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## Doing business with Nigeria

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**Nigeria** is just beyond the scope of many **Australian exporters**, but with a little foreknowledge and an understanding of where the country is heading, this **Africannation** could be very lucrative indeed. To an average Australian, Nigeria brings forth mixed thoughts and feelings. To some, Nigeria is viewed with reservations, but to many; Nigeria represents the largest market and fastest developing economy in Africa. Historically, Nigeria is not in the bracket of Australia's traditional trading partners; as such, the trade volume between the two resource-rich countries remains low. Having said that, globalisation and information technology have practically made it possible for organisations and entrepreneurs to do business anywhere in the world where there are viable opportunities. Nigeria has many such investment opportunities for Australians to explore. Moreover, Australian businesses stand to do better in Nigeria than most Asian and Middle East investors because both countries have English as official language, belong to the Commonwealth, are governed by democratically elected leaders, and share the same values of human rights and rule of law under the British judicial system. Recent economic reform initiatives have opened Government-backed business opportunities in agribusiness, telecommunications and ICT, energy generation and distribution, oil and gas exploration, construction and infrastructure development among others. For example, in 2001, only 150,000 Nigerians were connected to mobile phones; today, more than 70 million Nigerians are active mobile phones subscribers courtesy of the rapid flow of foreign direct investment. With a population of more than 150 million people, Nigeria stands as an investor's delight in Africa.

### New exporters

Nigeria's economy is currently experiencing the resurgence in the middle class as a result of strong economic activities in the oil and gas, telecommunications, entertainment and commerce sectors. Nigerians in this economic bracket indulge in acquiring luxuries such as furnished new homes, brand new cars, designer labels, electronic gadgets, and choice wines. These acquisitions are considered necessary to announce the change of social and economic status. The growing appetite for luxury goods in Nigeria provides viable opportunities for Australian businesses to enter the supply chain or develop shopping malls in partnership with state governments or local companies. According to the latest 10-year forecast from Global Construction Perspectives and Oxford Economics, China will overtake the US as the world's biggest construction market by 2018, and the fastest growth will happen in Nigeria. The forecast is already coming true with the Federal and State governments' new policy of developing the nation's infrastructure through public private partnerships (PPP). The new PPP initiatives have resulted in the concession of airports, roads, bridges and public buildings. Australians can be part of this new approach for infrastructure development in Nigeria.

### Existing exporters

Nigeria's primary economic strength comes from the export of natural resources. Despite huge deposits of oil and gas in the country, steady supply of electricity remains a major source of worry and burden to every Nigerian and business in the country. Nigeria's unreliable power situation offers Australians great opportunities in energy generation, distribution, consultancy and equipment supply. Australians are guaranteed opportunities because of the Nigerian Government's vision 2020 target to generate 60,000MW electricity from less than 7,000MW obtainable today. Visiting Nigeria in December 2009, I observed that Nigeria's Federal Government is truly working hard to improve the power situation in the country with a flurry of activities taking place in the power sector. My advice for intending Australian investors is to ensure they partner with either the Federal or State Government in a PPP for any power project as a sure berth into the market. In the 1960s, Nigeria experienced a massive economic boom because its economy was based on agribusiness, coupled with high global demand for oil. The present Nigerian Government has thus launched major economic reform initiatives that are expected to switch the country from oil and gas dependence to an agribusiness and technology-driven economy. Australians can explore the Nigerian Government's 40:30:30 co-financing formula for the agribusiness sector. This unprecedented system enables foreign investors to come up with the initial 40 percent of take-off capital, while the Government brings 30 percent to the table and guarantees a local bank loan for the remaining 30 percent. It is a win-win outcome for both investor and Nigeria. The Federal Government of Nigeria provided more than US\$8 billion in early 2009 as low interest loans to local farmers and foreign investors who intend to start commercial farming and processing of produce in the country. Australians with an interest in agribusiness could seek partnership with Nigerian state governments.

### Advanced exporters

Nigeria's accelerated growth as the largest telecommunications market in Africa in less than a decade offers a wide range of opportunities for Australian firms in areas such as repair and maintenance of telecommunication facilities, alternative energy for cellular sites/services, mobile content development and recharge card solutions among many more. In the ICT sector, Australian companies are well positioned to take advantage of opportunities made possible by two recently arrived fibre optic cables. The intercontinental cables have started a new wave of increased PC and internet penetration, and there are rapidly growing demands for telecommunication training and certification, including education for other software and IT services. Australian technology companies will find a number of opportunities to pursue in Nigeria. There are no restrictions on foreign nationals or foreign entities doing business in Nigeria, however, interested Australians must incorporate a local vehicle before commencing business. Companies are set up through, and regulated by, the Corporate Affairs Commission. Australians can also take advantage of added incentives, such as a three-year tax holiday, for business sectors in the list of pioneer industries in Nigeria. There are also a number of other attractive incentives in Free Trade Zones across Nigeria. The Nigerian government ensures that foreign investors claim their due incentives through the proactive and professional services of Nigeria Investment Promotion Commission (NIPC). Being that Nigeria is a relatively new investment destination for Australians, the key to starting business in Nigeria is finding a reliable and effective local partner. Dealing with a reputable local partner could make a whole lot of difference, because government agencies and businesses in Nigeria prefer to deal with people they know are reliable.

### Barriers

Nigeria has a reputational disadvantage, and it is impractical for the government to focus on constantly rebuffing these negative perceptions. Australians should find the time to identify the difference between reality and the myths about doing business in Nigeria. Other key obstacles Australians could face in doing business in Nigeria include a lack of credible information about the country, limited representation of Australian Government international trade resources, and overcoming the initial effects of international perceptions associated with Nigeria. In Nigeria, there's no shortage of potential commercial partners. However, some companies may advertise themselves as potential partners in a particular business sector without the necessary credentials to support their claim. It takes time and resources to verify the claims made by would-be business partners but in the end, a reliable partner could be the difference between business success and failure. Another barrier to doing business in Nigeria is poor infrastructure and inadequate supply of utilities such as power and water. These challenges are expected in most developing countries, but Nigeria's case is special because the country's infrastructure challenges are not as a result of poverty but a product of mismanagement of proceeds from vast natural resources by past governments. An officer at NIPC, Eric Ani, informed me during my recent trip that "all the utilities and infrastructure challenges in Nigeria are investment opportunities". Despite these challenges, foreign investors on the ground in Nigeria have since realised that international perception is not necessarily reality. Better prospects for return on investment matter more than myths about a country.

### The future

In a recent report, The World Bank confirmed Nigeria as the number one destination for foreign direct investment in Africa with 29.4 percent, followed by South Africa with 18.2 percent. The statistics indicate that foreign investors' confidence in Nigeria as prime investment destination in Africa is growing by the day. Australians that are still hesitant about business potential in Nigeria can draw insights from the fact that more foreign investors are entering Nigeria from both developed and developing countries. The telecommunication companies that pioneered investments in that sector in Nigeria declared unparalleled return on investment within 18 months. Australian firms with expertise in power generation and distribution can copy the telecommunication experience and join the new generation of investors that are expected to deliver uninterrupted power supply in Nigeria in few years from now. Instead of businesses budgeting money year after year to promote products and services in saturated markets, it would make more economic sense to explore largely under-exploited markets such as Nigeria. Australian businesses, entrepreneurs and innovators can test their products and services acceptability in Nigeria through major international exhibitions such as the Lagos International Trade Fair and Industry exhibitions. The reality of more than 150 million domestic consumers makes Nigeria the place to be in Africa. If non-English speaking investors could succeed in Nigeria with interpreters, Australians that share same British heritage as Nigeria can do better if they give the opportunities a fair go. -*Frank Aneke is the principal of OctoberFirst Consulting ([www.octoberfirst.com.au](http://www.octoberfirst.com.au)) an investment communication firm specialising in business opportunities in Africa. As an international business expert, he is known for his zeal for facilitating business and investment relationships between Asia-Pacific nations and emerging African countries. OctoberFirst is a member of the NSW Business Chamber.*

## Nigeria: A business entry guide

- Verify potential business partners through official channels or people you know.
- Never pay bribes.
- Be patient. Establishing long-term relationships and mutual trust is the key to success in Nigeria.
- Avoid interstate road travel if possible. There are internal air travel routes in Nigeria.
- Be aware of religious sensitivities, particularly in the north.
- Go to Nigeria and meet your partners. Don't expect success without making the effort to establish proper relationships.
- Start small, gain confidence and then build up slowly.

## Trade links

**Australian High Commission:** [www.nigeria.embassy.gov.au](http://www.nigeria.embassy.gov.au) **DFAT Nigeria profile:** [www.dfat.gov.au/geo/nigeria](http://www.dfat.gov.au/geo/nigeria) **Economic and Financial Crimes Commission:** [www.efccnigeria.org](http://www.efccnigeria.org) **Nigeria High Commission:** [www.nigeria-can.org.au](http://www.nigeria-can.org.au) **Nigerian Investment Promotion Commission:** [www.nipc.gov.ng](http://www.nipc.gov.ng) **Corporate Affairs Commission:** [www.cacnigeria.org](http://www.cacnigeria.org)

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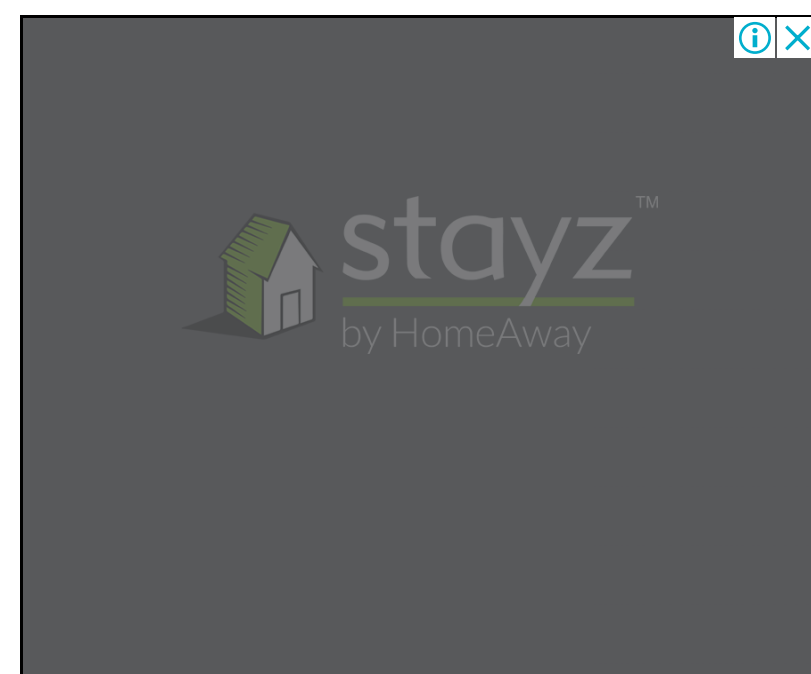
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