

September 2018

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Federal Republic of Nigeria

Investor Presentation

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Representatives of the Federal Government of Nigeria

Sen. Udoma Udo Udoma

Hon. Minister of Budget and National Planning

Dr. Okechukwu Enelamah

Hon. Minister of Industry, Trade and Investment

Mrs. Zainab S. Ahmed

Hon. Minister of Finance

Mr. Godwin Emefiele

Governor of the Central Bank of Nigeria

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**ERGP:
Implementation
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Environment**



**Fiscal
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Reforms & Debt
Management**



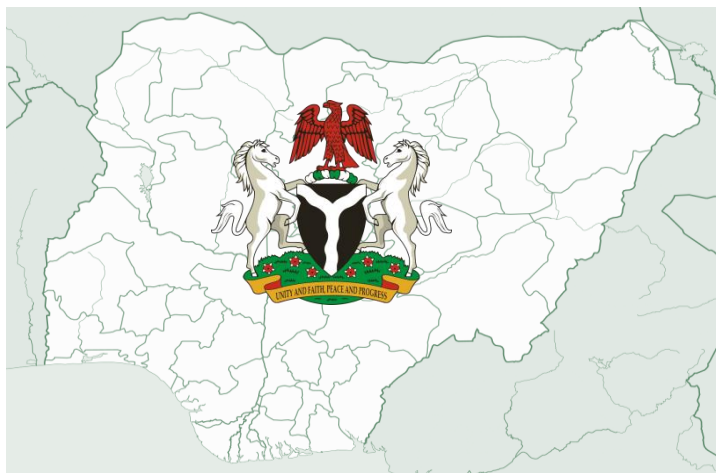
**Monetary and
Banking
Updates**



1. Nigeria in Context

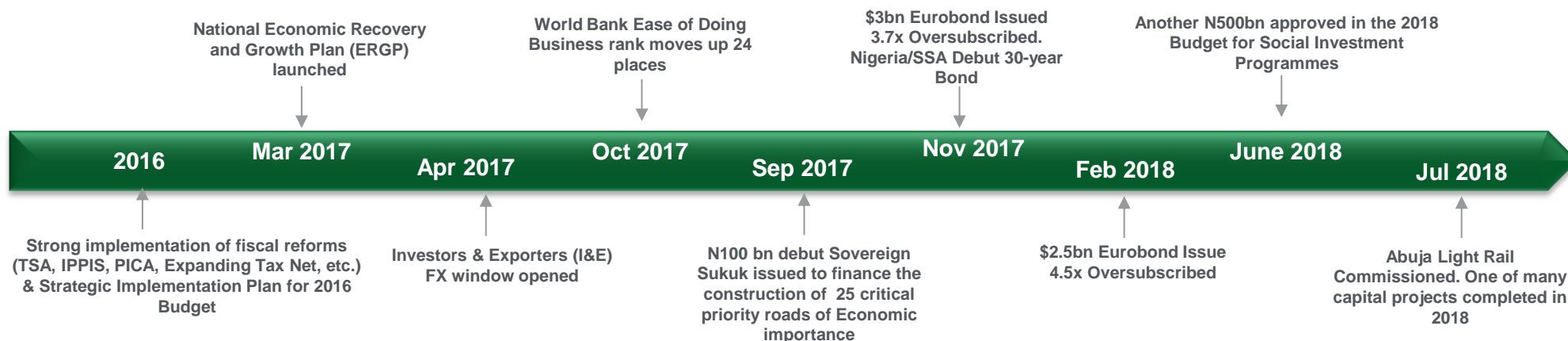
Senator Udoma Udo Udoma, Hon. Minister of Budget and National Planning

Federal Republic of Nigeria Snapshot



Land Area	923,768 sq. km
Capital	Abuja
Population Estimate (m, 2017)	190.8
Population Growth Rate (2016)	2.6%
Nominal GDP (US\$ billions, 2017)	371.9
GNI Per Capita (US\$, 2016)	2,450
Sovereign Credit Ratings (S&P/Fitch/Moody's)	B/B+/B2
Currency	Nigerian Naira (NGN)
Average Exchange Rate (Sept 2018)	USD/NGN: 306.25
System of Government	Multi-party democracy with four (4) year election cycles since 1999
Borders	Benin, Chad, Cameroon and Niger

Recent Milestones



Sources: Central Bank of Nigeria: Data & Statistics, World Bank, IMF.



Key Investment Highlights

Africa's largest economy has continued to improve and is poised to sustain higher and better quality growth.



Comprehensive Plan to Support Recovery and Growth

The Government has consolidated its economic initiatives into a single comprehensive and robust plan — the Economic Recovery and Growth Plan (ERGP).

ERGP Focuses on Five Strategic Areas

Macroeconomic Policy

- Focus on macroeconomic stability
- Liberalize exchange rate
- Ensure fiscal sustainability
- Increase efficiency
- Improve revenue collection

Economic Diversification and Growth Drivers

- Move towards self-sufficiency in food production
- Made in Nigeria campaign & Special Economic Zones
- Investment promotion Initiatives
- ERGP Focus Labs

Competitiveness

- Investing in infrastructure
- Improving the Nigerian business environment
- Promoting digital-led growth

Social Inclusion and Jobs

- Increase social inclusion
- Job creation and youth empowerment
- Human capital development

Governance and Other Enablers

- Win the Peace
- Respect of property rights
- Adherence of transparency and accountability rules for government spending and procurement

Undeterred Focus on 2020 Goals

Single-digit (9.9%) inflation

Average GDP growth of 4.6%

Average annual agriculture growth of 6.9%

Average annual manufacturing growth of 8.5%

Restore & increase crude output to 2.5mbpd

Reduce unemployment to 11.2%

Attain 10GW of operational energy capacity

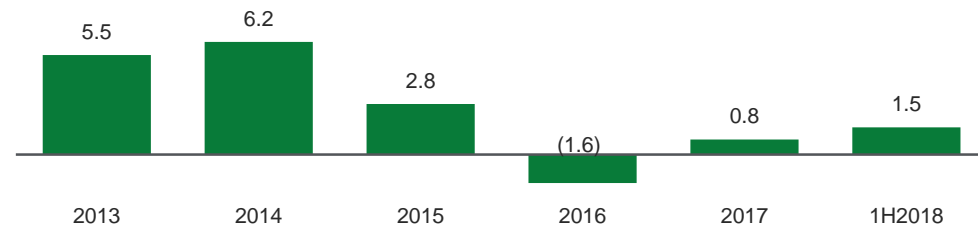
Sources: Budget Office of the Federation, Ministry of Budget and National Planning. ERGP, National Bureau of Statistics, ERGP, CBN, World Bank.



Commitment to ERGP is Yielding Results

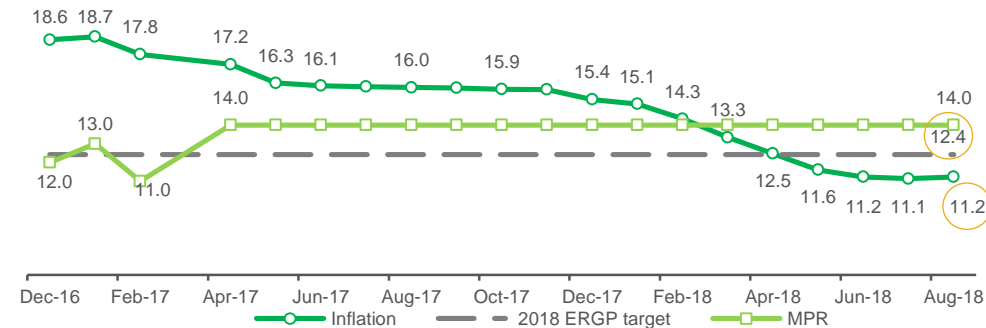
ERGP Supporting a Return to Growth ...

% Change YoY



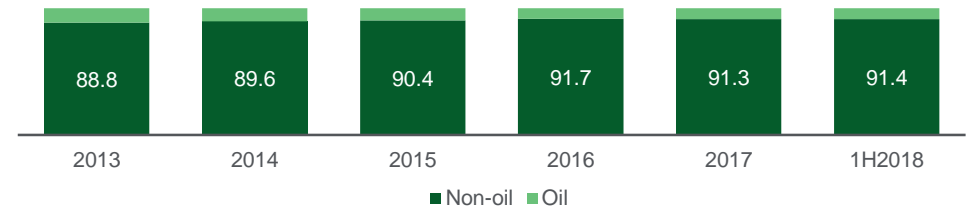
Significant Progress on Inflation

%



With an Increasing Share Driven by Non-oil

% of GDP



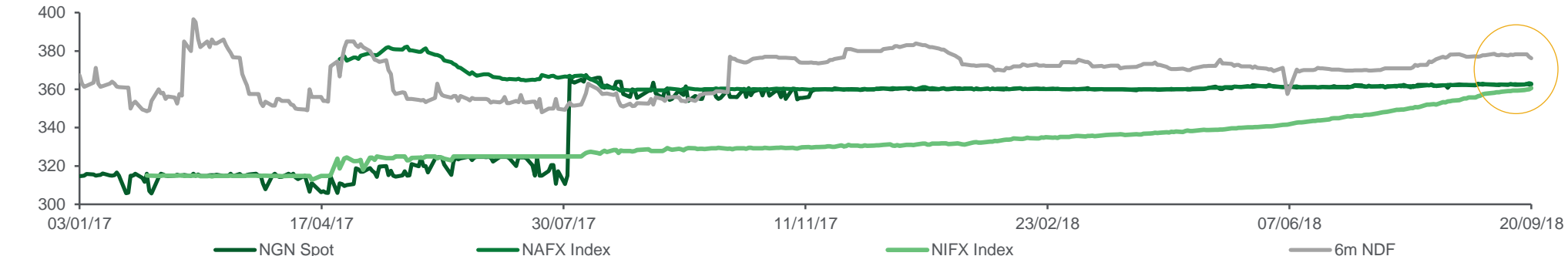
Stabilisation Continues with Reserves Recovering

Foreign Exchange Reserves*, US\$ Bn



FX Market Trends Show Stability and Convergence Between the Interbank Rate (NIFEX) and NAFEX over the Past 12 Months

USD/NGN



Sources: Bloomberg, CBN.

*August and September 2018 foreign reserves are 30 day moving averages as of 31 August and 20 September 2018, respectively

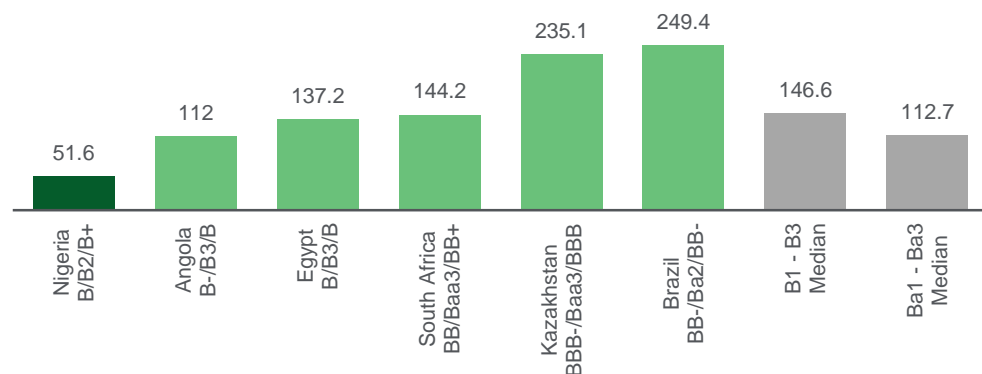


Fundamentals Support Resilience to Global Headwinds

Since 2015 sound fiscal and monetary policies have left Nigeria in a good position to handle external shocks.

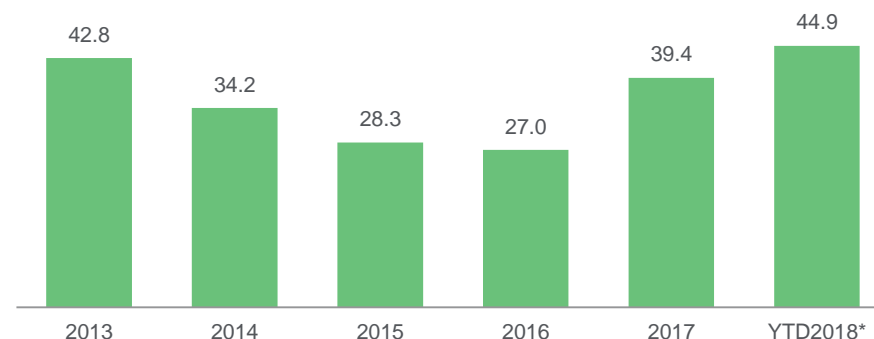
Sustainable External Debt Levels...

External Debt/Current Account Receipts, 2018F (%)



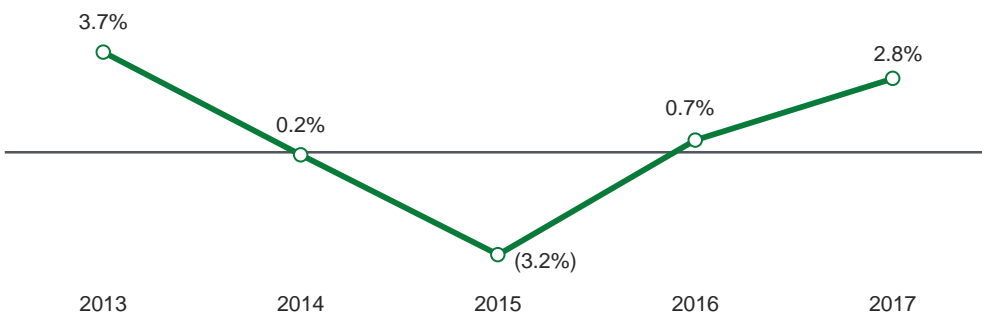
...Strengthening Reserves in a Challenging Environment

Foreign Exchange Reserves, US\$ bn



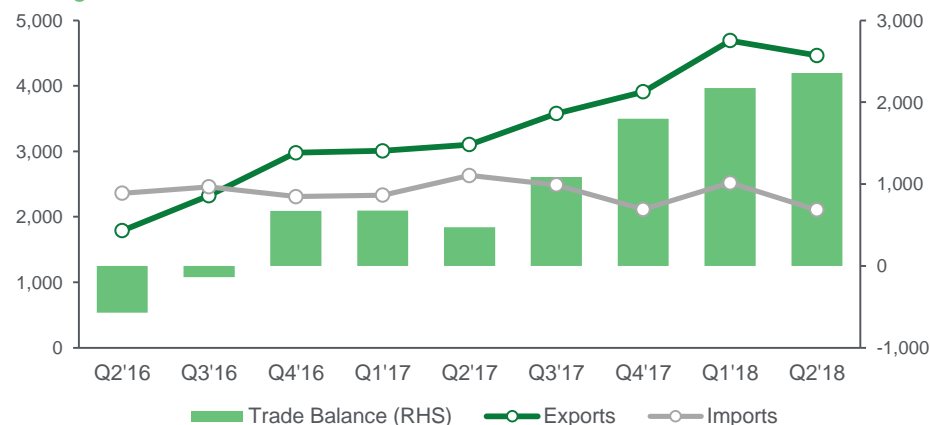
Current Account Surplus...

Current Account Balance, % of GDP



...Built on Strong Export Growth

Foreign Trade, ₦ Tr



Sources: CBN, National Bureau of Statistics, Moody's Statistical Handbook May 2018

*Sept. 2018 foreign reserves are 30 day moving average as of 20 Sept. 2018





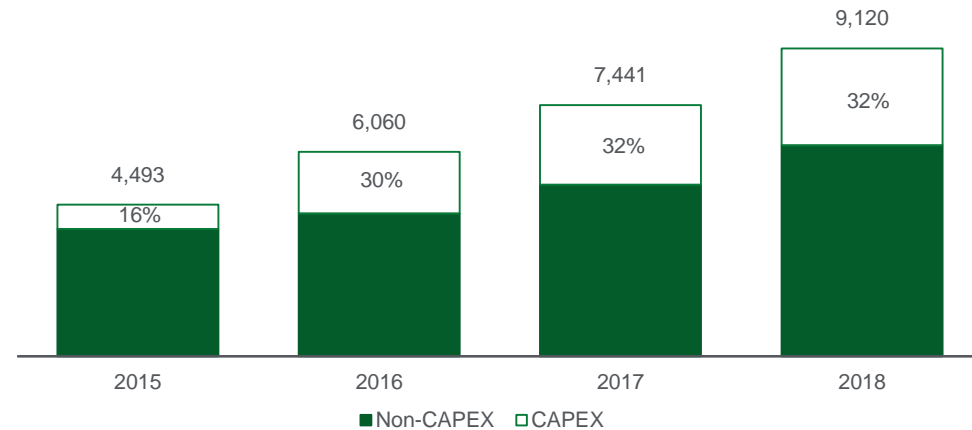
2. ERGP: Implementation of Key Reform Initiatives and Associated Results

Senator Udoma Udo Udoma, Hon. Minister of Budget and National Planning

Continued Investment in ERGP Implementation

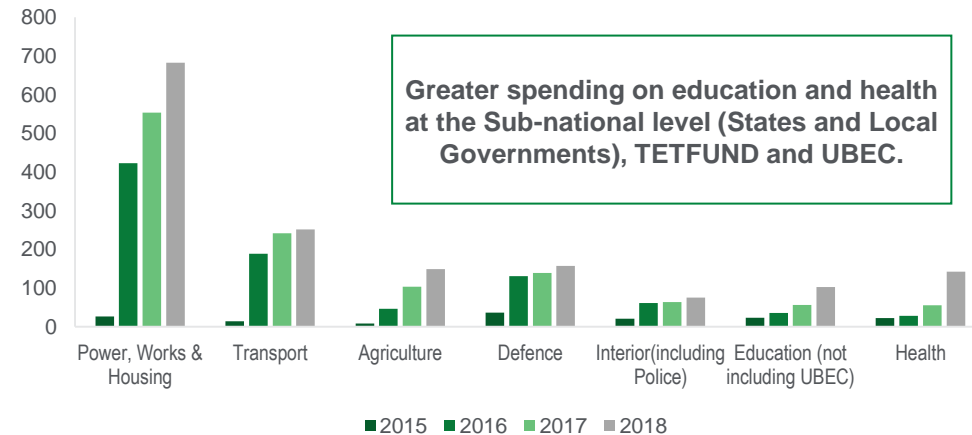
CapEx Nearly Doubled in Nominal Size and Share of Budget...

₦ Bn, % of Total Expenditure



...With Increased Allocations to Priority Sectors

₦ Bn



Greater spending on education and health at the Sub-national level (States and Local Governments), TETFUND and UBEC.

ERGP commitment to allocate at least 30% of annual budget to capital expenditure to stimulate & support the economy, with focus on growth, job creation, and infrastructure

ERGP Focus Labs

- Mobilizing private investments to grow the economy
- **Aim to unlock US\$ 22.5 billion of private investments** by 2020 across various sectors of the economy:
 - **Agriculture:** US\$ 1.2 billion
 - **Transportation:** US\$ 3.5 billion
 - **Manufacturing:** US\$ 5.9 billion
 - **Solid Minerals:** US\$ 3.3 billion
 - **Gas:** US\$ 2.0 billion
 - **Power:** US\$ 6.5 billion
- Target creation of **514k jobs by 2020**
- US\$ 10.9 billion of the investment categorized as 'most ready' to go
- Several quick **wins/early successes recorded**
- Cumulative investments from first phase of Labs could reach US\$ 39.2 billion by 2025
- **Ministerial Delivery Units** set up in the six Ministries (Agriculture, Transport, Industry, Trade and Investment, Power, Works and Housing, Petroleum Resources, and Mines and Steel Development) to work closely with MBNP in the implementation of the Lab outcomes

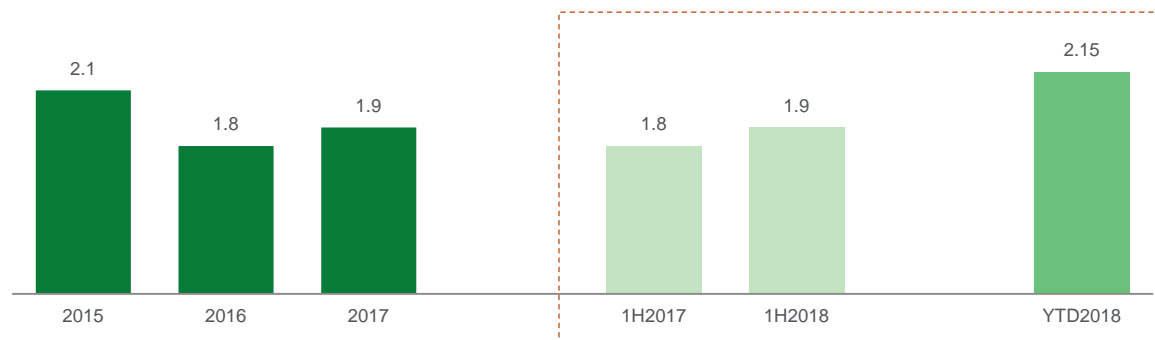
Source: Budget Office of the Federation, Ministry of Budget and National Planning;



Oil

Significant increase in average YTD production

Av. MBPD, as of Sept 2018

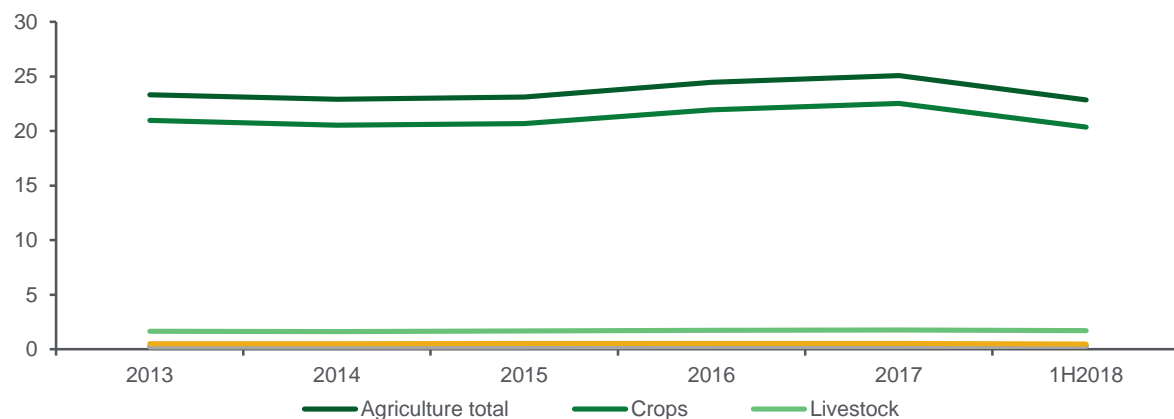


- Average year to date production is lower than budgeted production level due to aging oil production infrastructure
- Renewed emphasis on investment in production, refining and distribution capacity, as well as security, support goal of reaching 2.5mbpd by 2020
- Key legislation to attract investments to the Oil Sector being reviewed

Agriculture

Continued focus and investment in agriculture despite recent headwinds

Agriculture Sectors as % of GDP



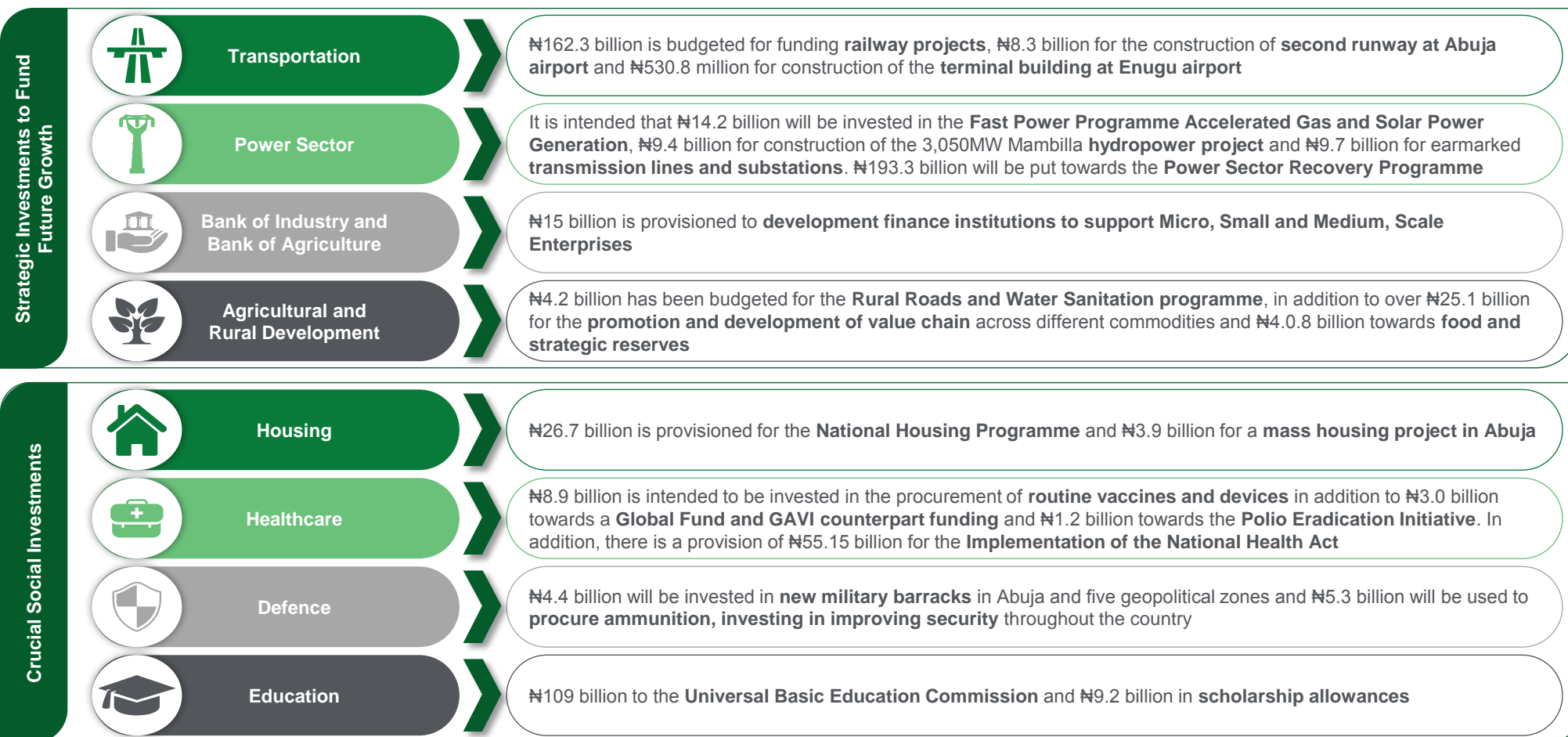
- Over N55 billion so far disbursed to 250,000 farmers under the Anchor Borrower's scheme
- Introduced a Presidential Fertilizer Initiative ('PFI') resulting in the revitalization of 14 fertilizer blending plants, with a total installed capacity in excess of 2 million metric tonnes per annum, thereby supporting many farmers nationwide.
- Nigeria's milled rice production increased from 2.5MT to about 4MT between 2015 and 2017
- Government is in the process of privatising 20 out of the 23 Strategic Grains Reserve Silos in the country, promoting effective management to ensure food security

Sources: NNPC, National Bureau of Statistics, Ministry of Budget and National Planning.

2018 Budget Key Initiatives

Key initiatives remain the core focus of budget planning and resource allocation.

- The 2018 Budget demonstrates the Government's strong commitment to investment in infrastructure development
- About ₦2.37 trillion (US\$7.8 billion), to be invested in critical infrastructure projects
- Some of the allocations to Key Initiatives are:



Sources: Budget Office of the Federation, Ministry of Budget and National Planning.



Developing the Power Sector – Implementation Update

Expanding power sector infrastructure is one of the top priorities of the ERGP. The objective is to achieve 10GW of operational capacity by 2020 and to improve the energy mix through greater use of renewable energy.

The Power Sector Recovery Programme (PSRP) details the policy actions, operational, governance and financial interventions to be implemented by the Government over the next 5 years to restore the financial viability of the power sector. The PRSP has the following objectives:

- ▶ Restore the sector's financial viability
- ▶ Improve power supply reliability to meet growing demand
- ▶ Strengthen the sector's institutional framework and increase transparency
- ▶ Implement clear policies that promote and encourage investor confidence in the sector
- ▶ Establish a contract-based electricity market (eligible customer regulation)

Generation

- Improved from 4,000 MW (approx.) in 2015 to 7,000 MW (approx.) in 2018, although 5,000 MW is distributed
- Plans underway to add up to 950 MW from Azura (455 MW), Kaduna (215 MW), Afam III (240 MW) and Kashimbilla (40 MW) while about 1,180 MW is projected for 2019 from Zungeru (700 MW) and Okpai II (480 MW)

Transmission

- Improved from 5,000 MW to 7, 124 MW in 2018 (approx.)
- About 90 transmission projects in various stages of construction

Distribution

- Improved from 2690 MW to 5,222 MW in 2018 (approx.)
- As 40% owner, Government is developing an arrangement to support the DISCOS by investing in the procurement of equipment and installations to help distribute the stranded 2000 MW of production
- Eligible customer arrangement is being promoted to enable customers who consume 2MW or more to contract directly to take power from GENCO
- Government, acting through the Rural Electrification Agency, is linking small power entrepreneurs with markets like Ariaria in Aba, Sabon Gari in Kano, and Sura Market in Lagos



Promoting Social Inclusion

The Federal Government of Nigeria allocated ₦500 billion to take care of the poor and vulnerable under four clusters.

Govt. Enterprise & Empowerment Programme (GEEP)

- GEEP represents **308,737** loans successfully disbursed
- ...to **4,084** cooperatives across 36 states +FCT

Conditional Cash Transfer

- **297,973** supported with cash transfers of ₦5,000 in 217 LGAs across 20 states
- **2,530** community facilitators trained

Home Grown School Feeding Programme

- **8.56 million** school children fed
- ...in **46,000** schools across 24 states
- Catering Staff engaged: **90,670**

N-Power Programme

- First batch: **200,000** deployed in October 2016.
- Second Batch: **308,389** deployed in August 2018.





3. Improving Business Environment

Dr. Okechukwu Enelamah, Hon. Minister of Industry, Trade and Investment

A More Conducive Atmosphere for Business

Economic Diversification and Growth Drivers

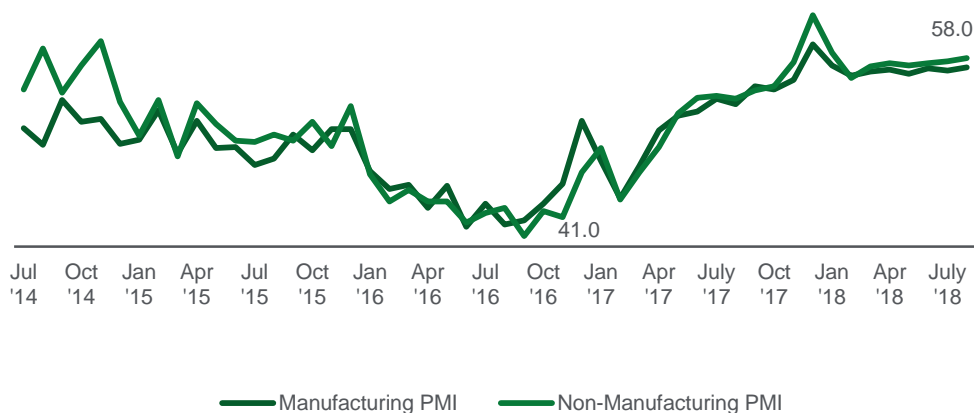
- ▶ Move towards self-sufficiency in food production
- ▶ Made in Nigeria campaign & Special Economic Zones
- ▶ Investment promotion Initiatives
- ▶ ERGP Focus Labs

Competitiveness

- ▶ Investing in infrastructure
- ▶ Improving the Nigerian business environment
- ▶ Promoting digital-led growth

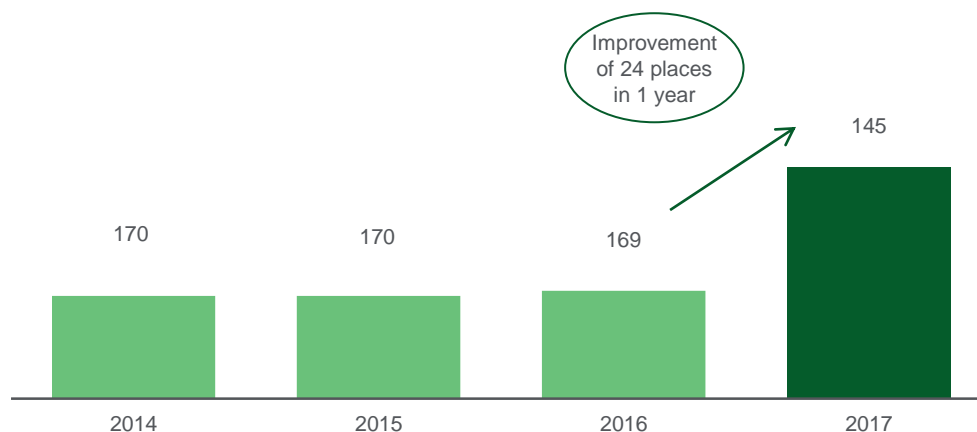
Strong Growth in Business Confidence...

PMI



...With Increasing Ease of Doing Business

EDB Rank, 1 Being the Best Performing



Key Initiatives to Improve the Business Environment

Presidential Enabling Business Environment Council (PEBEC)

- Completion of 60-Day National Action Plan on Ease of Doing Business including the Visa-on-arrival policy and issuance of Executive Order EO1 on Ease of Doing Business

Special Economic Zones

- Aim to establish in every geo-political zone
- Contract recently approved by FEC
- Industrial infrastructure being set up in each SEZ
- Aim is to expand production of goods in Nigeria and create jobs (supporting our Made-in-Nigeria campaign)
- N44.2 billion allocated for SEZs in the 2018 Budget

Investment Promotion Initiatives

- Launched first edition of compendium on investment incentives in Nigeria
- Launched Online Investors' Guide in May 2018 and creation of Database of Investment Opportunities
- Country Focus Investment Promotion Strategy is being implemented by NIPC
- National Committee on Export Promotion is implementing a plan to enhance export promotion and economic diversification in line with the Zero Oil Plan (ZOP)

NIPCAC

- Nigeria Industrial Policy and Competitiveness Advisory Council establishment as a vehicle for partnering with the private sector on the Industrialization Agenda
- The Council has identified 49 initiatives to be implemented over 12 to 18 months
- Engaging with the NEC to address 8 issues identified as key impediments to investment and business operations

Initiatives in the Mining Sector

- Reinforcing the Mining Regulatory Agency (by N644 million in the 2018 Budget)
- National Gold Purchase Scheme underway and CBN advancing discussions on modalities for gold purchase towards enhancing liquidity in the sector

Initiatives in the Transport Sector

- Modern standard track railway being developed: Lagos-Kano, Calabar- Lagos, Abuja-Itakpe-Aladja
- Concessioning of existing narrow gauge rail lines: Lagos-Kano and Port-Harcourt – Maiduguri
- Abuja light rail – first phase commissioned by President Buhari in July 2018

Initiatives in the Power Sector

- 2015 to 2018 progress:
 - Generation improved from 4,000 MW to 7,000 MW
 - Transmission improved from 5,000 MW to 7,124 MW
 - Distribution improved from 2,690 MW to 5,222 MW
- Continued focus on increasing generation, transmission, and distribution capacity through various projects

Sources: Ministry of Finance, Ministry of Budget and National Planning, Ministry of Industry, Trade and Investment.



Nigeria's Strategic Initiatives on Trade

Nigeria's Trade Policy

- The present administration approved the establishment of Nigerian Office for Trade Negotiations (NOTN) to coordinate various trade agreements and negotiations as well as assist in achieving coherence in trade policies. In view of its mandate, in Sept 2018 Nigeria called for nation-wide inputs for a "21st Century Trade Policy for Nigeria - A welfare and Prosperity Agenda for that Works for All"

Trade Remedy Mechanism (TRM)

- Establishing a Trade Remedy Mechanism (TRM) in accordance with mandate of the NOTN and the African Continental Free Trade Agreement (AfCFTA) consultations and sensitization exercise. A TRM has been approved by the Economic Management Team and is embedded in the Executive Order and awaiting President Buhari's approval

African Continental Free Trade Agreement

- Signing of the Agreement establishing the African Continental Free Trade Area (AfCFTA) was completed in March 2018 and a consultation exercise was completed for stakeholders in the 6-geopolitical zones of Nigeria
- This has led to the emergence of a well-structured consultative mechanism with stakeholders, establishment of a Technical Working Group (TWG) on goods market access and Nigerian Coalition of Services Industry (working on Nigeria/ECOWAS services schedule)

Implementation of the WTO Trade Facilitation Agreement

- In 2017, Nigeria ratified the WTO Trade Facilitation Agreement (TFA). Nigeria believes that the implementation of the WTO TFA will reduce trade cost, improve competitiveness and integrate Nigeria into global value chains
- In October 2017, Nigeria launched the "National Trade Facilitation Road map: 2018-2022", providing guidance and direction to trade facilitation across the country as well as boost the Ease of Doing Business (EoDB) in Nigeria

Nigerian Industrial Revolution Plan (NIRP)

- In 2014, Nigeria launched a comprehensive Industrial Revolution Plan (NIRP) to accelerate investments in strategic sectors of the economy and increase industry sector contribution to GDP, create employment, increase domestic production and assist in enhancing areas Nigeria has comparative advantage
- The Plan is being implemented through Private Public Partnerships (PPP) to build sectors with specific value chains and action has been accelerated on Nigeria's SEZs

Trade Incentives

- Pioneer Status has now been reformed and applications can now be processed
- Export Expansion Grant – approved by the FEC and now boosting non-oil exports
- Sector Specific Interventions in tomato, starch, sugar, textile, leather and garments

Source: Ministry of Finance, Ministry of Budget and National Planning, Ministry of Industry, Trade and Investment.



Investment Incentives and Reforms in Nigeria

Compendium of Investment Incentives



- ▶ Compilation of fiscal incentives in Nigerian tax laws and duly approved sector-specific incentives
- ▶ First step in understanding impact of incentives in achieving Government's economic objectives and considering incentive reforms

- ▶ 6 principal sections
 - ▷ Investment policies and protections
 - ▷ General tax-based incentives
 - ▷ Sector-specific incentives
 - ▷ Tariff-based incentives
 - ▷ Export incentives
 - ▷ Special Economic Zones

Investor Protections in the NIPC Act

Ownership

- Nigerians and foreigners can invest in any sector, except for those on the negative list
- No restriction on foreign percentage ownership

Guarantees

- Government will not nationalize or expropriate any enterprise
- Right of access to courts and fair and adequate compensation if acquisition is in national interest/for public purpose
- No restriction on repatriation by foreigners of investment returns or sale proceeds through an authorized dealer

Dispute Resolution

- Amicable resolution by mutual discussion or arbitration of investor/government disputes
- Provisions of any Bilateral Treaty with the investor's country will apply
- Right of recourse to international arbitration under ICSID* Rules

Source: Ministry of Industry, Trade and Investment.

*ICSID = International Centre for Settlement of Investment Disputes





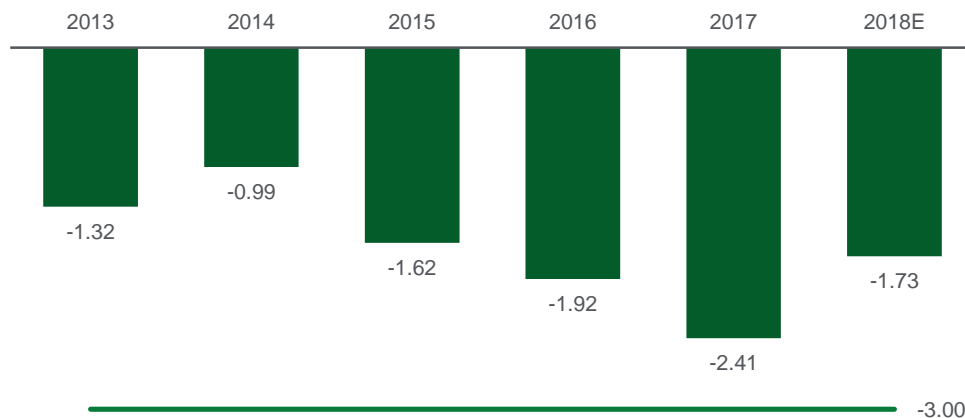
4. Fiscal Performance, Reforms and Debt Management

Mrs. Zainab S. Ahmed, Hon. Minister of Finance

Fiscal Discipline and Ongoing Initiatives to Improve Revenues

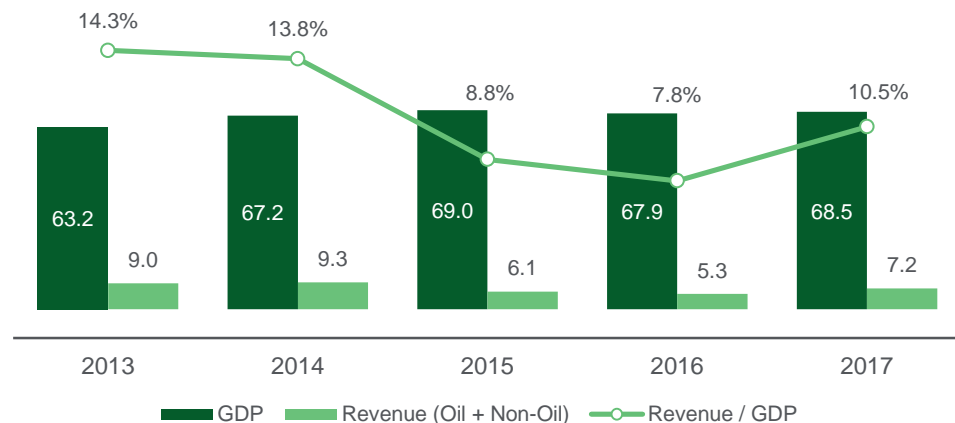
Prudent Fiscal Policy Holds Budget Deficit Below 3% of GDP

Budget Deficit as % of GDP



Reforms Supporting Increased Revenue Generation

₦ Bn, % of GDP



Efficiencies

- **Treasury Single Account** implementation
- **Integrated Payroll Personnel System (IPPIS)** implemented across MDAs to enhance efficiency and eliminate unjustified payroll entries
- Establishment of **Efficiency Unit** to cut costs and block leakages

Financial Sustainability

- Adoption of a 22-point **Fiscal Sustainability Plan** with the States as one of the measures to tackle the 2015-2016 fiscal crisis at the sub-national level following the decline in revenue
- Presidential Initiative on **Continuous Audit**
- **Tighter performance management** framework for SOEs

Improving Non-Oil Revenues

- Improving **Value Added Tax (VAT)** collection – 85% allocated to state and local governments
- Introduction of a Policy on **Tax on select luxury items**
- Increase in **Excise Taxes** on alcohol and tobacco
- Reforms of pioneer tax incentive regimes

Improving Tax Revenues

- **Broaden tax base** and improve revenues (Federal and State Governments)
- Resulted in the number of **taxpayers rising from 13 million to 19 million**
- **Time-limited opportunity** for tax payers to regularise tax status (VAIDS)

Sources: Ministry of Finance, Budget Office of the Federation, Ministry of Budget and National Planning.



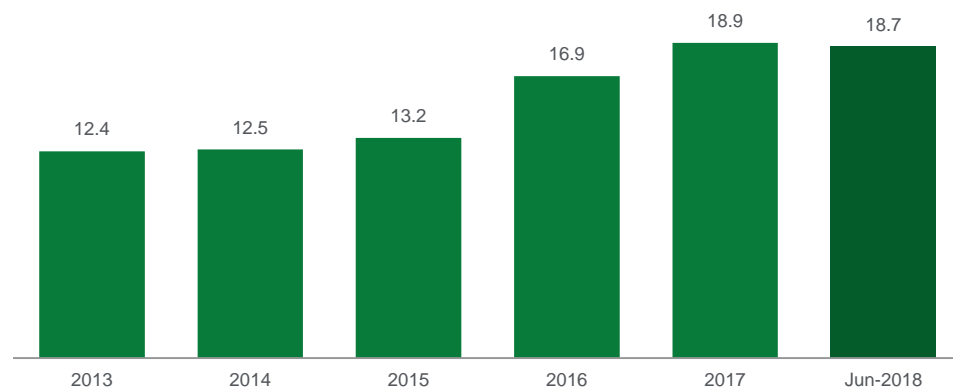
Nigeria's Debt Management Strategy



Government Debt Remains Low and Maturities Extending

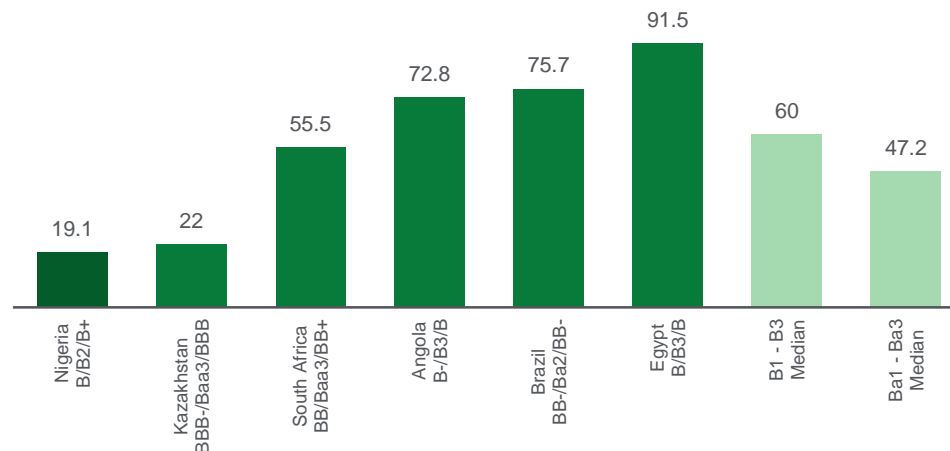
Prudent Maintenance of Debt at Sustainable Levels...

General Government Debt / GDP (%)



...And One of the Lowest Debt Levels among African Peers

2018F General Government Debt / GDP (%)



- Debts are serviced as and when due and there are no defaults
- Debt Sustainability Analysis conducted annually to reaffirm that Public Debt Stock is sustainable
- US\$500 million Eurobond redeemed in July 2018
- ₦836.93 Billion Nigerian Treasury Bills redeemed between December 2017 and June 2018
- Reduction in domestic borrowing rates: from 18.5% in January 2017 to between 10 – 14% for FGN Bonds and NTBs in 2018

New Initiatives in Debt Management

- Diversification of borrowing instruments: Sukuk, Green Bonds and Diaspora Bonds
- Closer co-ordination with monetary authorities

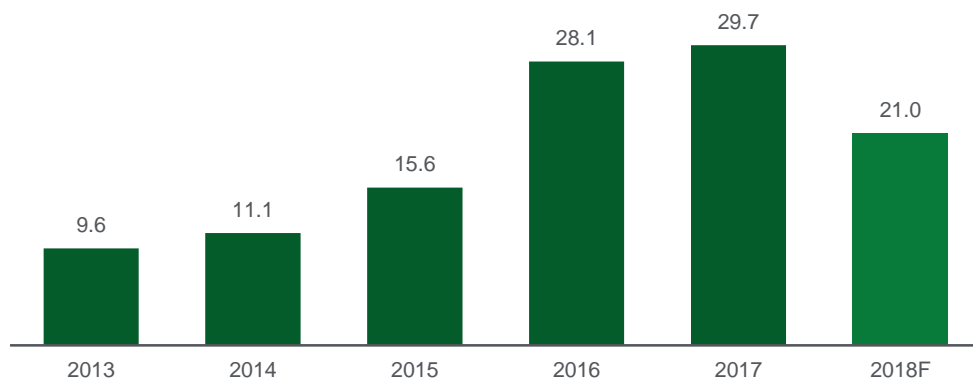
Sources: Moody's Statistical Handbook May 2018, Debt Management Office.



Achieving an Optimal Debt Balance

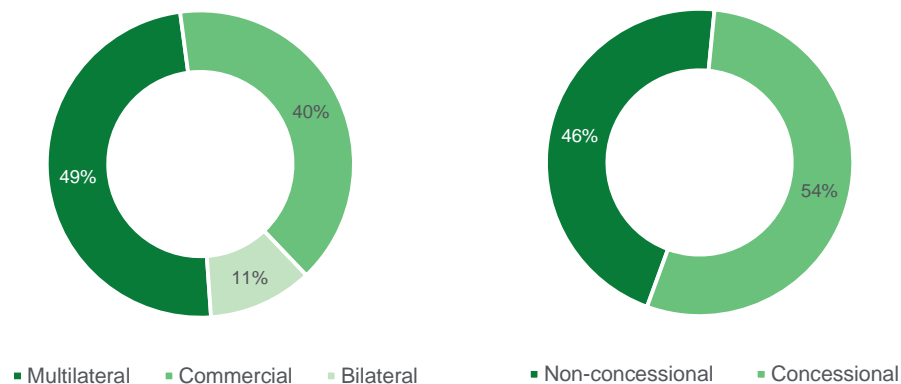
Debt Servicing Costs have Increased and are Being Managed Down

Interest Cost / Revenue %



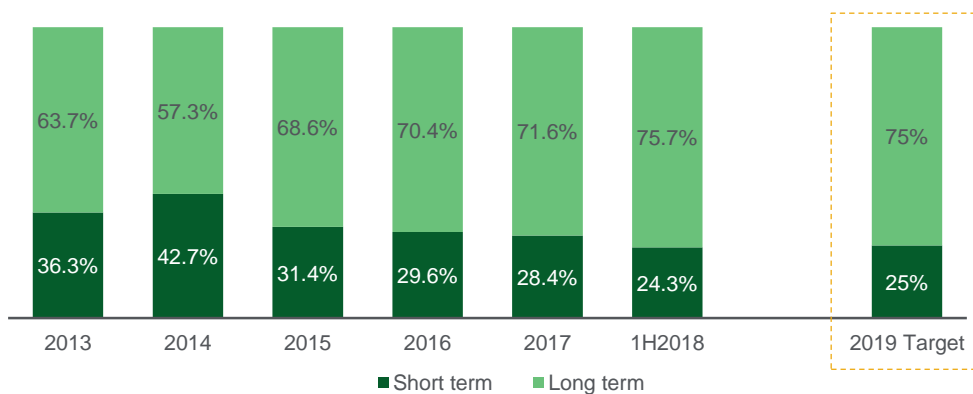
External Debt Is Primarily Concessional Borrowing

% of Total External Debt, 1H2018



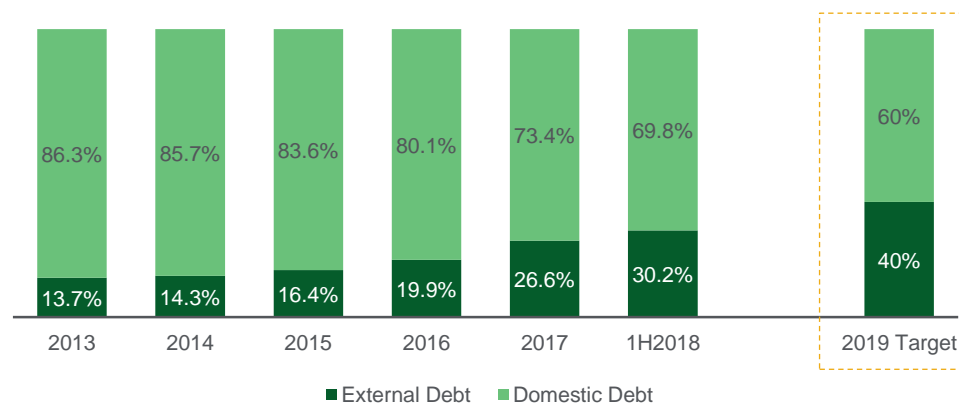
On Track to Shift Domestic Debt Portfolio to Long Term Maturities

% of Total Domestic Federal Government Debt



Rebalancing to Optimal External/Domestic Debt Mix

% of Total Federal Government Debt



Sources: Moody's Statistical Handbook May 2018, Debt Management Office, Debt Management Strategy.





5. Monetary and Banking Updates

Mr. Godwin Emefiele, Governor of the Central Bank of Nigeria

Broad-based Monetary Policy Measures Bolstering Economic Recovery

Monetary Policy

- Monetary Policy Rate (MPR) kept steady at 14%, cash reserves requirement (CRR) and liquidity ratio (LR) retained at 22.5% and 30%, respectively
- Given Nigeria's strong trade relationship with China, in April 2018 the CBN signed a \$2.5 Bilateral Currency Swap Agreement (BCSA) with the People's Bank of China (PBOC) to promote trade between the two countries
- Achieving stable and sustainable non-inflationary growth remains one of the primary objectives. Inflation moderated to 11.23% in August 2018

Developments in the Foreign Exchange Market

- Measures taken to boost market liquidity and ease demand pressure; Introduction of the Investors and Exporters (I&E) FX Window, which has increased market transparency and helped in stabilizing the NGN/USD exchange rate
- Transactions at the I&E window stood at close to \$22bn in 2017, with the increased inflow of USD helping to narrow the gap between the official and parallel NGN rates

Financial Sector Reforms

- Implemented various initiatives to sustain the safety, soundness and stability of banking institutions
- Introduced the Real Sector Support Facility (RSSF) to consolidate and sustain the nation's economy
- Adoption of IFRS 9 by Nigerian banks effective 1 January 2018

External Reserves Management

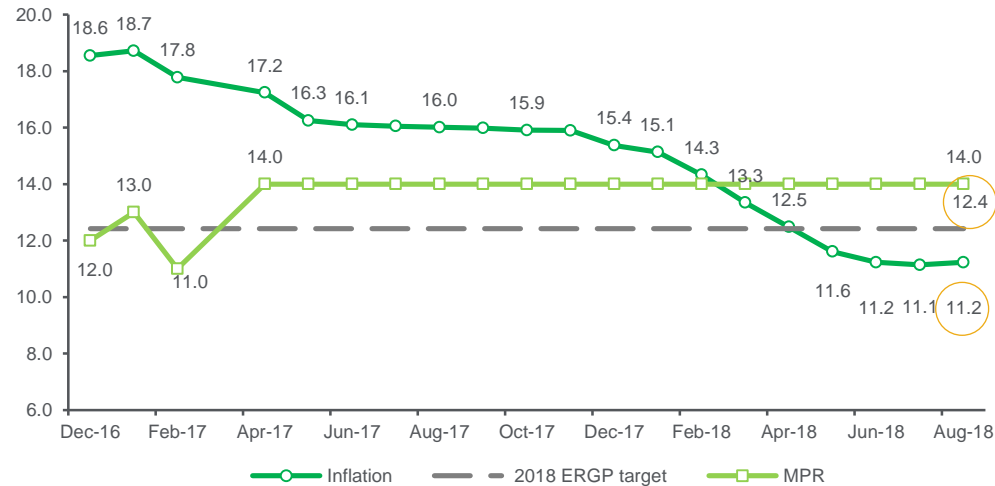
- Rebuilt foreign exchange reserves stand at US\$44.9 billion as of 20 Sept 2018, an increase of US\$11.7 billion or 35.4% y-o-y
- This development, largely due, to increase in oil-related revenues, TSA and third party receipts, security lending cash collateral, and Eurobond proceeds



CBN: Focused and Forward-looking Monetary Policy

Significant Progress on Inflation

%



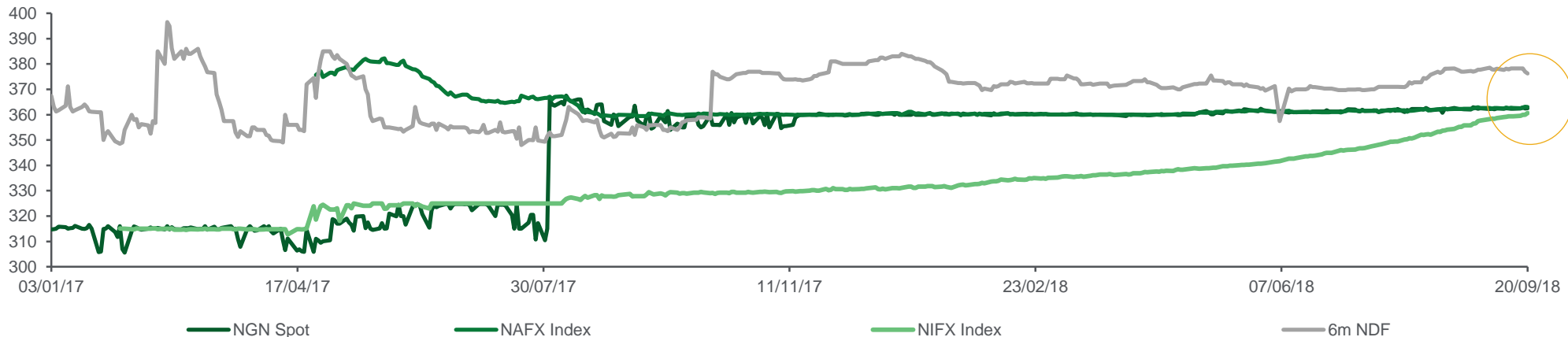
Stabilisation Continues with Reserves Recovering

Foreign Exchange Reserves*, US\$ Bn



FX Market Trends Show Stability and Convergence Between the Interbank Rate (NIFEX) and NAFEX over the Past 12 Months

USD/NGN



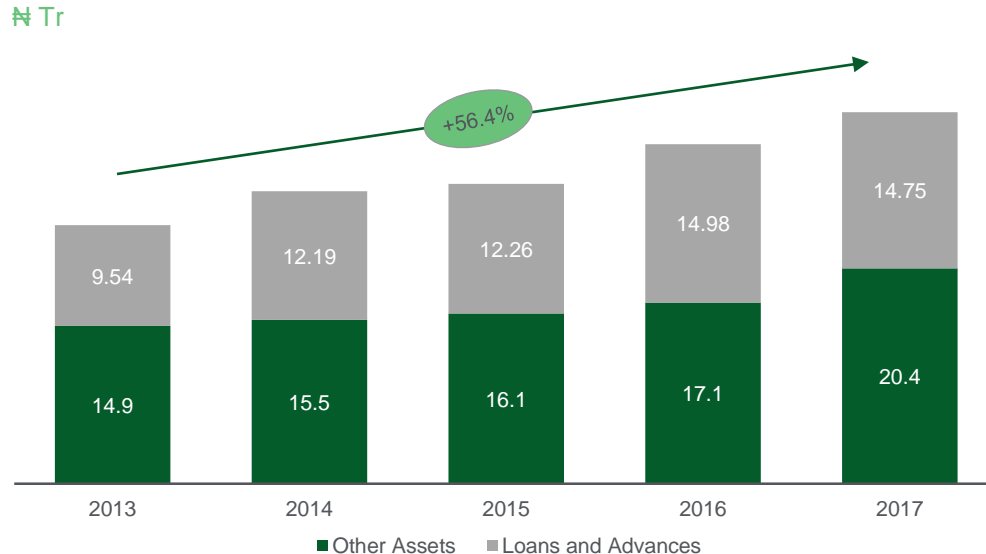
Sources: Bloomberg, CBN.

*August and September 2018 foreign reserves are 30 day moving averages as of 31 August and 20 September 2018, respectively

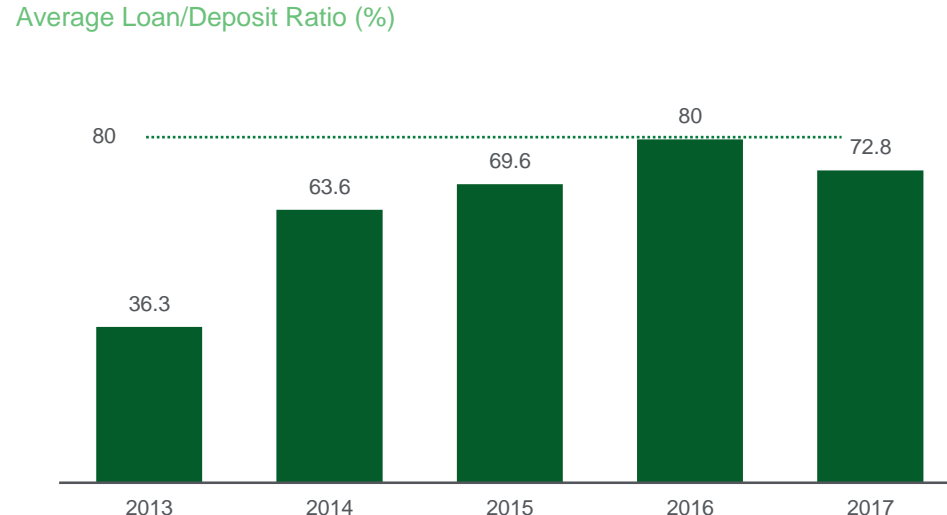


Reforms Support Stability and Growth in the Banking Sector

Bank Lending is Recovering, Boosting Lending to the Real Economy...



...With Banks Maintaining Loans/Deposit Ratios Below Parameters



Banking Sector Overview and Recent Developments

- There are 27 banks operating in Nigeria, a figure that has remained fairly stable since a 2004 wave of consolidation reduced the number from 89 to 25
 - Total assets of deposit money banks increased by 43.6 per cent. from ₦24.5 trillion in 2013 to ₦35.1 trillion in 2017, attributed to the increases in reserves, aggregated credit and loans and advances
- Several measures have been undertaken to contain risks to financial stability and strengthen banking sector resilience, including increased provisioning, strict limits on net FX positions, and prohibition of dividend payments by banks with low Capital Adequacy Ratio.
- On 21 Sept. 2018, the Bank revoked the license of Skye Bank to ensure stability in light of urgent need of recapitalization
- The Bank deployed the Credit Assessment Analysis System, intensified the monitoring of the implementation of Basel II/III standards and continued to subject domestic systemically-important banks to enhanced regulation to strengthen its supervisory and surveillance activities.
- The Central Bank has also been taking steps to integrate global best practices in financial reporting and disclosure with the implementation of IFRS 9. The Bank undertook an impact assessment of banks' total provisions and capital showed that capital adequacy was moderated by the huge regulatory risk reserve balances of the banks

Source: CBN.



Supervision and Regulation of Banks – Sanctions Update

On August 30th 2018, four commercial banks were sanctioned by the Central Bank of Nigeria (CBN) for illegal capital repatriation, on behalf of MTN Nigeria.

Background

- The sanctions on the banks arose due to irregularities with respect to repatriations made on behalf of some offshore investors of MTN Nigeria Communications Limited

Laws and regulations

- The banks were fined for violation of extant laws and regulations of the Federal Republic of Nigeria, including the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act, 1995, and the Foreign Exchange Manual, 2006



Current

- The Banks and MTN are engaging with the CBN and have provided additional information which is currently being reviewed with a view to arriving at an equitable solution

Nigeria Remains' Open



Nigeria will continue to welcome foreign investments and all investors



No retroactive application of foreign exchange rules and regulations



Enormous investment opportunities still in Nigeria



Thank You