



UNITED NATIONS  
UNCTAD

# Blue Book on Best Practice in Investment Promotion and Facilitation

# Nigeria



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UNCTAD/DIAE/PCB/2009/7

## PREFACE

The Blue Book of Nigeria comprises measures that can be implemented over a period of 12 to 18 months and that are intended to move the country towards best practice in investment promotion and facilitation. To date, Blue Books have been implemented by the Governments of Cambodia, Ghana, Kenya, the Lao People's Democratic Republic, the United Republic of Tanzania, Uganda and Zambia.

The project was carried out by UNCTAD in partnership with the Japan Bank for International Cooperation (JBIC), the international arm of the Japan Finance Corporation (JFC). The contents of this Blue Book were initially developed through consultations with relevant government bodies, existing foreign investors in Nigeria and private sector associations. An initial draft of the Blue Book was discussed by a group of investors and government representatives at a stakeholder workshop on 26 March 2009 in Abuja. The workshop was jointly hosted by UNCTAD, JBIC and the Nigerian Investment Promotion Commission.

The Blue Book was produced by Lena Chia and Ian Richards. JBIC Africa Office provided support and feedback. Teresa Hinze provided production support. Within Nigeria, support was given by Joseph Akinwumi and Alfred Okeke.



## ABBREVIATIONS

ANDI	Agence Nationale de Développement des Investissements (Algeria)
BEDIA	Botswana Export Development and Investment Authority
CAC	Corporate Affairs Commission
CBN	Central Bank of Nigeria
CCMA	Commission for Conciliation, Mediation and Arbitration
DTT	double taxation treaty
ECOWAS	Economic Community of West African States
EPZ	export processing zone
FCT	Federal Capital Territory
FDI	foreign direct investment
FIRS	Federal Inland Revenue Service
GIPC	Ghana Investment Promotion Centre
ICT	information and communication technology
IPA	investment promotion agency
ITPO	Investment and Technology Promotion Office
JBIC	Japan Bank for International Cooperation
JFC	Japan Finance Corporation
MFEZ	multi-facility economic zone
MFCT	Ministry of Federal Capital Territory
MID	Malaysian Industrial Development Authority
MPIP	multi-purpose industrial park
MSMD	Ministry of Solid Minerals Development
NAFDAC	National Agency for Food and Drug Administration and Control
NBS	National Bureau of Statistics
NCCA	National Commission for Conciliation and Arbitration
NCS	Nigeria Customs Service
NEPZA	Nigeria Export Processing Zone Authority
NIPC	Nigeria Investment Promotion Commission
NIS	Nigeria Immigration Service
NMASA	Nigeria Maritime Administration and Safety Agency
NNDC	Northern Nigeria Development Corporation
NOTAP	National Office for Technology Acquisition and Promotion
OSIC	One-Stop Investment Centre
SADC	Southern African Development Community
SEBRAE	Brazilian Support Service for Micro and Small Enterprises
SME	small and medium-sized enterprise
SENAI	National Industrial Training Service
SON	Standards Organization of Nigeria
TNC	transnational corporation
UNIDO	United Nation Industrial Development Organization
ZCC	Zambia Competition Commission
\$	United States dollar





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## INTRODUCTION

The Government of Nigeria has committed itself to making the country one of the 20 largest economies in the world by 2020. Reaching this goal will depend to a large extent on growing and upgrading the country's private sector and putting in place an environment to support it. This is a key part of President Yar'Adua's 2008 seven-point agenda and featured prominently in the 2003 *National Economic Empowerment and Development Strategy*.

Vital to growing Nigeria's private sector is the attraction of investment, both domestic and foreign. Under the right conditions, foreign direct investment (FDI) can bring much-needed capital, technology, management techniques, knowledge of foreign markets and new organizational systems. In whichever size or form, from software development to manufacturing, it can also add vigour to Nigeria's private sector, stimulate local suppliers and facilitate the economy's diversification from oil.

The Blue Book on Best Practice in Investment Promotion and Facilitation for Nigeria focuses on strengthening the country's investment climate. It identifies a number of practical measures, drawing from UNCTAD's Investment Policy Review of Nigeria and different action plans, which can be implemented within a year to 18 months. These measures are incremental in nature, involving minor legislative or regulatory change. They are designed to help Nigeria move towards best practice in competing investment destinations, to attract more FDI and benefit the economy.

While the implementation of these 15 recommendations will yield results, the Government should not lose sight of its commitment to measures that need to be taken over the longer term. These include developing a network of reliable transport and power infrastructure across the country, developing the capacity of Lagos Port so that it isn't subject to temporary and unforeseen closures, improving security, ensuring a predictable and reliable operating environment for business, making sure that business is notified of any changes to that environment well in advance, and addressing federal, state and local governance.

Several of the Blue Book's measures require financial support from Nigeria's development partners, and for this, existing donor coordination mechanisms should be fully used. There is also a need for appropriate monitoring to ensure smooth implementation. Here, the Nigerian Investment Promotion Commission (NIPC) should develop a quarterly reporting procedure to measure implementation by different partners.



# MEASURE 1 / ESTABLISH THE NIGERIA INVESTMENT PROMOTION COMMISSION WITHIN THE PRESIDENCY

## A / Rationale and country context

The Nigeria Investment Promotion Commission (NIPC) was established in 1999 “to encourage, promote and coordinate investments in Nigeria.” To further this goal, it set up a One-Stop Investment Centre (OSIC) to bring together under one roof officials from 16 different ministries and agencies with the intention of facilitating entry and establishment for investors and providing an aftercare service for investors once settled.

NIPC is officially part of the Federal Ministry of Commerce and Industry. However, recognizing the strategic role of investment in Nigeria’s economy, it is important that an investment promotion agency (IPA) has an institutional setting that enables it to effectively carry out its investment policy advocacy function, a function that is recognized in other countries as a crucial element to attract FDI and benefit from it. Furthermore, it is often not understood that different ministries also have a stake in meeting a country’s strategy on investment promotion.

To this end, a more efficient reporting arrangement is being suggested under which NIPC and OSIC could report directly to the Presidency, specifically the Vice-President, who is responsible for coordinating economic affairs. This suggested reporting structure has a number of benefits:

- It would be a major step to endow NIPC with the authority it requires to increase its effectiveness to facilitate investors’ entry and licensing procedures and its ability to advocate appropriate policies across government;
- It would send out a signal to current and potential investors to show the importance that the Government attaches to the promotion of FDI to meet its national development goals; and
- It would bring Nigeria in line with its commitments under the Economic Community of West African States (ECOWAS) investment chapter, namely that an IPA be placed within a country’s highest authority.

In practice, NIPC and the Presidency, in the form of the Office of the Chief Economic Adviser to the President, have been working closely together. This has facilitated the work and influence of NIPC. This ad hoc arrangement should be formalized. Furthermore, NIPC should use this position to expand its dialogue with Nigerian business and foreign investors.

## B / Benchmarking and best practice

The Ghana Investment Promotion Centre (GIPC) is a government agency situated within the Office of the President. This move was made as part of the Government’s strategy of giving increasing importance to the promotion of FDI in Ghana’s development. GIPC is also able to use its high profile position in government to carry out the following functions:

**Policy advocacy:** It advocates policies across government to enhance the investment climate;

**Coordination:** It liaises and coordinates between investors and ministries, government departments and agencies, institutional lenders and other authorities concerned with investments; and

**Facilitation and aftercare:** It assists investors by providing support services, including assistance with permits required for the establishment and continuing operation of enterprises.

### **C / Action plan**

The President to issue an Executive Order, pending a revised NIPC law, that NIPC be transferred to the Presidency, to sit under the Vice-President, who is responsible for coordinating economic affairs.

### **D / Key performance indicators**

Executive Order issued by October 2009. New NIPC bill submitted to the National Assembly by December 2009.

### **E / Financial implication**

No cost overall.

## **MEASURE 2 / NIGERIA'S ONE-STOP INVESTMENT CENTRE TO NEGOTIATE PROTOCOLS OF COOPERATION WITH PARTICIPATING AGENCIES**

### **A / Rationale and country context**

Nigeria's One-Stop Investment Centre (OSIC) was set up by NIPC in March 2006. It provides investors with a single point of contact for all dealings with the Nigerian Government. This mechanism expedites decision-making and reduces bureaucracy, ensuring a more streamlined approval process. Indeed, at the time of establishing OSIC, NIPC hoped it would address "problems related to the multiplicity of agencies involved in various aspects of investment facilitation in Nigeria and the resultant inter-agency rivalry, complicated by conflicting statutory laws/legal frameworks; arbitrary use of discretion in granting approvals; limited transparency; bureaucratization in the procedures; and poor service orientation."

Since its establishment, the following bodies have opened desks at the Centre, staffing the desk with a full-time officer:

- The Nigerian Investment Promotion Commission (NIPC);
- The Corporate Affairs Commission (CAC);
- The Central Bank of Nigeria (CBN);
- The Ministry of Federal Capital Territory (MFCT);
- The Ministry of Solid Minerals Development (MSMD);
- The Federal Ministry of Finance;
- The National Bureau of Statistics (NBS);
- The Nigeria Immigration Service (NIS);
- The Nigeria Customs Service (NCS);
- The Federal Inland Revenue Service (FIRS);
- The National Office for Technology Acquisition and Promotion (NOTAP);
- The Standards Organization of Nigeria (SON);
- The National Agency for Food and Drug Administration and Control (NAFDAC);
- The Nigeria Maritime Administration and Safety Agency (NMASA);
- The Northern Nigeria Development Corporation (NNDC); and
- The O'dua Investment Corporation Limited.

However, the power and authority delegated to the officers at OSIC vary according to the organization to which they belong, as do the required service standards of each organization. This makes it difficult for the centre to function as a genuine one-stop shop.

To address this, NIPC is developing, with each body, a protocol of authority. This sets out the following:

- The mandate of the delegated officer from each organization who sits at OSIC;
- The required level of authority; and
- Measures to ensure that the officer is acting in compliance with the policy of the organization he represents.

In the interest of a fully operational centre whose officers are formally endowed with appropriate authority, this draft protocol has to be finalized with all participating organizations and put into action. This should be accompanied by the dissemination of information on the benefits of OSIC. The protocol should envisage the possibility of NIPC establishing OSICs in other cities such as Lagos.

## **B / Benchmarking and best practice**

The Botswana Export Development and Investment Authority (BEDIA), established in 1997, enables investors to secure clearances and approvals, including licenses, work and resident permits, visas and utility connections, as well as infrastructural facilities such as land and factory space. It does this through its One-Stop Service Centre, which operates with liaison officers from various government and parastatal institutions, whose roles and responsibilities are clearly defined through memoranda of understanding. Importantly, and as part of this, BEDIA has been given the right to approve applications for work and resident permits for the chief executive officers and six management positions without having to go through the normal ministry channels.

## **C / Action plan**

1. NIPC should conclude discussions with each organization and finalize the protocol of authority;
2. NIPC should launch the protocol with a signing ceremony with the different organizations; and
3. NIPC and the different organizations should implement the protocol.

## **D / Key performance indicators**

1. Protocol finalized by October 2009;
2. Protocol launched by November 2009; and
3. Protocol implemented by January 2010.

## **E / Financial implication**

None.



## **MEASURE 3 / ESTABLISH A PILOT MULTI-FACILITY ECONOMIC ZONE**

### **A / Rationale and country context**

The creation of export processing zones (EPZs) has proved a popular way for governments to attract exporters that wish to avail themselves of quality infrastructure in a duty- and tax-free environment, often located close to ports and airports. EPZs have also brought with them expectations of increased FDI inflows, the promotion of linkages with local suppliers, the promotion of export-oriented production, employment creation and income generation.

In practice, EPZs have enjoyed a certain degree of success, often making a marked impact on employment creation and contributing to the gross export performance of many countries. However, their net contribution to exports has often been low due to incentive structures encouraging inputs from abroad. In addition, linkages with local suppliers have rarely been developed and their fiscal contribution has been minimal.<sup>1</sup> Also, for countries with large domestic markets, EPZs have not addressed the importance of attracting import-substituting investment; tenants are required to export at least 70 per cent of their output. An alternative option being explored by a number of countries is multi-facility economic zones (MFEZs), which are intended for all industrial projects, be they export- or local market-oriented.

The concept of MFEZs embraces the identification and development of maximum facilities, making the zones “centres of excellence” for industrial development. This is important for Nigeria, as it is impossible in the short-to-medium term to create the high quality infrastructure that is required for modern industry in multiple locations. However, it should be possible to focus the best and most secure infrastructure within one or two targeted areas until sufficient momentum of growth and wealth is created to expand these facilities to other areas. This infrastructure should include land that has been zoned and is ready for construction, security, reliable road access, uninterrupted electric and water supply, telecommunications, waste disposal systems, and possibly executive housing and other facilities.

Inside an MFEZ, special facilitation schemes should be designed to create a haven for investors by removing administrative bottlenecks and creating what could constitute an “ideal investment environment”. Rules, such as requiring a business permit to open a representative office to conduct a feasibility study in advance of an investment, need to be reconsidered.

At the same time, each MFEZ will be an engine of growth for the surrounding geographic area, facilitating linkages with the local economy and promoting skills transfer and development.

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<sup>1</sup> In Taiwan Province of China and the Republic of Korea, for example, essentially all manufactured exports were either produced in a zone or used duty exemption/drawback schemes. In countries such as China, the Dominican Republic and Mauritius, a very high share of manufactured exports is produced in the free zones. In countries such as the Mauritius, the Dominican Republic and the United Arab Emirates, zones are a major source of employment.

Steps have been taken to facilitate MFEZs. Changes have been proposed to the fiscal system to enable zone producers to sell either locally (up to 100 per cent of their output) or abroad. Export income will be subject to zero corporate tax (as at present) and domestic sales income subject to standard taxation.<sup>2</sup> Import duties will be paid or relieved dependent on the final destination of sales. Investment promotion will now be on the basis of high quality infrastructure, reduced bureaucracy and elimination of corruption. In addition, investors can be attracted without being limited in accessing the local market.

Given the above, Nigeria could establish a pilot MFEZ. With the costs involved, the most straightforward solution is to modify a zone currently operational or under development. Of the 22 eligible free zones, it is suggested that the Nigeria Export Processing Zone Authority (NEPZA)-managed Kano Free Zone be used as a pilot. This zone is nearing finalization and is well placed for supporting the industrial development of that State, as well as linkages with Nigerian suppliers and the provision of locally-manufactured goods to the Nigerian market. With part of the zone granted MFEZ status, NEPZA would continue to be responsible for managing the zone and facilitating the installation of investors. On targeting foreign or domestic investors to the zone, NEPZA should coordinate with NIPC. Of course, this should not prevent private developers from entering into partnerships with State Governments to develop their own MFEZs.

## **B / Benchmarking and best practice**

In Ghana, the Government converted a part of the Tema Export Processing Zone, located in Tema Port, into an MFEZ, as part of its Gateway to West Africa strategy. The MFEZ benefits from high quality and secure infrastructure, including water, electricity and zoned land. Called a multi-purpose industrial park (MPIP), it recently opened its doors, attracting 11 new tenants over the course of 2008. Attracted by the facilities on offer, these tenants covered the gamut of Ghana's industrial sector, including cocoa processing, logistics and freight handling, healthcare products, garment manufacturing, kitchen manufacturing, cell phone assembly and diamond polishing. The Government has also allocated facilities for information and communication technology (ICT) and furniture firms.

## **C / Action plan**

1. Allocate MFEZ status to a portion of land within Kano Free Zone; and
2. Demarcate plots and lay out utility connections.

## **D / Key performance indicators**

1. MFEZ status allocated by February 2010; and
2. Plots demarcated and utility connections laid out by March 2011.

## **E / Financial implication**

Offset against future rent.

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<sup>2</sup> The corporate tax change is subject to adoption of proposed legislation.

## **MEASURE 4 / INSTALL A COMPUTERIZED INVESTOR TRACKING SYSTEM FOR THE ONE-STOP INVESTMENT CENTRE**

### **A / Rationale and country context**

Investment promotion agencies are increasingly installing investor tracking software to enable them to manage investors' online applications for business permits and to enable them to track investors through their investment cycle – from their initial inquiry at the agency, to following up a lead and assisting them to obtain the necessary ancillary licences, to the actual investment and to regularly following up with investors to assess their ongoing needs.

UNCTAD has developed such a system, called i-Track. It combines database and workflow functions and is built on an ICT platform that is appropriate to the task. It is operated from within an IPA, one-stop shop or any other institution dealing with domestic and foreign investors, with provision to link up to state counterparts.

For IPAs, such as NIPC/OSIC, it is an effective way to provide facilitation and aftercare services, and enables them to more effectively manage their relationship with contacts, potential investors and established firms. For investors, who enter their project information into i-Track through an interface embedded into an IPA's website, it provides a convenient way to apply for an investment licence and monitor its progress through the government administration. For governments, it provides a facility to collect statistics on the impact of investment in the country and thereby formulate appropriate policies and strategies.

i-Track is easy to use and can be easily customized and adapted further. It has the following features:

- **Online information entry:** An investor can enter the required information himself through a Web interface, embedded into the IPA website. The information fields are based on the IPA's forms. Official documents can be scanned and attached to the investor's file. If the IPA requires the investor to submit the information as a traditional paper form, i-Track can automatically generate the relevant completed forms using the inputted information;
- **Electronic workflow system:** Once an investor's information has been entered, a client officer verifies that the information provided is correct and passes the file electronically to the authorizing officer, along with his recommendation. The authorizing officer can approve the investment and automatically generate an investment certificate. In the meantime, the investor can receive updates on his progress through the system;
- **Contact follow-up and aftercare:** All contacts made between the IPA and the investor are recorded on a database within the investor's file. Following a contact, the client officer records what occurred and what needs to be followed up. Once outstanding issues from that contact have been resolved, this is recorded in the file. If the officer does not resolve the investor's need within a predetermined period, a reminder alert is sent to him by e-mail and, if required, his manager. A client officer also receives alerts on a predetermined basis to contact investors as part of a regular aftercare programme;

- Monitoring and statistics facility: IPAs can track variables such as category of job creation, investment breakdown by sector, size, origin or other type, and export performance, to determine an investor's continuing suitability for incentives and to generate statistics on sectoral breakdowns. This allows the IPA to quantify the impact of investment entering the country.

## **B / Benchmarking and best practice**

i-Track has been installed at the Ghana Investment Promotion Centre (GIPC) and is currently being developed for Benin's Centre de Promotion des Investissements and the Lao People's Democratic Republic's Investment Promotion Department. The Malawi Investment Promotion Agency has requested the same. An earlier version was supplied to Algeria's Agence Nationale de Développement des Investissements.

## **C / Action plan**

1. NIPC/OSIC submits to UNCTAD a full set of documentation on the procedures, workflow and agreements with connected agencies that governs investment facilitation and aftercare;
2. Procurement is undertaken for the necessary licences for the software and server; and
3. The i-Track team visits NIPC/OSIC to install the software, the server and a version of i-Track customized to Nigeria's needs. Staff are trained and documentation is provided.

## **D / Key performance indicators**

1. Documentation submitted to UNCTAD by November 2009;
2. Procurement undertaken by January 2010; and
3. i-Track installed by May 2010.

## **E / Financial implication**

\$50,000 for purchase of necessary licences and equipment, and customization and installation of i-Track.

## MEASURE 5 / STREAMLINE THE TAX SYSTEM

### A / Rationale and country context

Nigeria's current fiscal framework is characterized by a relatively high general taxation (32 per cent) coupled with generous incentives for sector activities. Along with the sheer complexity of the tax system, especially at the state and local levels, where businesses report a multiplicity of taxes and a degree of arbitrariness in how taxes are announced, levied and collected, this framework gives rise to inefficiencies and confusion. It leads to unhelpful discrimination between industries as well as between large and small investors. Moreover, it creates a burden for firms and raises their cost of doing business, while for government it is cumbersome to administer.

In September 2007, the President established a Presidential Committee on the Review of Incentives, Waivers and Concessions. Its role is to analyze the existing tax and incentives policy and recommend any improvements required to better achieve the Government's fiscal objectives. In its report of February 2008, the committee found that at least 20 incentive schemes had been introduced over time in an ad hoc manner. These were administered by different agencies and their impact was not monitored. The report further indicated that it was not possible to identify all other incentives that may be available and which ones were in operation. Finally, it recommended reducing reliance on incentives and instead adopting a generally applicable corporate tax rate.<sup>3</sup>

The committee has organized a series of consultations around the country to obtain feedback on the proposals. Once these have been received, it is expected that the report will be completed and published. It is recommended that the work of the committee be finalized soon, to put in place a more efficient and effective tax environment. At the same time, for the sake of transparency, it is important that all reforms and changes of interpretation of the fiscal framework, or indeed any other regulatory change, whether at the federal or local levels, be notified publicly ahead of their implementation.

### B / Benchmarking and best practice

Egypt recently adopted a "flat" 20 per cent tax with standard capital allowances for virtually all activities. UNCTAD's Investment Policy Review of Nigeria shows that this regime is efficient whilst being simple to administer and available to investors of all types in all industries. This approach is worth considering for Nigeria.

### C / Action plan

1. Incorporate the feedback received on the draft and publish the final version of the report of the Presidential Committee on the Review of Incentives, Waivers and Concessions;
2. Undertake a fiscal study on the impact of the proposals contained in the report and based on this, prepare a new fiscal framework; and

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<sup>3</sup> Federal Ministry of Finance (February 2008). Report of the Presidential Committee on the Review of Incentives, Waivers and Concessions, Abuja, Nigeria. This decision was in part informed by UNCTAD's Investment Policy Review of Nigeria.

3. Introduce the measures into the budget of 2010.

**D / Key performance indicators**

1. Report published by August 2009;
2. Fiscal study started by November 2009; and
3. Introduced into new budget of 2010.

**E / Financial implication**

\$30,000 for fiscal study.

## **MEASURE 6 / ESTABLISH A PRESIDENTIAL INITIATIVE TO SPREAD BEST PRACTICE IN THE TRANSFER OF LAND RIGHTS**

### **A / Rationale and country context**

Access to land is an important consideration in an investor's decision to locate in a particular country or state. Domestic or foreign investors need to be able to acquire (through lease or title) the land they need for agricultural purposes, plants or offices. They should be facilitated in doing this expeditiously and the procedures should not be cumbersome.

Nigeria's land system – characterized by difficulty in obtaining land, complex administrative procedures and poor record-keeping – is a serious constraint to investors and an important impediment to the goal set out in the National Economic Empowerment and Development Strategy of creating a competitive private sector.

The principal difficulties associated with the land system are that:

- It is unclear who the ultimate owner of the land is. The Land Use Act of 1978 vested all customary land in the Federal Government. However, there does not appear to be broad acceptance of this and this issue is currently the subject of possible constitutional change;
- Identification of available land is also difficult, because of poor record-keeping and lack of computerized land registries in many states, which contribute to a backlog of unresolved title disputes. Many land registries also suffer from poor security, increasing the likelihood of fraud;
- Obtaining leases, in theory available up to 99 years, on publicly held land requires investors navigating their way through sometimes-complex procedures at the state government level;
- Where a lease is revoked, compensation is paid only on "improvements" to the land (such as buildings, roads and plantations) that the leaseholder may have made, not on the current market value of that lease;
- Titled land is limited. Yet, at the same time, because of poor record-keeping, investors wishing to acquire titled land may have to negotiate concurrently with a number of occupiers or "owners".
- Under the Land Use Act of 1978, transfer of titled land requires the approval of the State Governor certifying that the land may be transferred and that appropriate taxes, worth up to 15 per cent of the value of the transaction, have been paid. The time taken to obtain this approval may vary from two days to several years. Nevertheless, it is notable that in March 2009 a bill was submitted to the National Assembly to amend the Land Use Act. If this bill passes into law, it will restrict the requirement for governors' consent in land transaction to assignments only. Consent would not be required for mortgages, subleases and other land transfers.

There is broad agreement in the literature that secure individual land rights increase incentives to undertake productivity-enhancing land-related investment.<sup>4</sup> However, the evolution of the land system in Nigeria has not permitted the development of an accessible land market in which investors and others requiring land are able to readily purchase and encumber titles from others or obtain leaseholds in order to put the land to improved commercial use.

While resolving these principal difficulties may not be possible in the immediate term, the State of Lagos and the Federal Capital Territory (FCT) have taken a number of positive steps to improve land administration by digitalizing their land registry, streamlining their administrative procedures, especially with regards to the transfer of land, which now takes two days, and using satellite technology to establish modern land cadastres. These steps may not be a complete panacea for the problems existing in Nigeria's land system, but their implementation has brought about a marked improvement to the investment environment in the states concerned.

It should also be emphasized that the passage of the bill to amend the Land Use Act would make an important contribution towards improving the ease with which land can be transferred and mortgaged.

## **B / Benchmarking and best practice**

The cases of the State of Lagos and the FCT illustrate what can be done and the steps that can be taken. In addition, the FCT already conducts training sessions for state land officials on an ad hoc basis.

## **C / Action plan**

The positive example set by the FCT could be rolled out across the country as a "Presidential Land Initiative". This initiative, with commensurate funding, should build on this work by providing the necessary assistance to each state to:

- Conduct a satellite geo-survey to establish modern land cadastres and train staff in their application and use;
- Computerize and secure state land registries;
- Sensitize state land agencies on effective ways to streamline procedures for the allocation and transfer of land; and
- Demarcate and obtain title for industrial land plots.

At the same time, the bill to amend the Land Use Act 1978 should be passed through the National Assembly expeditiously.

## **D / Key performance indicators**

Amendment Bill on the Land Use Act to be passed by December 2009; and

Presidential Land Initiative timeline to be determined by the proposed Land Reforms Commission.

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<sup>4</sup> 1999 literature review by Deininger K and Binswanger H. "The Evolution of the World Bank's Land Policy: Principles, Experience and Future Challenges". *The World Bank Research Observer*. Vol. 14, #2: 247–276.



**E / Financial implication**

To be determined by the proposed Land Reforms Commission.



## **MEASURE 7 / TARGET INVESTORS IN THE AGRO-ALLIED SECTOR**

### **A / Rationale and country context**

There is intense competition among countries to attract investment. Investment promotion strategies therefore need to be targeted, focusing efforts on sectors that offer both developmental impact and potential for FDI. NIPC needs to take this approach.

A priority sector for targeting could be that of agro-allied industries. Approximately 70 per cent of the Nigerian labour force is in agriculture. Agricultural investment is therefore an important entry point to reduce poverty and drive economic growth. Efforts should focus on further processing basic agricultural products and/or using them as inputs in processed foods. The targets for a sector-specific promotion strategy might include private farming interests, large-scale commercial agricultural investors and big agro-processors, which in turn may create opportunities for linkages with smaller-scale suppliers and technological spillovers. Within the sector, priority industries might include vegetable oils and seeds, cocoa and cocoa products, fruit and vegetable products, leather and leather products, and rubber and rubber products

The United Nations Industrial Development Organization (UNIDO) is currently preparing a project under its "Delegate Programme" to assist NIPC to undertake just such a targeting strategy. As part of this programme, it will work with NIPC to prepare feasibility studies for a number of investment prospects in the agro-allied sector in Nigeria, focusing on palm oil. The programme provides for two officials from NIPC to travel to UNIDO's Investment and Technology Promotion Office (ITPO) in Tokyo, Japan, to meet personally with a large number of potential Japanese investors around the country.

This will be followed up with a mission organized by UNIDO for interested investors to visit Nigeria, inspect sites and meet with relevant public and private actors.

The success of this programme will be assessed on the number of return visits made by investors and the investments that are finally made.

In the longer term, such investor targeting programmes could be organized for the manufacturing and business services sectors.

### **B / Benchmarking and best practice**

UNIDO's ITPO office has already provided its investor targeting programme to Botswana, India, Kyrgyzstan, the Lao People's Democratic Republic, Mongolia, Mozambique, Papua New Guinea and the United Republic of Tanzania. In 2007 alone, these activities led to 28 "promising business negotiations".

### **C / Action plan**

1. UNIDO works with and trains NIPC officials to prepare feasibility studies related to the agro-allied sector;

2. NIPC officials spend one month in Japan meeting with potential investors and making presentations on Nigeria's investment opportunities; and
3. UNIDO and NIPC organize an investment mission of interested Japanese investors to Nigeria.

#### **D / Key performance indicators**

1. Feasibility studies prepared by December 2009;
2. NIPC officials complete mission in Japan by April 2010; and
3. Investment mission to Nigeria completed by July 2010.

#### **E / Financial implication**

The financing will be from UNIDO.

## **MEASURE 8 / CREATE A SCARCE SKILLS LIST**

### **A / Rationale and country context**

Nigeria currently operates a system called Expatriate Quota for awarding work permits to non-ECOWAS nationals. Under this system, investors are required to apply for a quota of work permits. This application is reviewed by the Nigeria Immigration Service. The final size of the quota must be approved by the Minister of Internal Affairs on the recommendation of his Business Advisory Committee.

There is, however, dissatisfaction with the system of expatriate quotas. On the one hand, there is a perception among investors that there is too much discretion in how the quotas are awarded. On the other hand, many Nigerians feel that the quota system can be open to abuse as quotas can get traded, while at the same time foreign workers displace equally-skilled Nigerian ones.

A new system that addresses these concerns is therefore required, one that transparently balances the needs of investors and Nigerian workers, ensuring that local workers are not displaced but that investors benefit from a predictable system for the award of permits, enabling them to import skills that cannot be easily found in Nigeria.

To this end, a number of countries have moved towards a system based on a “scarce skills list”. Under the system, a thorough audit is conducted among the domestic labour force to determine which specific skills are scarce and which are available in abundance. Based on this, a scarce skills list is drawn up.

Any company wishing to employ foreign workers whose experience and qualifications fall within the scope of the scarce skills list has their application for a permit, conditional on checks of good character and security, fast-tracked. Permit applications for workers whose skills do not fall within the list will need to proactively demonstrate that the post cannot be filled locally.

### **B / Benchmarking and best practice**

In order to attract foreign talent, Singapore operates a work permit system called Employment Pass. Under this system, the decision to award a work permit is based entirely on the experience and educational level of the potential employee, as well as on the skills required for the post for which he is being proposed. Importantly, there is no quota attached to the employer; skills and experience are what count. While Singapore benefits from a different economic context, it nevertheless provides a good example of how such a system can operate.

### **C / Action plan**

1. Establish a steering group comprising the Ministry of Interior, the Nigeria Immigration Service, the Ministry of Labour, NIPC, professional bodies and other relevant organizations;
2. Recruit a consultant who has experience in designing scarce skill list systems. Over a period of four months, the consultant should work with and train relevant officials and leaders in the Ministry of Internal Affairs and the Nigeria Immigration Service to design a list of skills in demand, building on

work carried by the Ministry of Labour and based on consultations with the private sector and trades unions. The adviser should also help design best practice policies and processes to manage and monitor the entry and successful settlement of temporary residents;

3. The scarce skills list replaces the expatriate quota for the grant of new work permits.

#### **D / Key performance indicators**

1. Steering group established by November 2009;
2. Consultant engaged by February 2010; and
2. Scarce skills list comes into operation by September 2010.

#### **E / Financial implication**

\$70,000 for employment and travel of consultant.

## **MEASURE 9 / CREATE A CLIENT'S CHARTER FOR NIPC AND OTHER INSTITUTIONS DEALING WITH INVESTORS**

### **A / Rationale and country context**

Investment promotion is a collective effort that should involve a team-based approach, not only from all staff working within an IPA, from the receptionist to the chief executive, but also among all government institutions with which an investor must interact.

Interviews with the private sector in Nigeria revealed that the necessary customer orientation in government departments is sometimes lacking and that more could be done to improve the quality of services offered during the investment process. The challenge is therefore to improve public service delivery, beyond the scope envisaged by Servicom, and train staff to be service providers. Encouraging a more client-oriented service culture within those parts of the civil service dealing with investors will strongly benefit Nigeria.

A client charter is one simple and cost-effective instrument, identified by UNCTAD's Good Governance programme that can be used by institutions, including IPAs, to set service standards in public delivery and improve on these standards to satisfy clients. A good set of standards, which can include a published charter of the time and cost required for the delivery of different types of licences, enables the organization to compare its performance in terms of service delivery with IPAs in other countries. At the same time, government officials with a specific understanding of investment issues will provide better customer services to foreign and domestic investors and understand their needs under different situations.

At the very least, a charter should bring about a fundamental change in the outlook and behaviour of officials and employees of public institutions, so they serve the public genuinely and with due regard. It also provides for transparency and clarity, thereby promoting more efficient functioning. A client charter for investors should not be restricted to the IPA, but should encompass all institutions with which investors are required to undertake formalities. These range from business registration, taxation, customs, immigration and land to labour, electricity, utilities and telecommunications.

### **B / Benchmarking and best practice**

The Uganda Investment Authority, as part of its successful investment promotion programme, has introduced client charters following a recommendation from the UNCTAD Investment Policy Review. The first stage of this process entailed providing training in customer care to heads of government agencies and front desk officials. Subsequent stages involved each government agency preparing its own client charter during a workshop. The client charter included a vision and mission statement to ensure that all officers from the top of the organization to entry level understood and were unified in the agency's purpose. The client charter also specified the types of services offered by the agency, set standards for service delivery time, and clearly delineated the charges for each type of service. Each organization was then expected to display the client charter near the reception desk and on the institution's website, and to promote the charter in the media and in interactions with other government agencies.

Feedback from the Uganda Investment Authority on the impact of the implementation of the client charter stated, “The effect of the client charters was immediately felt. Staff in the organizations recognized and bought into the organizations’ vision. They had clear services they were responsible for and had clear timelines to beat. It also informed investors on the available services and how long they should take. Staff members were eager to exceed expectations. Networks were created in the process of producing the client charters.”

In Ethiopia, a similar training programme enabled staff at the IPA to develop a client charter and to set out ways in which performance in meeting the targets of the charter could be monitored. An extract from the Ethiopian charter is produced below:

**Client charter (extract) – Ethiopian Investment Commission**

Services	Time	Cost (birr)
Issuance of investment permit certificate		
Domestic and existing foreign companies	7 days	205–705
Foreign:		
Individual		
Investment permit	7 days	205–705
Registration	7 days	56–705
Business organization		
Investment permit	9 days	205–705
Registration	9 days	106
Writing a recommendation letter regarding incentives		
Customs duty exemption	3 days	Free
Income tax holidays	3 days	Free
Issuance of a business licence (if all documents are completed)	2 days	206
Issuance of work permits to expatriate staff	2 days	100
Approval and registration of technology transfer agreements related to investment	25 days	Free
Approval for buying an enterprise or shares in an existing enterprise by a foreign investor	5 days	Free
Registration of export-oriented non-equity-based foreign investment collaborations	2 days	Free
Renewal of investment licence	4 days	100–350
Registration of amendments relating to commercial registration (if all documents are completed)	5 days	56
Response to complaints	10 days	Free

**C / Action plan**

1. Introduce “client charters” in the One-Stop Investment Centre through a three-day training workshop:

- Module 1. Service excellence training: To allow participants to review international investor service best practices and evaluate their own service delivery;
- Module 2. Developing service standards specific to the IPA: To enable participants from the IPA to evaluate their existing service delivery methods and standards;
- Module 3. Designing a client charter: To set clear, uniform and transparent service delivery standards for the future; and



- Module 4. Agreement on a monitoring and evaluation mechanism that involves reviews on a regular basis of the client charter implementation standards: This will include assessing the agreed standards against what is happening on the ground. Incentives for all staff should be included, such as annual appraisals and team-related incentives on effective implementation of the client charter;

2. NIPC to help develop client charters and facilitate training for two more key government bodies dealing with investors.

#### **D / Key performance indicators**

1. Initial client charter and training for NIPC/OSIC by February 2010; and
2. Charter and training for two further government institutions by August 2010.

#### **E / Financial implication**

\$10,000 per institution training, comprising \$5,000 for the trainer and \$5,000 for travel.



## **MEASURE 10 / ESTABLISH THE FEDERAL COMPETITION COMMISSION**

### **A / Rationale and country context**

A competition law enforced through an independent competition authority is becoming an increasingly popular mechanism for governments to respond to market failures, limit companies' abuse of power and improve economic efficiency.

On 24 August 2005, the Federal Executive Council approved Nigeria's first comprehensive competition bill, which foresees the setting up of Nigeria's first independent regulatory body, the Federal Competition Commission. Until adoption of the bill by the National Assembly, however, the main legislation on competition in Nigeria remains the Investments and Securities Act of 1999.

The bill covers the whole spectrum of anti-competitive agreements and conduct (abuse of dominant position, price maintenance, mergers and acquisition, monopoly, restrictive practices, intellectual property related issues) and gives the commission extensive powers to investigate (either at its own initiative, on receipt of complaints or at the request of the responsible minister) alleged anti-competitive conduct affecting business in the Nigerian market.

Three and a half years after being approved by the Federal Executive Council, the bill is still under consideration by the National Assembly.

The bill's timely passage through the National Assembly and implementation would improve the investment environment, providing a fair regulatory framework for all private sector operators, as well as ensuring consumer welfare and protection. It would send out a positive signal to potential investors. Priority should be given to ensuring that the bill is passed and implemented.

### **B / Benchmarking and best practice**

A good example in the region of what an independent competition authority should be is the Zambia Competition Commission (ZCC), which was established by act of Parliament in 1997. With relative political autonomy, it enjoys wide-ranging powers of investigation and enforcement with regards to:

- Anti-competitive practices;
- Mergers and takeovers;
- Trade agreements;
- Controlling monopolies and concentrations of economic power; and
- Unfair trading and consumer welfare and protection.

The ZCC also has the right to rule on the entry of investors if their entry might lead to a monopolistic or oligopolistic situation.

Since its establishment ZCC has been very active. In a single year (2005) it investigated and ruled on:

- 17 cases of anti-competitive and discriminatory practices;

- 10 mergers and acquisitions of Zambian companies by foreign and domestic investors; and
- Various allegations concerning bid-rigging, misleading packaging and sale of defective goods.

The ZCC has also entered into compliance programmes with dominant firms in different sectors of the Zambian economy in order to regulate possible abuses of market power.

Based on this record, UNCTAD has since worked with the ZCC to provide technical assistance to other governments in the Africa region wishing to develop the capacities of their competition authorities.

### **C / Action plan**

1. The competition bill is presented for its third reading; and
2. The Federal Competition Commission is established and holds its first meeting.

### **D / Key performance indicators**

1. Bill presented for third reading by December 2009; and
2. First meeting of the Federal Competition Commission held by October 2010.

### **E / Financial implication**

To be determined.

## **MEASURE 11 / ADOPT THE PROPOSED NEW LABOUR BILLS**

### **A / Rationale and country context**

Nigeria's entire labour regime, already liberal and well-regarded by investors, is currently being revised. The new set of laws, which received input from the International Labour Organization and employers' and employees' representatives, comprises the Labour Standards Bill, the Collective Labour Relations Bill, the Labour Institutions Bill, and the Occupational Safety and Health Bill. These bills aim to codify fundamental principles and minimum standards of treatment which comply with internationally agreed labour standards. They are expected to smooth industrial relations. If implemented, Nigeria would have one of the most modern and balanced labour regimes in Africa.

This set of bills also foresees some important changes to the labour code, among which:

- Notice periods would not be less than one month;
- In regulating redundancy payments, the Minister would only need to intervene in cases where both parties were unable to agree; and
- A National Commission for Conciliation and Arbitration (NCCA) would be established as a permanent body in charge of the conciliation and arbitration of labour disputes, and in which government, employers and employees would have equal representation. In the new system, strikes and lockouts would not be lawful unless the dispute has been referred to the NCCA for conciliation for which the NCCA would designate a conciliator to try to resolve the dispute within 30 days.

The bills were submitted to the National Assembly and are to be presented for public consultation prior to their third reading. Their passage would benefit the investment environment and send a positive signal to investors.

### **B / Benchmarking and best practice**

South Africa's Commission for Conciliation, Mediation and Arbitration (CCMA) was established under the Labour Relations Act of 1995 to provide a more effective alternative to the Industrial Court. The CCMA's mandate includes conciliating workplace disputes, arbitrating certain categories of disputes that remain unresolved after conciliation, establishing picketing rules, and facilitating the establishment of workplace forums and statutory councils. Since its establishment, the CCMA reports that 70 per cent of workplace disputes have been settled. This compares to 20 percent under the Industrial Court.

### **C / Action plan**

1. The National Assembly to invite inputs from the public on the Bills; and
2. The inputs are integrated as appropriate and the bills are presented for their third reading.

**D / Key performance indicators**

1. Inputs invited for Bills by November 2009; and
2. Bills presented for third reading by February 2010.

**E / Financial implication**

None.

## **MEASURE 12 / SENSITIZE PARLIAMENTARIANS ON INVESTMENT ISSUES**

### **A / Rationale and country context**

With the launch of the National Economic Empowerment and Development Strategy, the Nigerian Government recognized the economic potential of private sector growth and the role that FDI could play in meeting this objective and promoting development in the country. Since then, it has taken important steps to reform its institutional machinery and has proposed a number of legislative changes that would improve the environment for investment. This has been backed up by capacity-building programmes that have enabled it to refine policy tools learnt from experiences elsewhere.

However, interviews carried out by UNCTAD indicated that a number of the legislative changes that the Government submitted to the National Assembly, mainly concerning the labour and competition environments (see measures 10 and 11), are still under parliamentary consideration after months or years, calling into question Nigeria's actual commitment to private sector growth. Among the reasons given by stakeholders for the slow passage of certain bills at the Assembly is a lack of capacity in dealing with private sector issues. Therefore, it is essential from the point of view of addressing national development objectives to sensitize parliamentarians on the relevance of private sector and investor-friendly legislation.

### **B / Benchmarking and best practice**

In 2004 the Kenyan Parliament passed a new Investment Act. This act, in response to fears of traders masquerading as investors, introduced a new minimum capital requirement of \$500,000. In its Investment Policy Review of Kenya, published in 2005, UNCTAD noted that this requirement would unfairly discriminate against investors who, though small, might bring with them new technologies and increased value added. Software developers were an example of this.

At the invitation of the Government, UNCTAD organized a sensitization workshop with parliamentarians on the issue. This led the following year to an amendment being passed in Parliament, reducing the minimum capital requirement to \$100,000. In 2006, following an UNCTAD investment forum, Indian software giant 3i-Infotech established itself in the country.

For similar reasons, workshops were successfully undertaken to sensitize parliamentarians in Rwanda and Uganda.

### **C / Action plan**

A sensitization workshop should be carried out by UNCTAD for the benefit of parliamentarians and their researchers. Issues to be covered would include:

- FDI global trends and country experiences;
- The FDI experience in Nigeria – what encourages or hinders investment;
- FDI regulation – past, present and future;

- Maximizing development benefits through appropriate policies;
- Case studies provided by parliamentary researchers and/or parliamentarians on the impact of FDI in Nigeria; and
- Case studies provided by staff from the One Stop Investment Centre on how they promote, facilitate and manage investors.

#### **D / Key performance indicators**

Sensitization workshop held by November 2009.

#### **E / Financial implication**

\$50,000 for the workshop.



## MEASURE 13 / SIGN DOUBLE TAXATION TREATIES WITH THE ECOWAS AREA

### A / Rationale and country context

Double Taxation Treaties (DTTs) aim to eliminate the double taxation of income or gains earned in one country by a firm or person residing in another. They are important to investors because they clarify and eliminate the overlapping claims made on the profits and dividends of parent companies and their subsidiaries by the governments of the countries in which they are established.

The Government of Nigeria wishes to strengthen its position as a business hub for the ECOWAS region, against competition from other countries. For investors establishing regional headquarters in the country, it is essential that DTTs be signed with other ECOWAS members.

Nigeria has signed 15 DTTs:

Partner Country	Date signed
Belgium	1989
Canada	1992
Czech Republic	1989
Denmark	1954
France	1990
Korea, Republic of	2006
Netherlands	1991
Norway	1955
Pakistan	1989
Philippines	1997
Poland	1999
Romania	1992
Slovakia	1989
Sweden	2004
United Kingdom	1987

Source: UNCTAD.

While these DTTs include some of Nigeria's main investment source countries, they do not include ECOWAS members in which investors establishing regional headquarters in Nigeria may wish to develop a regional network of subsidiaries.

### B / Benchmarking and best practice

South Africa, which has firmly established itself as a hub for the southern African region, has signed DTTs with (among others) Botswana, the Democratic Republic of the Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Swaziland, the United Republic of Tanzania, Zambia and Zimbabwe. This list includes every member of the Southern African Development Community (SADC) except Angola and Madagascar.

### **C / Action plan**

Establish a treaty negotiation committee comprising the Ministry of Foreign Affairs, the Federal Revenue Service, NIPC, the National Assembly and other interested parties.

Carry out a negotiation round, initially with five members of ECOWAS. This can be facilitated by UNCTAD.

The participants consist of teams of DTT negotiators mandated by their country to negotiate and conclude such agreements.

The round lasts five days.

UNCTAD's secretariat can provide assistance for the facilitation and the organization of the round (preparatory work, invitations, exchange of drafts and comments, preparation of the negotiating matrix and secretarial backstopping during the round).

### **D / Key performance indicators**

Round completed by March 2010.

### **E / Financial implication**

\$20,000.

## **MEASURE 14 / CREATE A PILOT BUSINESS LINKAGES PROGRAMME**

### **A / Rationale and country context**

An important way for FDI to benefit the Nigerian economy is through the promotion of business linkages between transnational corporations (TNCs) and small and medium-sized enterprise (SMEs). Business linkages programmes help both TNC affiliates – who can carry less stock, reduce import hassles and minimize transaction costs – and local SMEs – who develop their capacities and find new business. It thus addresses the problem of the “missing middle” in the business environment of many developing countries, which have a few big (often foreign) corporations on the one hand and a very large informal sector with limited capacities on the other. Nigeria is one of them.

The rationale for developing a business linkages programme in Nigeria is persuasive. The benefits would include (a) a more dynamic and competitive private sector; (b) more quality jobs created and preserved; (c) improved competitiveness of local firms through technology, know-how and management skills transfer; (d) TNCs more deeply rooted in the local economy; (e) increased capacity to attract FDI; and (f) a broader and more diversified tax base for government.

The success of a linkages programme often depends on having a good “matchmaker”, and Empretec Nigeria, established by UNCTAD in order to strengthen SMEs, could provide a good foundation on which to establish a business linkages programme, and possibly somewhere from which to run it.

### **B / Benchmarking and best practice**

The UNCTAD-GTZ linkages project, Projeto Vinculos, aims to promote the efficiency of Brazil's domestic enterprise sector through the creation and deepening of fair and sustainable business linkages between foreign affiliates and Brazilian SMEs. Since its inception in 2005, it has enlisted 20 TNCs, and 180 SMEs have directly benefited from the project's upgrading.

For example, in the north-eastern State of Pernambuco, the latest survey of 27 small and medium-sized suppliers of the three TNCs (Philips, Gerdau and Alcoa) that participated in the project showed strong progress in the areas of corporate social responsibility, quality, environment and general management after a period of 10 months of technical upgrading. These areas had been identified by the TNCs as the suppliers' main weaknesses, directly affecting their competitiveness.

In the State of Ceara, seven TNCs are upgrading 53 suppliers in the same strategic areas. In addition to strengthening the relationship with the purchasing TNCs, some suppliers started supplying other large TNCs and also initiated business among themselves.

Technical training was provided by SME support institutions at the state-level, namely the Brazilian Support Service for Micro and Small Enterprises (SEBRAE) and the National Industrial Training Service (SENAI).

## **C / Action plan**

The linkage programme will identify five TNCs, with special attention given to the goal of sectoral diversification. These TNCs would then be assisted in identifying potential Nigerian suppliers with whom they could work over a period of time to assist them to upgrade the quality of their output in order to bring them to the requirements of the TNC, which can then source them locally and reduce the need for imported inputs.

The action plan consists of the following:

1. Hold a sensitization workshop in order to attract TNCs and large domestic firms to the project;
2. Establish a Business Linkages Task Force comprising a coalition of key stakeholders (Government of Nigeria, interested TNCs, SME representatives in the same sectors as the TNCs, SME information exchanges, Empretec Nigeria and potential donors) to design the project;
3. The task force should agree on the basic parameters for the pilot business linkage development project, including objectives, outputs, organizational framework, roles and responsibilities. Based on this, a project document should be issued to raise funds for the first 18 months of the pilot project. Five TNCs should be identified as potential corporate partners and included in the methodology stipulated in the project document;
4. Funds are secured for the first 18 months of the pilot project.

## **D / Key performance indicators**

1. Sensitization workshop by December 2009;
2. Task Force established by February 2010;
3. Pilot project designed by May 2010; and
4. Funding for the first 18 months of the pilot project secured by October 2010.

## **E / Financial implication**

Activities 1, 2 and 3 and assistance in securing funding for Activity 4 will cost \$50,000.

Activity 4: Funding requirements to be sought for the first 18 months of the pilot project's operation are estimated at \$300,000. However, actual funds required will be calculated in the project document and will be based on the project's design.

## **MEASURE 15 / FORMALIZE FEDERAL–STATE ROLES IN INVESTMENT PROMOTION AND FACILITATION**

### **A / Rationale and country context**

The roles of the federal agencies (NIPC and NEPZA) and state governments in promoting and facilitating investment have not been formalized to the extent required in a large federal system. Relationships are cordial, notwithstanding some overlapping effort in investment promotion. But the working relationships are not systematic to the extent needed to promote FDI as a positive force for regional development within Nigeria. Moreover, there is ample opportunity for the 36 states and the Federal Capital Territory (FCT) to compete with each other to attract investment. This can lead to undue incentives (as in the case of Brazil's fiscal wars between the states to attract the auto industry), which can reduce the country's tax base unnecessarily. The lack of clear roles also undermines the overall investment promotion effort. When FDI attraction moves into high gear, a seamless professional promotion effort to the international investment community will be needed.

An important corollary to this is helping states to establish ground rules among themselves to avoid excessive competition in the granting of incentives to foreign investors who have already made the decision to invest in the country. It is therefore crucial that federal and state levels agree on mutually satisfactory roles and ground rules in FDI attraction and facilitation. Once the choice is made between the decentralized and the collaborative model, the details of the federal–state cooperation need to be formalized. At the same time, mechanisms such as regular or ad hoc committees should be established among federal and state institutions and investors, if needed, to formulate and implement new policies and approaches, and address the concerns of investors on issues such as infrastructure and security.

### **B / Benchmarking and best practice**

Brazil and the United States operate a decentralized model where states take the lead. Australia and the United Kingdom operate a collaborative model where both levels work to defined roles. There are pros and cons of each. For example, a decentralized model makes best use of local dynamism but runs the risk that poorer states will get insufficient support.<sup>5</sup> On the other hand, a collaborative model in which federally run overseas marketing is combined with local facilitation can be more cost-effective and less confusing to foreign investors faced with multiple, competing approaches.

### **C / Action plan**

1. Engage a consultant and undertake a study presenting potential options for models of cooperation, fitting the Nigerian context;
2. Undertake consultations with state governments; and
3. Select and implement an option.

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<sup>5</sup> The state level initiative to attract Zimbabwean farmers illustrates this.

**D / Key performance indicators**

1. Consultant engaged and study begun by November 2009;
2. Consultations with state governments completed by February 2010; and
3. System put in place by July 2010.

**E / Financial implication**

\$30,000 for the consultant's fee and travel.



