%) | Tariff range (%) | CV <sup>a</sup> | Share of duty-free lines (%) <sup>b</sup> |
|-----------------------------------------------|-----------------|--------------------|------------------|-----------------|-------------------------------------------|
| <b>Total</b>                                  | <b>5,924</b>    | <b>12.7</b>        | <b>0-70</b>      | <b>0.7</b>      | <b>2.7</b>                                |
| <b>HS 01-24</b>                               | 1,078           | 17.0               | 5-70             | 0.7             | 0.0                                       |
| <b>HS 25-97</b>                               | 4,846           | 11.8               | 0-70             | 0.7             | 3.3                                       |
| <b>By WTO category</b>                        |                 |                    |                  |                 |                                           |
| <b>WTO agricultural products</b>              | <b>914</b>      | <b>16.6</b>        | <b>5-70</b>      | <b>0.7</b>      | <b>0.0</b>                                |
| Animals and products thereof                  | 117             | 24.1               | 5-35             | 0.5             | 0.0                                       |
| Dairy products                                | 35              | 15.0               | 5-35             | 0.7             | 0.0                                       |
| Fruit, vegetables, and plants                 | 233             | 17.6               | 5-35             | 0.4             | 0.0                                       |
| Coffee, tea, and cocoa and cocoa preparations | 66              | 14.2               | 5-35             | 0.6             | 0.0                                       |
| Cereals and preparations                      | 119             | 15.3               | 5-70             | 0.8             | 0.0                                       |
| Oils seeds, fats, oil and their products      | 97              | 11.6               | 5-35             | 0.7             | 0.0                                       |
| Sugars and confectionary                      | 20              | 13.3               | 5-35             | 0.7             | 0.0                                       |
| Beverages, spirits and tobacco                | 80              | 28.1               | 5-70             | 0.8             | 0.0                                       |
| Cotton                                        | 7               | 5.0                | 5                | 0.0             | 0.0                                       |
| Other agricultural products, n.e.s.           | 140             | 9.5                | 5-20             | 0.6             | 0.0                                       |
| <b>WTO non-agricultural products</b>          | <b>5,010</b>    | <b>12.0</b>        | <b>0-70</b>      | <b>0.7</b>      | <b>3.2</b>                                |
| Fish and fishery products                     | 234             | 15.4               | 5-20             | 0.3             | 0.0                                       |
| Minerals and metals                           | 1,002           | 12.0               | 0-55             | 0.7             | 3.6                                       |
| Chemicals and photographic supplies           | 930             | 7.8                | 0-35             | 0.8             | 4.0                                       |
| Wood, pulp, paper and furniture               | 291             | 11.5               | 0-40             | 0.6             | 4.8                                       |
| Textiles                                      | 611             | 16.3               | 0-45             | 0.4             | 0.3                                       |
| Clothing                                      | 218             | 20.0               | 20               | 0.0             | 0.0                                       |
| Leather, rubber, footwear and travel goods    | 200             | 12.8               | 0-20             | 0.5             | 1.0                                       |
| Non-electric machinery                        | 563             | 6.8                | 0-20             | 0.7             | 4.4                                       |
| Electric machinery                            | 276             | 11.7               | 0-45             | 0.7             | 1.1                                       |
| Transport equipment                           | 228             | 16.8               | 0-70             | 1.0             | 13.6                                      |
| Non-agricultural products, n.e.s.             | 433             | 14.2               | 0-20             | 0.5             | 2.1                                       |
| Petroleum                                     | 24              | 7.5                | 0-10             | 0.4             | 8.3                                       |
| <b>By ISIC sector<sup>c</sup></b>             |                 |                    |                  |                 |                                           |
| ISIC 1 – Agriculture, hunting and fishing     | 424             | 11.9               | 5-35             | 0.6             | 0.0                                       |
| ISIC 2 – Mining and quarrying                 | 103             | 5.1                | 0-10             | 0.2             | 1.0                                       |
| ISIC 3 – Manufacturing                        | 5,396           | 13.0               | 0-70             | 0.7             | 3.0                                       |
| <b>By stage of processing</b>                 |                 |                    |                  |                 |                                           |
| First stage of processing                     | 817             | 10.6               | 0-70             | 0.7             | 0.2                                       |
| Semi-processed products                       | 1,836           | 10.2               | 0-70             | 0.7             | 2.1                                       |
| Fully processed products                      | 3,271           | 14.7               | 0-70             | 0.7             | 3.7                                       |

a Coefficient of variation.

b Share of duty-free in the total number of tariff lines of the product group.

c International Standard Industrial Classification (Rev.2). Electricity, gas and water are excluded (1 tariff line).

Note: The 2017 tariff schedule is based on HS12 nomenclature consisting of 5,924 tariff lines (at the 10-digit tariff line level).

Source: WTO Secretariat calculations, based on data provided by the Nigeria Customs Service (NCS).

Table A3.2 Products on which Nigeria's customs duty rates differ from ECOWAS CET

| HS2 | Product descriptions                                                   | No. of TEs<br>(at the 10-digit level) |                                                                                             | Tariff rates 2017        |              |
|-----|------------------------------------------------------------------------|---------------------------------------|---------------------------------------------------------------------------------------------|--------------------------|--------------|
|     |                                                                        | Total                                 | of which:<br>products on which<br>Nigeria's customs<br>duty rates differ from<br>ECOWAS CET | Simple<br>average<br>(%) | Range<br>(%) |
| 01  | Live animals                                                           | 38                                    | 24                                                                                          | 8.3                      | 5-10         |
| 02  | Meat and edible meat offal                                             | 66                                    | 16                                                                                          | 31.4                     | 20-35        |
| 04  | Dairy produce                                                          | 46                                    | 13                                                                                          | 16.5                     | 5-35         |
| 07  | Edible vegetables and certain roots and tubers                         | 78                                    | 1                                                                                           | 18.5                     | 5-35         |
| 09  | Coffee, tea, maté and spices                                           | 72                                    | 34                                                                                          | 14.8                     | 5-20         |
| 10  | Cereals                                                                | 30                                    | 4                                                                                           | 11.3                     | 5-70         |
| 11  | Products of the milling industry                                       | 38                                    | 6                                                                                           | 14.1                     | 5-70         |
| 12  | Oil seeds and oleaginous fruits                                        | 54                                    | 2                                                                                           | 5.5                      | 5-10         |
| 15  | Animal or vegetable fats and oils and their cleavage products          | 59                                    | 17                                                                                          | 14.8                     | 5-35         |
| 16  | Preparations of meat, of fish or of crustaceans                        | 44                                    | 2                                                                                           | 24.1                     | 20-35        |
| 17  | Sugars and sugar confectionery                                         | 20                                    | 1                                                                                           | 13.3                     | 5-35         |
| 19  | Preparations of cereals, flour, starch or milk                         | 25                                    | 10                                                                                          | 19.0                     | 5-35         |
| 20  | Preparations of vegetables, fruit, nuts or other parts of plants       | 79                                    | 23                                                                                          | 18.0                     | 5-35         |
| 21  | Miscellaneous edible preparations                                      | 27                                    | 4                                                                                           | 15.2                     | 5-35         |
| 22  | Beverages, spirits and vinegar                                         | 31                                    | 24                                                                                          | 43.1                     | 5-70         |
| 24  | Tobacco and manufactured tobacco substitutes                           | 11                                    | 6                                                                                           | 32.3                     | 5-70         |
| 25  | Salt; sulphur; earths and stone; plastering materials, lime and cement | 71                                    | 5                                                                                           | 7.7                      | 5-50         |
| 27  | Mineral fuels, mineral oils and products of their distillation         | 61                                    | 2                                                                                           | 5.9                      | 0-10         |
| 28  | Inorganic chemicals                                                    | 167                                   | 2                                                                                           | 5.1                      | 5-20         |
| 29  | Organic chemicals                                                      | 343                                   | 1                                                                                           | 5.0                      | 5-10         |
| 32  | Tanning or dyeing extracts                                             | 58                                    | 19                                                                                          | 10.2                     | 5-20         |
| 33  | Essential oils and resinoids                                           | 33                                    | 23                                                                                          | 16.1                     | 5-20         |
| 34  | Soap, organic surface-active agents, washing preparations, etc.        | 30                                    | 7                                                                                           | 23.0                     | 5-35         |
| 35  | Albuminoidal substances                                                | 15                                    | 3                                                                                           | 8.7                      | 0-20         |
| 36  | Explosives; pyrotechnic products                                       | 9                                     | 1                                                                                           | 13.3                     | 5-20         |
| 37  | Photographic or cinematographic goods                                  | 34                                    | 3                                                                                           | 17.1                     | 5-20         |
| 38  | Miscellaneous chemical products                                        | 106                                   | 6                                                                                           | 9.3                      | 0-20         |
| 39  | Plastics and articles thereof                                          | 143                                   | 20                                                                                          | 10.4                     | 0-20         |
| 40  | Rubber and articles thereof                                            | 92                                    | 3                                                                                           | 11.1                     | 0-20         |
| 42  | Articles of leather; saddlery and harnesses                            | 33                                    | 4                                                                                           | 17.3                     | 10-20        |
| 44  | Wood and articles of wood; wood charcoal                               | 78                                    | 1                                                                                           | 11.7                     | 5-20         |
| 46  | Manufactures of straw, of esparto or of other plaiting materials       | 12                                    | 1                                                                                           | 20.0                     | 20           |
| 48  | Paper and paperboard                                                   | 127                                   | 8                                                                                           | 11.3                     | 0-40         |
| 52  | Cotton                                                                 | 136                                   | 20                                                                                          | 16.7                     | 5-45         |
| 53  | Other vegetable textile fibres                                         | 24                                    | 4                                                                                           | 9.6                      | 5-20         |
| 54  | Man-made filaments                                                     | 73                                    | 38                                                                                          | 13.5                     | 5-20         |
| 55  | Man-made staple fibres                                                 | 110                                   | 25                                                                                          | 14.0                     | 5-20         |
| 58  | Special woven fabrics; tufted textile fabrics                          | 39                                    | 1                                                                                           | 19.6                     | 5-20         |
| 62  | Articles of apparel and clothing accessories, not knitted or crocheted | 112                                   | 1                                                                                           | 20.0                     | 20           |
| 63  | Other made-up textile articles; sets                                   | 54                                    | 7                                                                                           | 19.4                     | 0-20         |
| 64  | Footwear, gaiters and the like; parts of such articles                 | 50                                    | 21                                                                                          | 15.0                     | 10-20        |

| HS2 | Product descriptions                                                                     | No. of TEs<br>(at the 10-digit level) |                                                                                             | Tariff rates 2017        |              |
|-----|------------------------------------------------------------------------------------------|---------------------------------------|---------------------------------------------------------------------------------------------|--------------------------|--------------|
|     |                                                                                          | Total                                 | of which:<br>products on which<br>Nigeria's customs<br>duty rates differ from<br>ECOWAS CET | Simple<br>average<br>(%) | Range<br>(%) |
| 68  | Articles of stone, plaster, cement, asbestos, mica or similar materials                  | 52                                    | 2                                                                                           | 16.4                     | 5-20         |
| 72  | Iron and steel                                                                           | 178                                   | 36                                                                                          | 9.7                      | 0-45         |
| 73  | Articles of iron or steel                                                                | 159                                   | 23                                                                                          | 16.2                     | 5-55         |
| 74  | Copper and articles thereof                                                              | 52                                    | 2                                                                                           | 11.6                     | 5-20         |
| 76  | Aluminium and articles thereof                                                           | 47                                    | 7                                                                                           | 13.0                     | 0-20         |
| 84  | Nuclear reactors, boilers, machinery and mechanical appliances                           | 544                                   | 30                                                                                          | 6.5                      | 0-20         |
| 85  | Electrical machinery and equipment and parts thereof                                     | 297                                   | 21                                                                                          | 12.1                     | 0-40         |
| 87  | Vehicles other than railway or tramway rolling stock                                     | 174                                   | 117                                                                                         | 20.3                     | 0-70         |
| 90  | Optical, photographic, cinematographic, measuring, or surgical instruments and apparatus | 149                                   | 1                                                                                           | 8.2                      | 0-20         |
| 91  | Clocks and watches and parts thereof                                                     | 49                                    | 1                                                                                           | 19.4                     | 10-20        |
| 93  | Arms and ammunition                                                                      | 60                                    | 2                                                                                           | 14.8                     | 10-20        |
| 94  | Furniture; bedding, mattresses, etc.                                                     | 44                                    | 6                                                                                           | 18.0                     | 5-20         |
| 96  | Miscellaneous manufactured articles                                                      | 53                                    | 2                                                                                           | 19.3                     | 5-20         |

Source: WTO Secretariat calculations, based on data provided by the Nigeria Customs Service (NCS).

**Table A3.3 Goods and services exempt from VAT, 2016**

|                                                                                                                                                                                  |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Goods</b>                                                                                                                                                                     |
| Medical and pharmaceutical products                                                                                                                                              |
| Basic food items such as peas, beans, yam, cassava, maize, rice, wheat, milk, and fish                                                                                           |
| Infant food items                                                                                                                                                                |
| Books, newspapers, and magazines                                                                                                                                                 |
| Educational materials (laboratory equipment)                                                                                                                                     |
| Baby products such as carriages, clothes, and napkins, as well as sanitary towels                                                                                                |
| Commercial vehicles and spare parts, tractors, public transport passenger vehicles, motorcycles, tanks and other armoured fighting vehicles, and bicycles                        |
| Agricultural equipment such as for soil preparation or cultivation, harvesting or threshing, milking and dairy machinery, and poultry keeping machinery                          |
| Veterinary medicine equipment                                                                                                                                                    |
| Fertilizers and farm transportation equipment                                                                                                                                    |
| <b>Services</b>                                                                                                                                                                  |
| Medical and health services                                                                                                                                                      |
| Services by community banks, people's banks, and mortgage institutions (interest earnings on loans by commercial banks and premiums paid to insurance companies are not taxable) |
| Performances conducted by educational institutions as part of learning                                                                                                           |
| Social services such as orphanages, charities, and fire fighting                                                                                                                 |
| Pure postal services                                                                                                                                                             |
| Religious services                                                                                                                                                               |
| Non-commercial cultural services                                                                                                                                                 |
| Overseas air transportation                                                                                                                                                      |
| Public telephone and telegram services (excluding business or commercial services)                                                                                               |
| <b>Other goods and services</b>                                                                                                                                                  |
| Salt                                                                                                                                                                             |
| Water                                                                                                                                                                            |
| Salary or wages from employment                                                                                                                                                  |
| Director's emoluments                                                                                                                                                            |
| Hobby activities                                                                                                                                                                 |
| Private transactions such as sales of domestic or household articles, vehicles, personal effects, and residential house rents                                                    |

Source: Information provided by the Nigerian authorities.

Table A3.4 Import Prohibition List, 2017

| Product                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | HS code                                                                                |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| Live or dead birds including frozen poultry                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 0105.1100-0105.9900, 0106.3100-0106.3900, 0207.1100-0207.3600 and 0210.9900            |
| Pork, beef                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 0201.1000-0204.5000, 0206.1000-0206.9000, 0210.1000-0210.2000                          |
| Mosquito repellent coils                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 3808.9110.91                                                                           |
| Retreaded and used pneumatic tyres, but excluding used trucks tyres for retreading sized 11.00 x 20 and above                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 4012.2010.00                                                                           |
| Motor vehicles over ten-years old <sup>a</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 8703.1000-8703.9000                                                                    |
| Birds eggs, excluding hatching eggs                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 0407.0000                                                                              |
| Cement in bags                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 2523.2900.22                                                                           |
| Refined vegetable oils and fats (but excluding linseed, castor and olive oils; crude vegetable oils are however not banned from importation)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 1507.1000-1516.2000.29                                                                 |
| Cane or beet sugar and chemically pure sucrose, in solid form containing added flavouring or coloured matter, in retail packs                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 1701.91.1000-1701.99.9000                                                              |
| Cocoa butter, powder and cakes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 1802.-1803.2000, 1805.0000, 1806.1000-1806.2000 and 1804.0000                          |
| Waters, including mineral waters and aerated waters containing added sugar or sweetening matter or flavoured, ice snow, other non-alcoholic beverages (but excluding energy or health drinks liquid dietary supplements e.g. power horse, red ginseng, etc.) and beer and stout (bottled, canned or otherwise packed)                                                                                                                                                                                                                                                                                                                      | 2202.1000-2202.9000, 2202.1000-2202.9000.99, 2202.9000.91<br>2203.0010.00-2203.0090.00 |
| Used compressors, used air conditioners, and used fridges/freezers                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 8414.3000, 8415.1000.11-8415.9000.99, 8418.1000.11-8418.6900                           |
| Cassava                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 0714.1000                                                                              |
| Toothpicks                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 3926.9000, 4421.9000                                                                   |
| Noodles (including spaghetti)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 1902.1100-1902.3000                                                                    |
| Fruit juice in retail packs <sup>b</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 2009.110012-2009.110013, 2009.9000.99                                                  |
| All types of footwear and bags including suitcases of leather and plastics (but excluding safety shoes used in oil industries, hospitals, firefighting and factories, sports shoes, canvass shoes all completely knocked down (CKD) blanks and parts)                                                                                                                                                                                                                                                                                                                                                                                      | 6401.1000.11-6405.9000.99 and 4202.1100.10-4202.9900.99                                |
| Hollow glass bottles of a capacity exceeding 150 ml (0.15 litres) of a kind used for packaging of beverages by breweries and other beverage and drink companies                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 7010.9021.29 and 7010.9031.00                                                          |
| Used motor vehicles above fifteen (15) years from the year of manufacture                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 8703.10.00-8703.90.0000                                                                |
| Furniture (but excluding baby walkers, laboratory cabinets such as microscope tables, fume cupboards, laboratory benches (9403), stadium chairs, height adjustment devices, base sledges, seat frames and control mechanisms, arm guides and head guides. Also excluded are: skeletal parts of furniture such as blanks, unholstered or unfinished part of metal, plastics, veneer, chair shells, etc.)                                                                                                                                                                                                                                    | 9401.1000.00-9401.9000.99 and 9403.1000-9404.9000                                      |
| Medicaments falling under Headings 3003 and 3004 as indicated below: <ul style="list-style-type: none"> <li>- Paracetamol tablets and syrups</li> <li>- Cotrimoxazole tablets syrups</li> <li>- Metronidazole tablets and syrups</li> <li>- Chloroquine tablets and syrups</li> <li>- Haematinic formulations; ferrous sulphate and ferrous gluconate tablets, folic acid tablets, vitamin B complex tablets (except modified released formulations).</li> <li>- Multivitamin tablets, capsules and syrups (except special formulations)</li> <li>- Aspirin tablets (except modified released formulations and soluble aspirin)</li> </ul> | Chapter 3003 and 3004                                                                  |



| Product                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | HS code                                                                                                                                                                                                                                             |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>- Magnesium trisilicate tablets and suspensions</li> <li>- Piperazine tablets and syrups</li> <li>- Levamisole tables and syrups</li> <li>- Clotrimazole cream</li> <li>- Ointments – Penicillin/gentamycin</li> <li>- Pyrantelpamoate tablets and syrups</li> <li>- Intravenous fluids (dextrose, normal saline, etc.)</li> </ul>                                                                                                                                            |                                                                                                                                                                                                                                                     |
| Waste pharmaceuticals                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 3006.9200                                                                                                                                                                                                                                           |
| Sanitary wares of plastics and domestic articles and wares of plastics (but excluding baby feeding bottles 3924.9020.00) and flushing cisterns and waterless toilets                                                                                                                                                                                                                                                                                                                                                 | 3922.1000-3922.9000, 3924.1000-3924.9000.00                                                                                                                                                                                                         |
| Corrugated paper and paper boards and cartons, boxes and cases made from corrugated paper and paper boards, toilet paper, cleaning or facial tissue (excluding baby diapers and incontinence pads for adult use 4818.4000.41 and exercise books – H.S. Code 4820.2000)                                                                                                                                                                                                                                               | 4808.1000, 4819.1000, 4818.1000-4818.9000                                                                                                                                                                                                           |
| Telephone re-charge cards and vouchers                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 4911.9900.91                                                                                                                                                                                                                                        |
| Textile fabrics of all types and articles thereof and yarn falling under the following H.S. Codes remain under import prohibition:                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                     |
| African print (printed fabrics) e.g. Nigeria wax, Hollandaise, English wax, Ankara and similar fabrics                                                                                                                                                                                                                                                                                                                                                                                                               | 5208.5110-5208.5900, 5209.5100-5209.5900, 5212.5100, 5212.5100, 5212.2500, 5407.4400, 5407.5400, 5407.7400, 5407.8400, 5407.9400, 5408.2400, 5408.3400, 5513.4100-5513.4900, 5514.4100-5514.4900, 5516.1400, 5516.2400, 5516.3400, and 5514.4900.00 |
| Lace fabrics, georges and other embroidered fabrics                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 5801.2100-5801.9000, 5802.1100-5802.3000 and 5805.0000.00                                                                                                                                                                                           |
| Carpets and rugs of all types                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 5701.1000-5705.0000                                                                                                                                                                                                                                 |
| Made-up garments and other textile articles (but excluding the following: made-up lining articles H.S. Code 6117.8000-6117.9000 and 6217.1000, 6217.9000, Industrial gloves HS Code 6116.1000.11-6116.9900.99 6116.1000.11; 6116.9200.92; 6116.9900.98, moulding cups Lycra HS Code 6212.9000, rags HS Code 6310.1000.11, 6310.9000.91, jute bags HS Code 6305.1000, brassieres, pants, ties, insecticides treated mosquito nets (ITNs) and (LLITNs) HS Code 6304.9100.92, 6304.9200.94, 6304.9300.96, 6304.9900.98) | 6101.2000-6310.9000.99                                                                                                                                                                                                                              |
| Soaps and detergents                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 3401.1100-3402.9000                                                                                                                                                                                                                                 |
| Ballpoint pens                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 9608.1000                                                                                                                                                                                                                                           |

a The importation of any vehicle through land borders is prohibited.

b Fruit juice may be imported in concentrates or drums only.

Source: Nigeria Customs Service online information. Available at: <http://www.customs.gov.ng/ProhibitionList/import.php>; and information provided by the Nigerian authorities.

Table A3.5 Absolute Import Prohibition List, September 2016

| Product                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Air pistols                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Airmail photographic printing paper                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| All counterfeit/pirated materials or articles including base or counterfeit coin of any country                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Beads composed of inflammable celluloid or other similar substances                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Blank invoices                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Coupons for foreign football pools or other betting arrangements                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Cowries                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Exhausted tea or tea mixed with other substances. For the purposes of this item, "exhausted tea" means any tea which has been deprived of its proper quality, strength, or virtue by steeping, infusion, decoction or other means                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Implements appertaining to the reloading of cartridges                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Indecent or obscene prints, painting, books, cards, engraving or any indecent or obscene articles                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Matches made with white phosphorous                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Manilas                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Materials of any description with a design which, considering the purpose for which any such material is intended to be used, is likely in the opinion of the president to create a breach of the peace or to offend the religious views of any class of persons in Nigeria                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Second-hand clothing                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Piece goods and all other textiles including wearing apparel, hardware of all kinds' crockery and china or earthenware goods bearing inscriptions (whether in Roman or Arabic characters) from the Koran or from the traditions and commentaries on the Koran                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Meat, vegetables or other provisions declared by a health officer to be unfit for human consumption                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Pistols disguised in any form                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Silver or metal alloy coins not being legal tender in Nigeria                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Nuclear industrial waste and other toxic waste                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Spirits, other than: <ul style="list-style-type: none"> <li>- Alcoholic bitters, liqueurs, cordials and mixtures admitted as such in his discretion by the Comptroller-General and which are not deemed to be injurious spirits within the meaning of any enactment or law relating to liquor or liquor licensing</li> <li>- Brandy, i.e. a spirit distilled in grape-growing countries from fermented grape juice and from no other materials and stored in wood for a period of three years</li> <li>- Drugs and medicinal spirits admitted as such in his discretion by the Comptroller-General</li> <li>- Gin, i.e. spirit-produced by distillation from a mixed mash of cereal grains only saccharified by the diastase of malt and flavoured by redistillation with juniper berries and other vegetable ingredients and of a brand which has been notified as an approved brand by notice in the Gazette and in containers labelled with the name and address of the owner of the brand; or produced by distillation at least three times in a pot-still from mixed mash or barley, rye and maize saccharified by diastase of malt, and then rectified by re-distillation in a pot still after the addition of juniper berries and other vegetable materials</li> <li>- Methylated or denatured spirit, i.e.: <ul style="list-style-type: none"> <li>• mineralized methylated spirit mixed as follows: to every 90 parts by volume of spirits 9.5 parts by volume of wood naphtha and one-half of one part by volume of crude pyridine and to every 455 litres of the mixture 1.7 litres of mineral naphtha or petroleum oil and not less than 0.7 grams by weight of powdered aniline dye (methyl violet) and so in proportion for any quantity less than 455 litres; and</li> <li>• industrial methylated spirit imported under licence from the Comptroller-General and mixed as follows: to every 95 parts by volume of spirits 5 five parts by volume of wood naphtha and also one-half of one part by volume of the mixture; and spirits denatured for a particular purpose in such manner as the Comptroller-General in any special circumstance may permit.</li> </ul> </li> <li>- Perfumed spirits</li> <li>- Rum, i.e. a spirit distilled directly from sugar-cane products in sugar-cane growing countries; and stored in wood for a period of three years</li> <li>- Spirits imported for medical or scientific purposes, subject to such conditions as the Comptroller-General may prescribe</li> <li>- Spirits totally unfit for use as potable spirits admitted to entry as such at the discretion of the Comptroller-General</li> <li>- Whisky, i.e. a spirit obtained by distillation from a mash or cereal grains saccharified by diastase of malt; and stored in wood for a period of three years</li> <li>- Containing more than forty-eight and one-half per centum of pure alcohol by volume except denatured, medicated and perfumed spirits, and such other spirits which the Comptroller-General, in his discretion, may allow to be imported subject to such conditions as he may see fit to impose.</li> </ul> |

**Product**

Weapons of any description which in the opinion of the Comptroller-General are designed for the discharge of any noxious liquid, gas or other similar substance and any ammunition containing or in the opinion of the Comptroller-General adapted to contain any noxious liquid, gas or other similar substances

Source: Nigeria Customs Service online information. Viewed at:  
[https://www.customs.gov.ng/ProhibitionList/import\\_2.php](https://www.customs.gov.ng/ProhibitionList/import_2.php).

**Table A3.6 List of Imported Goods and Services not entitled to foreign exchange in the Nigerian Foreign Exchange Markets**

| No. | Item                                             |
|-----|--------------------------------------------------|
| 1.  | Rice                                             |
| 2.  | Cement                                           |
| 3.  | Margarine                                        |
| 4.  | Palm kernel/palm oil products/vegetable oils     |
| 5.  | Meat and processed meat products                 |
| 6.  | Vegetables and processed vegetable products      |
| 7.  | Poultry – chicken, eggs, turkey                  |
| 8.  | Private airplanes/jets                           |
| 9.  | Indian incense                                   |
| 10. | Tinned fish in sauce (geisha)/sardines           |
| 11. | Cold rolled steel sheets                         |
| 12. | Galvanised steel sheets                          |
| 13. | Roofing sheets                                   |
| 14. | Wheelbarrows                                     |
| 15. | Head pans                                        |
| 16. | Metal boxes and containers                       |
| 17. | Enamelware                                       |
| 18. | Steel drums                                      |
| 19. | Steel pipes                                      |
| 20. | Wire rods (deformed or not deformed)             |
| 21. | Iron rods and reinforcing bars                   |
| 22. | Wire mesh                                        |
| 23. | Steel nails                                      |
| 24. | Security and razor wire                          |
| 25. | Wood particle boards and panels                  |
| 26. | Wood fibre boards and panels                     |
| 27. | Plywood boards and panels                        |
| 28. | Wooden doors                                     |
| 29. | Furniture                                        |
| 30. | Toothpicks                                       |
| 31. | Glass and glassware                              |
| 32. | Kitchen utensils                                 |
| 33. | Tableware                                        |
| 34. | Tiles – vitrified and ceramic                    |
| 35. | Textiles                                         |
| 36. | Woven fabrics                                    |
| 37. | Clothes                                          |
| 38. | Plastic and rubber products, cellophane wrappers |
| 39. | Soap and cosmetics                               |
| 40. | Tomatoes/tomato pastes                           |
| 41. | Euro bond/foreign currency bond/share purchases  |

Source: Central Bank of Nigeria, 23 June 2015.