

# Nigeria Insights

Update by Webber Wentzel and Aluko & Oyebo



## Broadening our horizons in a more diversified Nigeria

Africa continues to work on breaking down inter-continental trade barriers, boosting intra-regional trade and attracting much-needed foreign direct investment. These steps are vital to enhancing growth and ensuring the much-needed socio-economic change across the continent. As a result of these ongoing efforts, both large and small economies are now looking to the future with renewed vigour.

As nations seek to boost their economies, investors and businesses are looking to benefit from the increasingly business-friendly environments being created as a result of these orchestrated endeavours.

A notable example of an economy open for business is Nigeria, Africa's biggest economy. It is a nation that is fully focused on growing its economy. After years spent in deep recession, Nigeria is now starting to see some upward movement in its GDP numbers. Such positive economic indicators offer good opportunities for investors. Seeing the potential in Nigeria some time ago, Webber Wentzel has enjoyed a long term relationship with Nigeria's leading law firm Aluko & Oyebo. Partner at the firm, Olunmi Fayokun, recently visited South Africa to address a number of Webber Wentzel partners and associates about Nigeria, its economy and the opportunities presenting themselves for clients. Below is a brief summary of this engagement.

### WHY NIGERIA?

Nigeria is home to almost 200 million people and has an estimated GDP of US\$379.1 billion and expected growth of around 0.8% (a 2017 estimate). Its large population, coupled with the fact that the economy is emerging from a deep recession, makes Nigeria a country that cannot be ignored on the African and, indeed, the global stage.

Given Nigeria's intent to not only grow its economy but also to diversify it, we believe now is the time to ensure that investors seize the opportunities Nigeria's growth is undoubtedly going to offer the continent. We believe our long-term relationship with Aluko & Oyebo puts Webber Wentzel in an enviable position to offer our clients the best legal services in South Africa and Nigeria.

The recent recession has highlighted the perils of relying purely on an oil and gas economy. As such Nigeria is looking to diversify with a view to becoming a much more balanced and well-rounded economy, which will present

several opportunities to investors and businesses looking to enter the Nigerian market. In order to court these investors, the country is working to increase its attractiveness to both local and foreign firms. Fayokun explained that Nigeria moved up 24 places in the World Bank's Ease of Doing Business index in 2017.

This, Fayokun said, was due to a number of policy changes that have been adopted by the Nigerian government to encourage the increased development of the country's small and medium sized enterprises (SMEs), and protect investor capital. She mentioned two laws in particular that will have a significant impact:

- The **Credit Reporting Act 2017**, which provides for the sharing of credit information between credit bureaus and creditors.
- The **Secured Transactions in Movable Assets Act 2017**, which creates a quicker and cheaper regime for the creation and perfection of security interests in movable assets.

The Nigerian government has also made improvements in dealing with the movement of both people and goods in and out of the country. Fayokun listed the following three changes as significant when it comes to doing business with Nigeria:

- The ease of entry and exit of people.
- The ease of entry and exit of goods.
- Greater transparency, especially the improved transparency in fees and procedures through the Ministries, Departments and Agencies (MDA) websites.

Diversification of the economy, together with a more business-friendly environment is expected to stimulate a number of sectors within Nigeria. Growth in these sectors presents areas of opportunity for investors and businesses, and Fayokun believes that leading law firms such as Webber Wentzel and Aluko & Oyebo will be able to offer invaluable services to clients in the future. The opportunities, she said, lie not only in law firms working on behalf of clients who are looking to do business in Nigeria, although there is a great deal of scope in this area; law firms also have the power to advise and drive policy changes that will help the Nigerian government create a more business-friendly environment for both local and international investors.

## SECTOR OPPORTUNITIES

During a discussion held at Webber Wentzel's Sandton head office, Fayokun discussed some of the more important emerging sectors and what business opportunities she saw them offering within Nigeria:

- **Construction and infrastructure** concerns are placing increased emphasis on public-private partnerships for the construction of roads, railways, hospitals, schools and other educational facilities. The Nigerian government is looking to spend US\$3.1 trillion over the next 30 years to fund infrastructure.
- **Power and mining** are major focus areas for the government, which is working towards revamping the extant mining laws and is currently looking to Australia for guidance in this respect. In terms of the power sector, Nigeria is intent on having a greater focus on renewables.
- **The oil and gas sector** is looking to revitalise its legal, policy, governance and regulatory frameworks. There is also a concerted effort to introduce greater local participation into the sector. Procuring prompt advice on new laws will provide our clients with an upfront advantage if they are looking to operate within the Nigerian economy.
- **The Banking and finance** sector was hard hit during the recession as several banks were heavily exposed to operators in the oil and gas sector that defaulted on loan repayments due to the global decline in oil prices. Banks have, however, seen some of the biggest gains on The Nigerian Stock Exchange over the last few years following the increase in oil prices. The country, and its well-established banking sector, has attracted a number of South African banks to invest in Nigeria.

- **The insurance sector** is also gaining traction in Nigeria with its growing middle class. There is a lot of activity in this space, said Fayokun. South African firm Sanlam has already made the move into Nigeria.
- **Financial technology**, or fintech, is seeing an upsurge in Nigeria. Although Fayokun did not believe that this emerging sector would disrupt the banking sector just yet, she noted that banks are partnering with fintech companies to create digital banking solutions. She noted that fintech has become a key focus area for Aluko & Oyeboode.

Although there are several positives to boost investor confidence, and Nigeria is certainly showing an encouraging face to the world, Fayokun emphasised the fact that it was important to take cognizance of the challenges associated with operating a business in Nigeria. She spoke about the anxiety about the 2019 general elections and how some investors are adopting a wait-and-see attitude, while others are adopting a more bullish approach to investing in Nigeria. Public sector debt is quite high and, although the government is looking to raise money through a Eurobond before the end of 2018, the economy remains vulnerable due to its reliance on oil. Although the infrastructure deficit presents an opportunity for investors, it significantly impedes development and the erratic power supply in the country remains a major hindrance to growth.

In spite of these challenges, as the likes of Nigeria and other African countries continue to open up their economies and rethink their strategies, the traditional barriers to investment will continue to fall away. Amidst this realignment, firms like Webber Wentzel working with their partner firms across the region will be well positioned to help their clients strategically as they venture into neighbouring regional economies.

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