

Nigeria

RISK & COMPLIANCE REPORT

DATE: December 2018

Executive Summary

Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	<p>Compliance with FATF 40 + 9 Recommendations</p> <p>US Dept of State Money Laundering assessment</p> <p>Not on EU White list equivalent jurisdictions</p> <p>Corruption Index (Transparency International & W.G.I.)</p> <p>World Governance Indicators (Average Score)</p> <p>Failed States Index (Political Issues)(Average Score)</p>
Medium Risk Areas:	Weakness in Government Legislation to combat Money Laundering
<p>Major Investment Areas:</p> <p>Agriculture - products:</p> <p>cocoa, peanuts, cotton, palm oil, corn, rice, sorghum, millet, cassava (tapioca), yams, rubber; cattle, sheep, goats, pigs; timber; fish</p> <p>Industries:</p> <p>crude oil, coal, tin, columbite; rubber products, wood; hides and skins, textiles, cement and other construction materials, food products, footwear, chemicals, fertilizer, printing, ceramics, steel</p> <p>Exports - commodities:</p> <p>petroleum and petroleum products 95%, cocoa, rubber</p> <p>Exports - partners:</p> <p>US 16.8%, India 12.1%, Netherlands 8.6%, Spain 7.8%, Brazil 7.6%, UK 5.1%, Germany 4.9%, Japan 4.1%, France 4.1% (2012)</p> <p>Imports - commodities:</p> <p>machinery, chemicals, transport equipment, manufactured goods, food and live animals</p> <p>Imports - partners:</p> <p>China 18.2%, US 10%, India 5.5% (2012)</p>	

Investment Restrictions:

The Nigerian Investment Promotion Commission (NIPC) Decree of 1995 allows 100 percent foreign ownership of firms outside the oil and gas sector, where investment stays limited to joint ventures or production-sharing agreements. Laws restrict industries to domestic investors if they are considered crucial to national security, such as firearms, ammunition, and military and paramilitary apparel. Foreign investors must register with the NIPC after incorporation under the Companies and Allied Matters Decree of 1990. The decree prohibits the nationalization or expropriation of foreign enterprises except in cases of national interest.

Nigeria's trade regime remains highly-protectionist and distorting, with a national Agricultural Transformation Action Plan that relies on restrictive import tariffs and outright import prohibitions to spur domestic agricultural sector growth by actively promoting import substitution of staples, including rice, cassava, palm oil, cocoa, and cotton.

The GON also specifically prohibits the importation of some goods, such as cement, and, effective 2013, refined sugar to foster domestic production. The GON enacted the Nigerian Content Act (NCA) in 2010 to support domestic production. The NCA requires oil and gas production and service companies to use local resources for the delivery of some goods and services currently sourced from outside the country.

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Section 1 - Background

British influence and control over what would become Nigeria and Africa's most populous country grew through the 19th century. A series of constitutions after World War II granted Nigeria greater autonomy; independence came in 1960. Following nearly 16 years of military rule, a new constitution was adopted in 1999, and a peaceful transition to civilian government was completed. The government continues to face the daunting task of reforming a petroleum-based economy, whose revenues have been squandered through corruption and mismanagement, and institutionalizing democracy. In addition, Nigeria continues to experience longstanding ethnic and religious tensions. Although both the 2003 and 2007 presidential elections were marred by significant irregularities and violence, Nigeria is currently experiencing its longest period of civilian rule since independence. The general elections of April 2007 marked the first civilian-to-civilian transfer of power in the country's history.



Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Nigeria is no longer on the FATF List of Countries that have been identified as having strategic AML deficiencies

Latest FATF Statement - 18 October 2013

The FATF welcomes Nigeria's significant progress in improving its AML/CFT regime and notes that Nigeria has established the legal and regulatory framework to meet its commitments in its Action Plan regarding the strategic deficiencies that the FATF had identified in February 2010. Nigeria is therefore no longer subject to FATF's monitoring process under its on-going global AML/CFT compliance process. Nigeria will work with GIABA as it continues to address the full range of AML/CFT issues identified in its Mutual Evaluation Report.

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Nigeria was undertaken by the Financial Action Task Force (FATF) in 2007. According to that Evaluation, Nigeria was deemed Compliant for 2 and Largely Compliant for 7 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 5 of the 6 Core Recommendations.

Fifth follow-up report of Nigeria

Nigeria has made significant progress in addressing the deficiencies identified in its AML/CFT regime. Specifically, it enacted the Money Laundering (Prohibition) (amendment) Act 2012 and the Terrorism (Prevention) (amendment) Act 2013. It also passed the Terrorism Prevention (Freezing of International Terrorist Funds and Other Related Measures) Regulations 2011. This legal framework is aimed at providing a good platform for a coordinated approach to the implementation of AML/CFT measures in the country, assisting key stakeholders to understand their respective roles in the fight against ML/FT, and designating a central authority to issue further regulations for effective implementation of AML/CFT measures. The Acts addressed the remaining technical issues pertaining to Recommendation 5 on CDD: criminalization of terrorist financing, including the financing of a terrorist organization and an individual terrorist; use of funds; the intentional element of the terrorist financing offence; jurisdictional matters; ancillary offences; the predicate offences of money laundering; liability of legal persons; and sanctions.

Nigeria provided statistics on STRs, CTRs, on-site examinations conducted by supervisory authorities, number of bureaux de change licensed by the Central Bank, and coverage of the informal sector by the Special Control Unit against Money Laundering (SCUML). It concluded cases and ongoing prosecutions relating to terrorism in order to show the effectiveness of its AML/CFT system (see Chapter Two). The remaining deficiencies in the country's AML/CFT include the lack of legislation on MLA and non-conviction-based assets recovery. Nigeria was encouraged to intensify efforts to address the remaining deficiencies. The country was maintained on Expedited Regular Follow-up and directed to submit its sixth follow-up report to the Plenary in the May 2014.

GIABA Annual Report 2013

Prevalence of Predicate Crimes

Nigeria is seen as the hub of all forms of transnational organized crime in West Africa. According to the 2013 INCSR report, 'Nigeria remains a major drug trans-shipment point and a significant centre for criminal financial activity'. The near-weekly interdictions and seizures of sizeable quantities of cocaine and heroin at the Murtala Mohammed International Airport in Lagos, and in the hinterlands of the country, give credence to this assertion. Late in December, law enforcement officials seized 6 metric tons of cocaine and marijuana in the northeastern state of Borno, which is also the hotbed of terrorism. In 2012, several local methamphetamine laboratories were seized by law enforcement. Nigeria is the 14th most frequently mentioned country of origin for cocaine, and 15th for heroin on seizures made outside the region, particularly in Europe.

Trafficking in persons is also prevalent in Nigeria as a source, transit and destination country. Within the country, women and children are used for domestic servitude and sex trafficking. Across the border, Nigerian women and girls are taken to other West and Central African countries, as well as to South Africa, where they are exploited for the same purposes. Nigerian trafficking are globally notorious for trafficking young girls to forced prostitution in Europe, particularly in Italy and Spain.

Other crimes listed in the INCSR include illegal oil bunkering, bribery and embezzlement, contraband smuggling, theft, bank robberies, bank fraud, real estate fraud, identity theft, and advance fee fraud. In its Country Report to GIABA, Nigeria listed drug trafficking, corruption, tax fraud, smuggling of precious stones and metals, and forgery as the most prevalent predicate crimes in 2013.

However, in the local printed press, oil theft, kidnapping and hostage-taking, bank fraud, bank robbery, and car theft constantly make headlines, in addition to the others listed above. According to the Minister of Finance, oil theft could cost Nigeria up to US\$12 billion in 2013 alone. These crimes generate huge illicit financial proceeds for criminals, who launder them through various methods. According to the INCSR report, criminals and terrorist organizations take advantage of the country's location, porous borders, weak laws, corruption, inadequate law enforcement, and poor socio-economic conditions to launder the proceeds of crime.

ML methods in Nigeria include investment in real estate, wire transfers to offshore banks, political party financing (conduit contributions), bulk cash smuggling, deposits in foreign bank accounts, use of DNFBPs (professional services, such as lawyers, accountants and investment advisers), and reselling of goods imported at sub-market prices. Others are the use of microfinance channels, NPOs and investment in the stock market.

AML/CFT Situation

Nigeria is cognizant of the enormity of the ML/TF risks it faces, and has recently made significant progress towards fortifying its AML/CFT regime. The major improvements made by the country include the enactment of the Money Laundering (Prohibition) (Amendment) Act 2012 and the Terrorism (Prevention) (Amendment) Act 2013. In addition, Nigeria has issued the Terrorism Prevention (Freezing of International Terrorist Funds and Other Related Measures) Regulations 2011.

Nigeria has also addressed a deficiency relating to Recommendation 5 of the revised FATF Standards. This criminalizes terrorist financing, including the financing of a terrorist organization and an individual terrorist, and covers issues relating to terrorist funds, use of funds, intentional elements of the terrorist financing offence, location of the offender, ancillary offences, predicate offences of money laundering, liability of legal persons, and sanctions. In recognition of the progress it has recorded, Nigeria was removed from the FATF's monitoring process under its ongoing global AML/CFT compliance process in October 2013.

Nigeria FIU (NFIU) received 2,701,474 CTRs and 2,154 STRs in 2013, while the country secured 15 convictions in the year. Supervisory authorities conducted on-site examinations of a number of bureaux de change licensed by the Central Bank of Nigeria. The country has also recorded a number of convictions against terrorist suspects, with one case attracting life imprisonment. However, no specific cases of terrorist financing were reported.

In spite of this significant progress made by Nigeria, there are still major outstanding deficiencies such as the lack of full operational independence and autonomy, and comprehensive legislation on MLA and assets recovery is lacking. The NFIU is currently a department within the Economic and Financial Crimes Commission, which appears to have eclipsed the operational independence of the FIU. To address the operational autonomy issue, a bill to replace the existing NFIU with a new, autonomous FIU is currently being debated in the Parliament. But it should be noted that an FIU could be located within an existing structure of another authority that has distinct functions as long as the operational independence of the FIU is not compromised. The autonomy for the NFIU is an issue that Nigeria needs to address head-on as a matter of urgency.

Many cases of grand corruption involving politically exposed persons (PEPs), including serving parliamentarians, family members of governors and businessmen connected to senior government officials, were investigated and some prosecuted in 2013. Yet while investigation and prosecution of high-profile corruption cases are encouraging, there has been very little conviction over such cases. The lack of conviction, and consequently confiscation of assets, sends the signal that PEPs enjoy impunity for engaging in brazen looting of public funds. This is a critical weakness that has continued to undermine the effectiveness of the country's AML/CFT regime.

A few convictions were secured in the courts for terrorist acts, as some Boko Haram members were found guilty and jailed in the year. While this is a positive development for overall national security and development, the convictions did not involve the financing of terrorism. To date, the authorities in Nigeria have not been able to detect and disrupt the funding sources of Boko Haram in order to effectively impede its activities. Again, this is a major point of weakness in the country's AML/CFT system.

Conclusion

Nigeria is the engine of growth in West Africa and thus holds the promise of human development in the region. Given the size of the economy of Nigeria and its rapid growth, the security crisis in the northeast and the prevalence of grand corruption, the country is very vulnerable to ML/TF risks. Nonetheless, the country cannot allow its booming economy and financial system to be corrupted by financial crimes, ML/TF. So far, weaknesses in investigative and prosecutorial capacity as well as judicial corruption have blocked cases of financial crimes in the courts. As a matter of urgency, the Government of Nigeria should grant the operational autonomy of the NFIU and facilitate the removal of obstacles to effective administration of justice with regard to ML/TF cases in the country.

The significant progress made by Nigeria towards bolstering its AML/CFT system is noteworthy. GIABA will continue to work closely with the relevant Nigerian authorities to enable the country to continue with the implementation of acceptable international AML/CFT standards.

US Department of State Money Laundering assessment (INCSR)

Nigeria is categorised by the US State Department as a Country/Jurisdiction of Primary Concern in respect of Money Laundering and Financial Crimes.

OVERVIEW

Nigeria is a major drug trans-shipment point and a significant center for financial crime and cyber-crimes. Corrupt officials and businessmen, criminal and terrorist organizations, and internet fraudsters take advantage of the country's location, porous borders, weak laws, endemic corruption, inadequate law enforcement, and poor socioeconomic conditions to launder the proceeds of crime. Criminal proceeds laundered in Nigeria derive partly from foreign drug trafficking and other illegal activities, including illegal oil bunkering, bribery and embezzlement, contraband smuggling, theft, and financial crimes. There is growing evidence to suggest that cyber criminals are increasingly adopting digital currencies, such as bitcoin, to facilitate illicit money laundering. Public corruption is also a significant source of laundered criminal proceeds. International advance fee fraud, also known as "419 fraud" in reference to the fraud section in Nigeria's criminal code, remains a lucrative financial crime.

Nigeria should pass and implement legislation that ensures the operational autonomy of the Nigeria Financial Intelligence Unit (NFIU), promotes the efficient recovery of criminal proceeds, and provides for mutual legal assistance in accordance with international

standards. Nigeria should improve cooperation among the various law enforcement agencies that investigate financial crimes. Nigeria should also review its safe harbor provisions to ensure they are in line with international standards and consider developing a cadre of trained judges with dedicated areas of expertise to process financial crimes cases effectively. Finally, Nigeria should strengthen its Federal Ministry of Justice Central Authority Unit, which handles international cooperation in the areas of extradition and mutual legal assistance.

VULNERABILITIES AND EXPECTED TYPOLOGIES

Nigerian financial institutions appear conscientious in submitting CTRs to the relevant authorities. The high volume of those reports and the cash-based nature of the Nigerian economy make it difficult for the government to detect suspicious activity. Nigeria's oil industry, which generates up to 70 percent of government revenues, has long been caught up in corruption and mismanagement under successive governments. In 2016, President Buhari implemented several transparency measures, such as requiring all government entities, including the Nigerian National Petroleum Corporation, to remit nearly all revenues to a Treasury Single Account (TSA). The implementation and enforcement of the TSA and the Government Integrated Financial Management Information System are intended to make government revenue collection and expenditures more streamlined and transparent.

The Economic and Financial Crimes Commission (EFCC) is Nigeria's leading money laundering investigative agency. With little prosecutor involvement, EFCC investigators usually over-rely on conducting investigations by confession. The challenge of collecting admissible evidence in money laundering cases often requires a combination of cooperation between U.S. and Nigerian law enforcement agencies and the use of formal mechanisms for mutual legal assistance. The United States and Nigeria are parties to various multilateral conventions that contain mutual legal assistance provisions, as well as a bilateral MLAT.

KEY AML LAWS AND REGULATIONS

Nigeria is making slow progress in adopting legislation promoting AML laws and regulations. Nigeria has KYC rules and STR regulations. In Nigeria, legal persons are covered criminally and civilly. Nigerian law also provides for enhanced due diligence for both foreign and domestic PEPs.

At the July 2017 Plenary of the Egmont Group, the group decided to suspend the NFIU following repeated failures to address concerns regarding a lack of clear protocols for the protection of confidential information and over concerns of the NFIU's lack of operational independence from the EFCC. In part as a result, the Nigerian Senate passed a bill to establish the NFIU as an independent agency.

Nigeria is a member of the GIABA, a FATF-style regional body.

AML DEFICIENCIES

Financial institutions in Nigeria engage in currency transactions related to international narcotics trafficking that include significant amounts of U.S. currency. The proliferation of cryptocurrency exchanges in Nigeria and the campaign for investment schemes in digital currency pose challenges for the investigation and prosecution of money laundering crimes.

The NFIU's suspension from the Egmont Group significantly impairs the NFIU's ability to share information with foreign FIU counterparts. Nigeria is currently not subject to any U.S. or other international sanctions and penalties.

Several pieces of legislation continue to await approval, including some addressing FIU and asset recovery matters. In particular, there has been little movement on a draft mutual legal assistance bill, pending in the National Assembly since 2015.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

While Nigeria passed a bill to strengthen its AML regime in May 2017, it continues to struggle with the investigation and prosecution of money laundering. Over the past year, the EFCC aggressively investigated high-profile money laundering cases. However, EFCC conviction rates continue to be low due to gaps in the judicial system that cause cases to languish for long periods of time without resolution. Notably, in September 2017, Chief Justice of Nigeria Walter Onnoghen called for the creation of special courts dedicated to the timely adjudication of cases related to corruption and financial crimes.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Nigeria does not conform with regard to the following government legislation: -

Arrangements for Asset Sharing - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

Ability to freeze assets without delay - The government has an independent national system and mechanism for freezing terrorist assets in a timely manner (including but not limited to bank accounts, other financial assets, airplanes, autos, residences, and/or other property belonging to terrorists or terrorist organizations).

Disclosure Protection - "Safe Harbour" - By law, the jurisdiction provides a "safe harbour" defence to banks or other financial institutions and their employees who provide otherwise confidential banking data to authorities in pursuit of authorized investigations.

EU White list of Equivalent Jurisdictions

Nigeria is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

Failed States Index

[To view Failed States Index Ctrl + Click here](#)

Offshore Financial Centre

Nigeria is not considered to be an Offshore Financial Centre

Key Findings from other US State Department Reports:

Trafficking in Persons

Nigeria is classified a Tier 2 country - A country whose governments does not fully comply with the Trafficking Victims Protection Act's minimum standards, but are making significant efforts to bring themselves into compliance with those standards

Nigeria is a source, transit, and destination country for women and children subjected to forced labor and sex trafficking. Nigerian trafficking victims are recruited from rural and, to a lesser extent, urban areas: women and girls for domestic servitude and sex trafficking and boys for forced labor in street vending, domestic service, mining, stone quarrying, agriculture, textile manufacturing, and begging. Young boys in Koranic schools, commonly known as "Almajiri children," are subjected to forced begging. Nigerian women and children are taken from Nigeria to other West and Central African countries, as well as to South Africa, where they are exploited for the same purposes. Nigerian women and girls are subjected to sex trafficking throughout Europe. Nigerian women and children are also recruited and transported to destinations in North Africa, the Middle East, and Central Asia, where they are held captive in the commercial sex industry or forced labor. Women from other countries in West Africa transit Nigeria to destinations in Europe and the Middle East, where they are subjected to forced prostitution. Children from other West African countries are subjected to forced labor in Nigeria, including in granite and gold mines. Nigeria is a transit point for children from other countries in West Africa, who are then subjected to forced labor in Cameroon and Gabon. Various NGOs continued to report that children in internally displaced persons (IDP) camps in northeast Nigeria were victims of labor and sex trafficking.

During the reporting period, Boko Haram continued to forcibly recruit and use child soldiers as young as 12 years old and abduct women and girls in the northern region of Nigeria, some of whom it subjected to domestic servitude, forced labor, and sex slavery through forced marriages to its militants. NGOs and international observers also reported civilian vigilante groups, often identified as the Civilian Joint Taskforce (CJTF), recruited and used child soldiers, sometimes by force. Although the government prohibited the recruitment and use of child soldiers, government security forces conducted on-the-ground coordination with CJTF during the reporting period. The Borno State government continued to provide financial and in-kind resources to some members of CJTF, which was also at times aligned with the Nigerian military in operations against Boko Haram.

The Government of Nigeria does not fully meet the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. During the reporting period, the government sustained strong anti-trafficking law enforcement efforts by investigating, prosecuting, and convicting numerous traffickers; by collaborating with 11 countries on international investigations; and by providing extensive specialized anti-trafficking training to officials from various government ministries and agencies. The National Agency for the Prohibition of Trafficking in Persons and Other Related Matters (NAPTIP) received a larger operating budget, identified and provided services to a large number of victims, and continued extensive awareness campaigns throughout the country. During the reporting period, the Borno State government provided financial and in-kind resources to some members of CJTF; CJTF recruited and used child soldiers. Additionally, despite a 2015 amendment that removed judges' ability to sentence traffickers to fines in lieu of prison time,

Nigerian courts penalized two traffickers with fines alone and gave another three the option to pay a fine in lieu of serving time in prison.

Narcotics – 2017 (introduction):

Nigeria is a significant transit country for heroin and cocaine destined for Europe, and to a much lesser degree, the United States. Nigerian organized criminal networks remain major actors in trafficking cocaine and heroin worldwide, facilitated by the extended Nigerian diaspora, and have begun to produce and traffic methamphetamine primarily to and around Southeast Asia. Widespread corruption in Nigeria facilitates criminal activity, and, combined with Nigeria's central location along major trafficking routes, enables criminal groups to flourish and make Nigeria an important trafficking hub.

The Nigeria Drug Law Enforcement Agency (NDLEA) enforces laws against drug trafficking and abuse and leads in demand reduction and drug control policy development. Weak inter-agency cooperation, insufficient criminal enterprise investigative capacity, and inadequate electronic evidence collection all contribute to the dearth of apprehensions of major traffickers. Although all Nigerian law enforcement agencies have representatives at Nigeria's ports of entry, joint operations between them are rare.

Marijuana (cannabis) is the most common illicit drug produced in Nigeria. Traffickers sell marijuana in Nigeria and export it through West Africa and into Europe. Nigerian methamphetamine is produced in large quantities in the South-East states outside of Lagos. During the first 10 months of 2016, NDLEA reported seizing 276.18 metric tons (MT) of cannabis; 290.64 kilograms (kg) of methamphetamine; 136.08 kg of cocaine; 19.74 kg of heroin; 6 kg of amphetamine; 1046.87 kg of ephedrine; 65.7 kg of khat; and 76.6 MT of other psychotropic substances, totaling 354.3 MT in total drug seizures.

In June 2015, the NDLEA Sensitive Investigative Unit (SIU), which works closely with the U.S. Drug Enforcement Agency (DEA), made the first arrest of a major Nigerian transnational drug trafficker. In 2016, the U.S. continued to assist in reforming the NDLEA from a reactive investigative agency to an intelligence-led proactive agency by providing training in intelligence analysis, evidence collection, criminal enterprise theory, drug trafficking and money laundering investigations, and prosecutions.

In 2016, the NDLEA's budget was approximately \$25.6 million, an approximate \$20 million decline from its 2015 budget of \$46.6 million due mostly to a 60 percent devaluation of Nigeria's currency. Of this amount, only approximately \$41,764 was allocated for NDLEA staff training.

The NDLEA's Demand Reduction Directorate has reinvigorated its programs targeting youth, sex workers, community leaders, and transport workers. In 2016, the NDLEA counseled and rehabilitated 2,500 persons suffering from substance use disorders, an increase of 18 percent over the previous year.

Extradition between Nigeria and the United States is governed by the 1931 U.S.-U.K. Extradition Treaty. There is a bilateral mutual legal assistance treaty in force between Nigeria

and the United States. In addition, the United States and Nigeria are parties to various multilateral conventions that contain provisions for mutual legal assistance.

Terrorist Financing 2016:

Overview:

Boko Haram (BH) and ISIS-West Africa continued to carry out killings, bombings, and attacks on civilian and military targets in northern Nigeria, resulting in thousands of deaths, injuries, and significant destruction of property in 2016. The states where attacks occurred most frequently were in Nigeria's northeast, particularly Adamawa and Borno. In March 2015, Abubakar Shekau, the leader of BH, pledged his allegiance to ISIS, rebranding the group as the Islamic State in West Africa. In August 2016, ISIS announced Abu Musab al-Barnawi was the new leader of its West Africa branch. This claim was denied by Shekau, however, resulting in the split of the branch into two distinct groups.

The Nigerian government took steps to increase its counter-Boko Haram efforts. Nigeria continued to work with other Boko Haram-affected neighbors in the Multi-National Joint Task Force (MNJTF) that facilitated collaboration and coordination on counter-Boko Haram efforts. Despite gains made by the MNJTF, much of its reported progress was merely duplication of failed efforts carried over from the end of the last dry/fighting season. The Nigerian military was unable to hold and re-build civilian structures and institutions in those areas it had cleared. Most of the remaining students abducted by BH in Chibok remained in captivity, although one girl was found in Borno, and the Government of Nigeria successfully negotiated the release of 21 of the kidnapping victims.

Terrorist activity accounted for the displacement of nearly two million persons in the states of Adamawa, Bauchi, Borno, Gombe, Taraba, and Yobe. The Nigerian government continued to facilitate the return of internally displaced persons to their home communities, although sometimes without providing adequate security and before appropriate conditions were in place for safe, informed, voluntary returns. There was no evidence in 2016 of the implementation of a coordinated plan to restore civilian security in recaptured territories. In partnership with international donors, the Nigerian government set up several institutions to coordinate the reconstruction of areas destroyed by the conflict in the northeast.

An Interdisciplinary Assistance Team (IDAT) comprising personnel from the Department of State, the Department of Defense, the Federal Bureau of Investigation (FBI), and the U.S. Agency for International Development continued to work from the U.S. Embassy in Abuja, closely coordinating efforts with the Nigerian military at the Defense Intelligence Agency. Daily military-to-military engagement at the Joint Combined Fusion Cell and the Joint Coordination Planning Committee led to a more detailed understanding of Nigerian military operations and established relationships with mid- and senior-level officers.

Legislation, Law Enforcement, and Border Security: The Nigerian government's criminal justice institutions were not significantly strengthened in 2016, although several donor countries, including the United Kingdom, continued to work closely with the Ministry of Justice to assist in prioritizing how to investigate and prosecute suspected terrorism cases.

While the Nigerian military had primary responsibility for combating terrorism in the northeast, several government agencies performed counterterrorism functions, including the Department of State Security (DSS), the Nigerian Police Force (NPF), and the Ministry of Justice. Counterterrorism activities of these agencies and ministry were ostensibly coordinated by the Office of the National Security Advisor (ONSA). The level of interagency cooperation and information sharing was limited and at times hindered overall effectiveness.

The Nigerian government participated in U.S. counterterrorism capacity-building programs under the Department of State's Antiterrorism Assistance (ATA) program, including the training of NPF members in explosive ordnance disposal, explosive incident countermeasures, and preventing attacks on soft targets. The NPF also stood up the Special Program for Embassy Augmentation and Response, which is a specialized selection and training program for local police dedicated to the security of the U.S. Embassy and other diplomatic missions throughout Abuja. The Nigerian government worked with the FBI to investigate specific terrorism matters, predominantly through the DSS, and provided improvised explosive device components to the FBI for analysis at the Terrorist Device Analysis Center. ONSA, DSS, Nigerian Army, Nigerian Emergency Management Agency, and NPF explosive ordnance and post blast personnel worked with FBI special agents and special agent bomb-technicians in-country. The Economic and Financial Crimes Commission (EFCC) and NPF also received crime scene training relevant to counterterrorism investigations.

Border security responsibilities are shared among NPF, DSS, Customs, Immigration, and the military. Coordination among agencies was limited. Cooperation and information sharing in the northeast increased between Immigration and the Nigerian Army. Nigerian implementation of UN Security Council resolutions 2178 (2014) and 2199 (2015) was limited as the Buhari administration has made limited progress against corruption. Through the ATA program, Nigerian police, customs officials, and immigration officers also participated in interagency "Rural Border Patrol Operations" courses to build the law enforcement sector's ability to effectively use all agencies to tackle rural border security challenges.

The Nigerian government actively cooperated with the United States and other international partners to prevent further acts of terrorism in Nigeria against U.S. citizens, citizens of third countries, and Nigerian citizens. Nigerian law enforcement agencies cooperated with the U.S. FBI to assist with counterterrorism investigations, including disruptions, information sharing, and interviews.

Countering the Financing of Terrorism: Nigeria is a member of the Inter-Governmental Action Group against Money Laundering in West Africa, a Financial Action Task Force-style regional body. Nigeria made limited progress towards the passage of several pieces of legislation intended to address strategic deficiencies in the country's anti-money laundering/countering the financing of terrorism regime. Although passed by the Nigerian National Assembly, the Nigerian Financial Intelligence Centre (NFIC) Bill, which seeks to provide the FIC with operational independence and autonomy, and the Proceeds of Crime Bill had not been signed into law by the end of 2016.

The DSS is the primary investigating agency for terrorism cases, but there have been longstanding sustained concerns about its capacity to investigate terrorist financing as it does not share case information with other agencies that also have the mandate to conduct terrorist financing investigations and prosecutions, such as the EFCC. These concerns continued in 2016. There were no known efforts on the part of the EFCC or the Ministry of Justice to prosecute terrorist financing cases.

The Government of Nigeria has the ability to freeze and confiscate terrorist assets as required by the UN Security Council (UNSC) ISIL (Da'esh) and al-Qa'ida sanctions regime. While there is political will to freeze assets, bureaucratic processes occasionally cause delays. The Nigerian government routinely distributes the UNSC lists of designated terrorists or terrorist entities to financial institutions.

International Sanctions

Nigeria is not currently subject to any International Sanctions

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	27
World Governance Indicator – Control of Corruption	14

Corruption is a significant obstacle to business in Nigeria: companies are very likely to encounter bribery and other corrupt practices. Corruption risks are pervasive throughout all institutions but the oil sector is particularly corrupt. Corruption is criminalised primarily by the Criminal Code and the Corrupt Practices and Other Related Offences Act. Accepting or giving gifts as well as facilitation payments are illegal, and individuals can be penalised with up to 7 years' imprisonment. Despite a strong legal framework, enforcement of anti-corruption legislation in Nigeria remains weak: in practice, gifts, bribery and facilitation payments are the norm. **Information provided by GAN Integrity.**

US State Department

Domestic and foreign observers identify corruption as a serious obstacle to economic growth and poverty reduction. Nigeria scored 25 out of 100 in Transparency International's 2013 Corruption Perception Index (CPI), placing it in the 144th position out of the 177 countries ranked. The Economic and Financial Crimes Commission (EFCC) Establishment Act of 2004 established the EFCC to prosecute individuals involved in financial crimes and other acts of economic "sabotage." The EFCC has encountered the most success in prosecuting low-level Internet scam operators. A relative few high-profile convictions have taken place, such as a former governor of Bayelsa State (since pardoned by President Jonathan), a former Inspector General of Police, and a former Chair of the Board of the Nigerian Port Authority. However, in the case of the convicted governor of Bayelsa State, the President of Nigeria pardoned him in March 2013.

The Corrupt Practices and Other Related Offences Act of 2001 established an Independent Corrupt Practices and Other Related Offences Commission (ICPC) to prosecute individuals, government officials, and businesses for corruption. The Act punishes over 19 offenses, including accepting or giving bribes, fraudulent acquisition of property, and concealment of fraud. Nigerian law stipulates that giving and receiving bribes constitute criminal offenses and, as such, are not tax deductible. ICPC investigations have resulted in 8 convictions in 2013, bringing the total since its inauguration to 68 cases. In April 2014, a presidential committee set up to review Nigeria's ministries, departments, and agencies (MDAs) recommended that the EFCC, the ICPC, and the Code of Conduct Bureau (CCB) be merged into one organization. The federal government, however, rejected this proposal to consolidate the work of these three anti-graft agencies.

Nigeria gained admittance into the Egmont Group of Financial Intelligence Units (FIUs) in May 2007. The Paris-based Financial Action Task Force (FATF) removed Nigeria from its list of

Non-Cooperative Countries and Territories in June 2006. In October 2013, the FATF decided that Nigeria had substantially addressed the technical requirements of its FATF Action Plan and agreed to remove Nigeria from its monitoring process conducted by FATF's International Cooperation Review Group (ICRG). The Nigeria Extractive Industries Transparency Initiative (NEITI) Act of 2007 provided for the establishment of the NEITI organization, charged with responsibility to develop a framework for transparency and accountability in the reporting and disclosure by all extractive industry companies of revenue due to or paid to the GON. NEITI serves as a member of the international Extractive Industries Transparency Initiative (EITI), which provides a global standard for revenue transparency for extractive industries like oil and gas and mining.

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Political Climate

On 18 April 2011, President Goodluck Jonathan was declared the winner of the Nigerian presidential election amid riots across northern Nigeria, which exposed the division between the Muslim north and Christian south, according to an April 2011 BBC article. President Jonathan's first act as President was to sign into law the Freedom of Information Law, which allows public access to public records and information, except for several issues such as related to national security and commercial information, as reported in a June 2011 news article by AllAfrica. In April of 2012, several media sources including The Guardian revealed a parliamentary report on the oil sector that uncovered corruption within the state-owned Nigerian National Petroleum Company. A March 2012 Reuters article describes the scandal as something that can come to define Jonathan's presidency. See the section on 'Public Procurement and Contracting' for more on the story.

Afrobarometer 2012 reports that former President Olusegun Obasanjo addressed corruption in Nigeria with the establishment of the Economic and Financial Crimes Commission (EFCC) and Independent Corrupt Practices Commission (ICPC). Despite these measures, according to the same survey, there remains a wide perception of corruption, especially among political incumbents. According to the Bertelsmann Foundation 2012, government efforts to combat corruption have enjoyed public support; however, the fight against corruption lost momentum due to the presidential and general elections in 2011. Transparency International's Global Corruption Barometer 2013 shows a high level of perceived political corruption, with a majority of respondents reporting that political parties, parliament, the judiciary, police, and public officials and civil servants were corrupt/extremely corrupt. Further, 75% of household respondents consider the government's actions in fighting corruption as ineffective, while political parties and Parliament are perceived by the respondents to be amongst the most corrupt bodies in Nigeria.

Nigeria is one of the three largest exporters of illicit capital from Africa, over the period 1980-2009, according to a May 2013 report by the Global Financial Integrity Initiative (GFI). A January 2011 report estimates that Nigeria has had USD 130 billion worth illicit outflows in the 2000-2008, while another March 2010 report finds that Nigeria had the largest cumulative flows of illicit money from 1970-2004.

Business and Corruption

The Nigerian business environment is highly segmented into oil-related industries, public sector and parastatals (highly oil-dependent), organised private sector, and a thriving informal sector. According to the US Department of State 2012, the oil and gas sector alone contributes to over 95% of the country's export revenue and more than 80% of the government revenues. In 2004, Nigeria established the Nigeria Extractive Industries Transparency Initiative (NEITI), which is aimed at improving transparency in payments by extractive industrial companies to government and government-linked entities. A NEITI Bill was signed into law in May 2007, giving the NEITI's activities legal backing and providing legal instruments to fight for increased transparency in the oil, gas, and mining sectors in Nigeria. Furthermore, former President Yar'Adua has initiated a complete unpacking and restructuring of the oil sector, including the Nigerian National Petroleum Corporation (NNPC), in order to increase the competitiveness of the sector and to root out corruption. One of the largest FCPA cases occurred in Nigeria where over USD 1 billion was paid out in fines by Haliburton, Eni, Technip and Gasoline Corp. The companies bribed Nigerian officials in order to win a USD 6 billion contract to build a liquefied gas plant—more information can be found in the Extractive Industry section.

Companies operating in Nigeria are reportedly frequent targets of corrupt practices. This is especially the case for SMEs operating in the formal private sector. The manufacturing sector has declined during the last 20 years, and the informal sector remains the main source of income and employment for most Nigerians. Companies surveyed in the World Economic Forum's Global Competitiveness Report 2012-2013 consider corruption to be the second most problematic factors for doing business in Nigeria, after access to financing. Public funds are sometimes diverted to companies, individuals, or groups due to corruption. Government officials fairly commonly favour well-connected companies and individuals when deciding on policies and contracts. Both citizens and the business community perceive corruption to stem from the public sector. According to Transparency International's Bribery Survey 2011, 24% of surveyed companies have lost business or procurement contracts due to competitor corruption. However, the US Department of State 2013 states that Nigeria's procurement system has become slightly more transparent, exemplified by contracts now being rewarded under an open-tender system. However, corrupt practices, such as improper payments or kickbacks, still persist in procurement for capital projects. In order to best reduce the risk of extortion and demands for bribes in the procurement process, companies considering bidding on public tenders in Nigeria are advised to use a specialised due diligence tool on public procurement.

The World Economic Forum's Global Competitiveness Report 2012-2013 also reveals that the ethical behaviour of companies in Nigeria is fairly poor and constitutes a competitive disadvantage for doing business. Furthermore, business in Nigeria has a bad reputation, due largely to the widely known e-mail based 'advance fee frauds' committed by Nigerians. As a consequence, some Nigerian companies register in neighbouring countries or in the UK. Companies report that they are often forced to rely on lawyers to complete routine interactions with government officials, which would normally be handled directly. In order to limit the possibility of corruption, it has been made a criminal offence for individuals to make or accept cash payments in excess of NGN 500,000 and for corporate bodies to make or accept cash payments in excess of NGN 2 million without going through a financial institution. According to a May 2011 news article by This Day Live, a new daily cash withdrawal allowance for individuals and corporate customers will be NGN 150,000 and NGN 1 million, respectively. Foreign investors considering establishing themselves in Nigeria are generally advised to consult with experienced attorneys, to develop, implement and

strengthen integrity systems, and to carry out extensive due diligence before committing funds and when already doing business in the country.

Regulatory Environment

A lack of clear policy formulation by the central government has created a complex and uncertain regulatory environment, with overlapping authorities, such as taxation and licensing. The federal states have considerable independence, and the central government's capacity to govern has been systematically undermined by corrupt public officials, the military, and patronage networks. Nigeria's legal and regulatory systems are generally consistent with international standards, but enforcement of rules and legislation are often cited as inadequate and inconsistent, as reported by the US Department of State 2013. State and local officials are known to impose arbitrary taxes and licensing requirements in order to raise extra revenue. Administrative barriers, red tape and delays are major constraints on foreign as well as domestic companies, especially for SMEs with less financial resources. Although, the recent Global Competitiveness Report 2012-2013, conducted by the World Economic Forum, illustrates that the level of difficulty in complying with governmental administrative requirements is somewhat neutral, constituting a competitive advantage compared to other countries. Official business registration fees are generally low, but associated costs and facilitation payments reportedly make the total price relatively high and unpredictable. According to the World Bank & IFC's Doing Business 2013, the requirements to start a business have eased in recent years to an average of 34 days and 8 procedures, at a cost of 60.4% of GNI per capita, which is below regional averages. According to the US Department of State 2013, dealing with the tax system is another area of concern for companies, as the tax administration is highly uneven and lacks transparency. This has led to high levels of tax evasion and tax officials demanding bribes and facilitation payments in return for lower tax rates.

Nigeria has a large and dynamic private sector, although many smaller companies remain within the informal sector. A significant challenge is that there is generally little consistent and systematic interaction between the formal business sector and the different levels of government. Some recent initiatives have been undertaken, especially in the extractive industries, such as the Niger Delta Development Commission (NDDC), a leader in the development of Nigerian natural resources, and the Nigeria Extractive Industries Transparency Initiative (NEITI). The Nigeria Economic Summit Group (NESG) is the prime forum for business-government interaction at the federal level and has launched a SME Working Group. The Nigerian government has also launched the Nigerian Investment Promotion Commission (NIPC), an open to the public one-stop shop providing information on investment requirements in Nigeria. The NIPC provides information on business registration procedures and links to relevant authorities.

Companies should note that, according to the US Department of State 2013, although property rights, intellectual property rights, and trademark laws exist, enforcement of the rules is weak and subject to corruption. Transferring property is complex and usually involves state governors' offices, while acquiring and maintaining rights to real property are major challenges. The legal system is based on English common law, but civil codes exist for certain issues. For example, some legal codes are based on Shari'a (Islamic law) in the north and others on customary law, known as 'traditional law', in the south. The multiple and sometimes overlapping jurisdictions of federal, state and local governments in various aspects of commercial activity make the bureaucratic process complex. Due to this inefficient legal

system, it is common to settle disputes out of court using various forms of arbitration and negotiation. The Arbitration and Conciliation Act of 1988 provides for a unified and straightforward legal framework for the settlement of commercial disputes through the Nigerian Arbitration Institute, and the Lagos Chamber of Commerce & Industry also handles arbitration. The act furthermore provides for the application of arbitration rules under the United Nations Commission on International Trade Law (UNCITRAL) and has made the Convention on the Recognition and Enforcement of Arbitral Awards (New York Convention 1958) applicable to enforcement of contracts. Nigeria is also a member of the International Centre for the Settlement of Investment Disputes. Larger companies typically use arbitration under the London Court or the International Chamber of Commerce (ICC).

Section 3 - Economy

Following an April 2014 statistical "rebasings" exercise, Nigeria has emerged as Africa's largest economy, with 2015 GDP estimated at \$1.1 trillion. Oil has been a dominant source of income and government revenues since the 1970s. Following the 2008-9 global financial crises, the banking sector was effectively recapitalized and regulation enhanced. Nigeria's economic growth over the last five years has been driven by growth in agriculture, telecommunications, and services. Economic diversification and strong growth have not translated into a significant decline in poverty levels, however - over 62% of Nigeria's 170 million people still live in extreme poverty.

Despite its strong fundamentals, oil-rich Nigeria has been hobbled by inadequate power supply, lack of infrastructure, delays in the passage of legislative reforms, an inefficient property registration system, restrictive trade policies, an inconsistent regulatory environment, a slow and ineffective judicial system, unreliable dispute resolution mechanisms, insecurity, and pervasive corruption. Regulatory constraints and security risks have limited new investment in oil and natural gas, and Nigeria's oil production has contracted every year since 2012.

Because of lower oil prices, GDP growth in 2015 fell to around 3%, and government revenues declined, while the nonoil sector also contracted due to economic policy uncertainty. President BUHARI, elected in March 2015, has established a cabinet of economic ministers that includes several technocrats, and he has announced plans to increase transparency, diversify the economy away from oil, and improve fiscal management. The government is working to develop stronger public-private partnerships for roads, agriculture, and power. The medium-term outlook for Nigeria is positive, assuming oil output stabilizes and oil prices recover.

Agriculture - products:

cocoa, peanuts, cotton, palm oil, corn, rice, sorghum, millet, cassava (manioc, tapioca), yams, rubber; cattle, sheep, goats, pigs; timber; fish

Industries:

crude oil, coal, tin, columbite; rubber products, wood; hides and skins, textiles, cement and other construction materials, food products, footwear, chemicals, fertilizer, printing, ceramics, steel

Exports - commodities:

petroleum and petroleum products 95%, cocoa, rubber (2012 est.)

Exports - partners:

India 18.2%, Netherlands 8.5%, Spain 8.2%, Brazil 8.2%, South Africa 7.8%, France 5.2%, Japan 4.5%, Cote d'Ivoire 4.2%, Ghana 4% (2015)

Imports - commodities:

machinery, chemicals, transport equipment, manufactured goods, food and live animals

Imports - partners:

China 25.7%, US 6.4%, Netherlands 6.1%, India 4.3% (2015)

Banking

The Nigerian banking system consists of twenty four commercial banks, over 800 micro-finance banks, five discount houses, and three development banks. The Central Bank of Nigeria (CBN) regulates and supervises the activities of these institutions. The CBN is primarily responsible for formulating policies and monitoring the banking system to ensure that operators comply with monetary, credit, and foreign exchange guidelines. Nigerian commercial banks perform three major functions: accepting deposits, granting loans and operating payment and settlement mechanisms.

Stock Exchange

The Nigerian Investment Promotion Commission Decree of 1995 liberalized Nigeria's foreign investment regime, which has facilitated access to credit instruments provided by financial institutions. Foreign investors who have incorporated their companies in Nigeria have equal access to all financial instruments. Some investors consider the capital market, specifically the [Nigerian Stock Exchange \(NSE\)](#), a financing option, given commercial banks' high lending rates and the short maturities of local debt instruments.

Trading on the NSE has witnessed significant declines in value since March 2008 due to a combination of factors, including the freeze on margin loans by local banks, the sale of large quantities of shares by bank debtors to pay back margin loans, and the exit of foreign portfolio investors and hedge funds due to the global economic and financial crisis.

Executive Summary

With over 177 million citizens, a Gross Domestic Product (GDP) over USD 568 billion, and oil production over 2 million barrels per day, Nigeria has Africa's largest population, economy, and oil production (and export). Consistently strong GDP growth over the past decade has developed a growing consumer class and attracted considerable investor interest. Nigeria offers abundant natural resources and a low-cost labour pool, and enjoys mostly duty-free trade with other member countries of the Economic Community of West African States (ECOWAS). However, much of Nigeria's market potential remains unrealized because of significant impediments such as pervasive corruption, inadequate power and transportation infrastructure, high energy costs, an inconsistent regulatory and legal environment, insecurity, a slow and ineffective judicial system, inadequate intellectual property rights protections and enforcement, and an inefficient property registration system. Major developments affecting investors' attitudes toward Nigeria have included the following factors:

- **Declining Naira:** The drop in the value of the Naira against the dollar to an official exchange rate of approximately 200 in 2015 squeezes margins for traders and manufacturers, who pay for imports in dollars but earn revenue in Naira (most manufacturers in Nigeria rely heavily on imported inputs). In order to preserve foreign exchange reserves and promote import substitution, in mid-2015 the Central Bank of Nigeria (CBN) published a list of 41 items for which official foreign exchange would not be provided. As oil prices continued to fall, the gap between the official exchange rate and an unofficial parallel exchange rate widened. Many companies and economists believe the official exchange rate overvalues the Naira and that the CBN's policy to defend this rate in the face of market forces for a lower rate, as reflected in the parallel rate, is unsustainable. Concerns about whether and how the CBN will adapt exchange rate policy have contributed to economic uncertainty in 2015 and early 2016.
- **Foreign exchange and fiscal challenges:** Nigeria depends on exports of crude oil for approximately 70 percent of government revenue and 90 percent of foreign exchange earnings. Continuing decline in the price of crude oil throughout 2015 has posed foreign exchange challenges for the CBN and a fiscal challenge for the government. The loss of revenue derived from the sale of crude oil increased the budget deficit. The government is addressing the fiscal challenge with a combination of spending cuts, improved tax collection, and domestic and international borrowing. Reduced oil revenue has also strained state governments and many are struggling to pay civil servant salaries. Reduced government spending, greater tax collection, and low oil prices were factors contributing to the slowdown in economic growth in 2015, with GDP growth falling to 2.79 percent, according to Nigeria's National Statistics Bureau and with inflation reaching 9.6 percent in December 2015, largely a consequence of the depreciation of the parallel exchange rate.
- **Elections:** Following presidential elections on March 28, 2015, deemed largely peaceful and orderly by international observers, the May 2015 inauguration of President Muhammadu Buhari marked the first peaceful transfer of power to an opposition party since Nigeria's independence in 1960. Consistent with his campaign pledges, President Buhari has focused on security matters, particularly the Boko

Haram insurgency in Nigeria's northeast. Nonetheless, continuing terrorist attacks by Boko Haram in 2015 contributed to investor uncertainty over security in the country.

Nigeria's recent economic growth has been concentrated primarily in trade, agriculture, manufacturing, and telecommunications. While the agriculture sector sustains over 80 percent of rural households, the Nigerian economy remains heavily dependent on its oil and gas sector which accounts for 12 percent of GDP but, as noted above, over 90 percent of export earnings and over 70 percent of government revenues. Nigeria is the world's thirteenth largest oil producer and sixth largest oil exporter. However, investment in Nigeria's oil sector slowed in 2015 due to regulatory uncertainties, security risks, and low oil prices.

Nigeria's underdeveloped power sector remains a significant bottleneck to broad-based economic development. Current production is around 4,000 megawatts of power, forcing the vast majority of businesses to generate most of their own electricity. The World Bank currently ranks Nigeria 182th out of 189 countries for ease of obtaining electricity for business. Reform of Nigeria's power sector is ongoing, but investor confidence has been shaken by tariff and regulatory uncertainty. The Nigerian Electricity Regulatory Commission's surprise announcement of the removal of collection losses in the electricity tariff in March 2015 reversed a phased increase policy upon which newly privatized electricity generation and distribution companies had been relying to support profitable operation and investment in infrastructure. Many challenges remain before Nigeria will see a significant, sustainable improvement in power delivery to industrial and consumer end-users.

Nigeria's trade regime remains protectionist, with high tariffs and prohibitions on many import items with the aim of spurring domestic agricultural and manufacturing sector growth. U.S. goods exports to Nigeria in 2015 were USD 3.4 billion, down 42.9 percent from the previous year, while U.S. imports from Nigeria were USD 1.9 billion, down 50 percent. U.S. exports to Nigeria are primarily refined petroleum products, used vehicles, cereals, and machinery. Crude oil and petroleum products continued to account for over 95 percent of Nigerian exports to the United States in 2015. The stock of U.S. foreign direct investment (FDI) in Nigeria was USD 5.2 billion in 2014 (latest data available), down from USD 8.1 billion in 2013. U.S. FDI in Nigeria continues to be led by the oil and gas sector. There is also investment from the United States and other countries in Nigeria's power, telecommunications, real estate (commercial and residential), and agricultural sectors.

Given the corruption risk associated with the Nigerian business environment, potential investors often develop anti-bribery compliance programs. The United States and other parties to the OECD Anti-Bribery Convention aggressively enforce anti-bribery laws, including the U.S. Foreign Corrupt Practices Act (FCPA). A high-profile FCPA case in Nigeria's oil and gas sector resulted in 2010 U.S. Securities Exchange Commission (SEC) and U.S. Department of Justice rulings that included record fines for a U.S. multinational and its subsidiaries that had paid bribes to Nigerian officials. Since then, the SEC has charged an additional four international companies with bribing Nigerian government officials to obtain contracts, permits, and resolve customs disputes. See SEC enforcement actions at <https://www.sec.gov/spotlight/fcpa/fcpa-cases.shtml>.

Security remains a concern to investors in Nigeria due to high rates of violent crime, kidnappings for ransom, and terrorism. Seven bombings of high-profile targets with multiple deaths have occurred in the federal capital Abuja since October 2010, two of which – one at a bus station and one in a market – happened in 2014. Other bombings and assassinations have occurred in the cities of Kaduna, Maiduguri, Damaturu, Bauchi, Jos, Kano, and Suleja,

the majority linked to Boko Haram. An amnesty program for militants in the Niger Delta region and rehabilitation and re-integration training for ex-militants have led to a significant decline in militant violence and limited restoration of shut-in oil and gas production. The longer-term impact of the government's Delta peace efforts, however, remains unclear and criminal activity in the Delta – in particular, rampant oil theft - remains a serious concern. Maritime criminality in Nigerian waters, including incidents of piracy and crew kidnap for ransom, has increased in recent years and law enforcement efforts have been limited or ineffectual. Onshore, international inspectors have voiced concerns over the adequacy of security measures at some Nigerian port facilities.

Freedom of expression and of the press remains broadly observed, with the media often engaging in open, lively discussions of challenges facing Nigeria. Some journalists, however, occasionally practice self-censorship on sensitive issues.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2015	136 of 174	transparency.org/cpi2015/results
World Bank's Doing Business Report "Ease of Doing Business"	2016	169 of 189	doingbusiness.org/rankings
Global Innovation Index	2015	128 of 141	globalinnovationindex.org/content/page/data-analysis
U.S. FDI in partner country (\$M USD, stock positions)	2014	5713	BEA
World Bank GNI per capita	2014	\$2,970	data.worldbank.org/indicator/NY.GNP.PCAP.CD

Millennium Challenge Corporation Country Scorecard

The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a per capita gross national income (GNI) of \$4,125 or less. A list of countries/economies with MCC scorecards and links to those scorecards is available here: <http://www.mcc.gov/pages/selection/scorecards>. Details on each of the MCC's indicators and a guide to reading the scorecards are available here: <http://www.mcc.gov/pages/docs/doc/report-guide-to-the-indicators-and-the-selection-process-fy-2015>.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

In 1995 the Nigerian Investment Promotion Commission Act dismantled years of controls and limits on foreign direct investment (FDI), opening nearly all sectors to foreign investment, allowing for 100 percent foreign ownership in all sectors (with the exception of the petroleum sector, where FDI is limited to joint ventures or production sharing contracts), and creating

the Nigerian Investment Promotion Commission (NIPC) with a mandate to encourage and assist investment in Nigeria. The NIPC features a One-Stop Investment Center that nominally includes participation of 27 governmental and parastatal agencies (not all of which are physically present at the OSIC, however) in order to consolidate and streamline administrative procedures for new businesses and investments. Foreign investors receive largely the same treatment as domestic investors in Nigeria, including tax incentives (see 5.2 Investment Incentives). However, without strong political and policy support, and because of the unresolved challenges to investment and business in Nigeria, the ability of the NIPC to attract new investment has been limited.

The Government of Nigeria (GoN) has continued to promote import substitution policy for various reasons. In the face of dwindling foreign exchange reserves because of lower oil prices, the GoN hopes to reduce demand for foreign exchange. The GoN believes that trade restrictions and local content requirements will attract investment that would develop domestic capacity to produce and manufacture products and services that would otherwise be imported. The import bans and high tariffs used to advance Nigeria's import substitution goals have been undermined by smuggling of targeted products (most notably rice and poultry) through the country's porous borders, and by corruption in the import quota systems developed by the GoN to incentivize domestic investment. Despite the GoN's stated goal to attract investment, investors generally find Nigeria a difficult place to do business.

Other Investment Policy Reviews

The OECD completed an investment policy review of Nigeria in May 2015. (<http://www.oecd.org/countries/nigeria/oecd-investment-policy-reviews-nigeria-2015-9789264208407-en.htm>). (The WTO published a trade policy review of Nigeria in 2011 which also includes a brief overview and assessment of Nigeria's investment climate. That review is available at https://www.wto.org/english/tratop_e/tpr_e/tp347_e.htm.)

In 2009, the United Nations Council on Trade and Development (UNCTAD) published an investment policy review of Nigeria and a Blue Book on Best Practice in Investment Promotion and Facilitation, both of which are available at unctad.org. The policy review identified Nigeria's need to diversify FDI away from the oil and gas sector by improving the regulatory framework, investing in physical and human capital, taking advantage of regional integration and reviewing external tariffs, fostering linkages and local industrial capacity, and strengthening institutions dealing with investment and related issues.

Laws/Regulations on Foreign Direct Investment

The NIPC Act of 1995 allows 100 percent foreign ownership of firms, except in the oil and gas sector where investment is limited to joint ventures or production-sharing agreements. Laws restrict industries to domestic investors if they are considered crucial to national security, such as firearms, ammunition, and military and paramilitary apparel. Foreign investors must register with the NIPC after incorporation under the Companies and Allied Matters Decree of 1990. The Act prohibits the nationalization or expropriation of foreign enterprises except in cases of national interest. Lack of transparency in government and corruption are endemic but the Embassy is unaware of specific instances of interference by the government.

Nigerian laws apply equally to domestic and foreign investors. These laws include the Nigerian Oil and Gas Content Development Act 2010, Nigerian Minerals and Mining Act of 2007, Nigeria Extractive Industries Transparency Initiative (NEITI) Act of 2007, Central Bank of

Nigeria Act of 2007, Electric Power Sector Reform Act of 2005, Money Laundering Act of 2003, Investment and Securities Act of 2007, Foreign Exchange Act of 1995, Banking and Other Financial Institutions Act of 1991, and National Office of Technology Acquisition and Promotion Act of 1979.

Business Registration

Nigeria does not have an on-line single window business registration website, as noted by Global Enterprise Registration (www.GER.co). The Nigerian Corporate Affairs Commission maintains an information portal. On average, it takes 12 procedures and 44 days to establish a foreign-owned limited liability company (LLC) in Nigeria (Lagos), slightly faster than the regional average for Sub-Saharan Africa. Time required is likely to vary in different parts of the country. Only a local counsel accredited by the Corporate Affairs Commission can incorporate companies in Nigeria. According to the Nigerian Foreign Exchange (Monitoring and Miscellaneous Provisions) Act, foreign capital invested in the LLC must be imported through an authorized dealer, which will issue a Certificate of Capital Importation. This certificate entitles the foreign investor to open a bank account in foreign currency. Finally, a company engaging in international trade must get an import-export license from the Nigerian customs service.

The Nigerian Investment Promotion Commission has established a One Stop Investment Center, co-locating relevant government agencies to one location in order to provide more efficient and transparent services to investors. Investors may pick up documents and approvals that are statutorily needed to set up an investment project in Nigeria. The Center assists with company incorporation, business permits and registration, tax registration, immigration and customs issues. The Nigerian government has not established uniform definitions for micro, small, and medium enterprises (MSMEs) with different agencies using different definitions.

Industrial Strategy

Nigeria's trade regime remains highly protectionist and distorting with the aim of incentivizing growth in Nigeria's domestic industrial and agricultural capacity. Nigeria bans the import of poultry, pork, beef, eggs, cement, textiles, glass bottles, and numerous other items in order to protect or encourage domestic production. In addition, the country imposes a combined ad valorem import duty (tariff plus levy) of 70 percent or higher on more than 40 tariff product lines, including tobacco products, rice, wheat flour, sugars, salt, and new passenger vehicles. High tariffs on agricultural commodities and import bans aim to spur domestic agricultural sector growth by actively promoting import substitution of staples, including rice, cassava, palm oil, cocoa, and cotton.

In October 2013 the GoN announced the National Automotive Industry Development Plan (NAIDP) as an effort to restart the country's domestic automotive manufacturing sector, create skilled jobs, develop local supply chains, and reduce automobile imports. The central feature of the NAIDP is a 35% levy assessed on automobile imports, over and above the 35% tariff already levied, for an effective total ad valorem duty of 70%. As an additional incentive to promote investment in Nigeria's auto sector, the NAIDP allows companies that are manufacturing or assembling cars in Nigeria to continue to import two vehicles under the former 35% tariff for every one vehicle produced in Nigeria.

Limits on Foreign Control and Right to Private Ownership and Establishment

There are currently no limits on foreign control of investments in Nigeria. The NIPC Act of 1995 liberalized the ownership structure of business in Nigeria, so that foreign investors can now own and control 100% of the shares in any company (as opposed to the earlier arrangement of 60%-40% in favor of Nigerians).

Privatization Program

The Privatization and Commercialization Act of 1999 established the National Council on Privatization, the policy-making body overseeing the privatization of state-owned enterprises (SOEs), and the Bureau of Public Enterprises (BPE), the implementing agency for designated privatizations. The BPE has focused on the privatization of key sectors, including telecommunications and power, and calls for core investors to acquire controlling shares in formerly state-owned enterprises.

Since 1999, the BPE has privatized and concessioned more than 140 enterprises, including an aluminum complex, steel complex, cement manufacturing firms, hotels, petrochemical plant, aviation cargo handling companies, and vehicle assembly plants, electricity generation and electricity distribution companies. The transmission company remains state-owned, but operated by an international operations and management contractor. Foreign investors can and do participate in the BPE's privatization process.

The National Assembly has questioned the propriety of some of these privatizations, with one case related to an aluminum complex privatization recently the subject of a Supreme Court ruling on ownership. Nevertheless, the GoN's long-delayed sale in December 2014 of the state-owned Nigerian Telecommunications and its mobile arm, Mobile Telecommunications, shows a continued commitment to the privatization model. The GoN remains interested in developing public-private partnerships to attract foreign capital to support basic infrastructure development, such as the Design-Build-Operate-Transfer of the Lagos-Ibadan Expressway, a major highway in the southwestern part of the country.

Screening of FDI

The NIPC Act of 1995 contains a negative list that prohibits private investment, both foreign and domestic, in the following sectors:

- a) production of arms, ammunition, etc.;
- b) production of and dealing in narcotic drugs and psychotropic substances;
- c) production of military and para-military wears and accoutrement, including those of the Police and the Customs, Immigration and Prison Services; and
- d) such other items as the Federal Executive Council may, from time to time, determine.

Nigeria does not have an entity comparable to the U.S. Treasury's Committee on Foreign Investment in the United States (CFIUS) that screens and reviews investment into sectors deemed sensitive.

Competition Law

Nigeria has no consolidated competition law. Under the Investment and Securities Act, the Nigerian Securities and Exchange Commission is empowered to determine whether any business combination is likely to substantially prevent or lessen competition. There are also sector-specific antitrust regulations. Several consolidated competition bills have been drafted and considered by Nigeria's National Assembly in the last 15 years, but none have

passed into law. For example, the Federal Competition and Consumer Protection Bill of 2014, drafted by Nigeria's Bureau of Public Enterprises (BPE) and forwarded to the National Assembly by Nigeria's Federal Executive Council in February 2015 remains pending in the National Assembly. A key feature of a previous BPE-drafted bill was the establishment of a Federal Competition Commission to oversee antitrust and anti-competitive activities. Nigerian businesses have been known to seek to protect and expand market share through political connections and economic protections, rather than through free and fair competition, and vested interests may seek to retain such a system. In March 2016, the President of the Nigerian Senate noted that the Competition and Consumer Protection Bill was included in a group of nine bills that a UK Department for International Development expert panel recommended to reform Nigeria's business environment.

2. Conversion and Transfer Policies

Foreign Exchange

All foreign transfers are done through banks, and foreign currency for most transactions is procured through local banks in the inter-bank market. The official Central Bank of Nigeria (CBN) window for procuring foreign exchange, namely the Retail Dutch Auction System, was discontinued in February 2015. Local banks also issue foreign currency-denominated debit cards to customers who have domiciliary accounts. ATM Naira-denominated cards issued by local banks can be used internationally for transactions and cash withdrawals, but such transactions have a ceiling of the daily local cash withdrawal limit of Naira 150,000 (approximately USD 750). Low value foreign exchange may also be procured at a premium from foreign exchange bureaus, called Bureau De Change (BDC).

The CBN has intensified its interventions in the foreign exchange market in an attempt to maintain the stability and strength of Naira in the face of lower oil prices. The CBN's foreign exchange reserves fell from \$39.5 billion in late 2014 to \$29 billion at the end of 2015. As oil prices continued dropping the CBN has increasingly restricted access to dollars in order to maintain the exchange rate. In January 2016, CBN announced that Bureaus de Change would no longer be supplied with official foreign exchange from the central bank. As it has become more difficult to obtaining dollars at the official exchange rate of approximately 200 naira/dollar, the parallel rate that has fluctuated between 240 and 300 in the first quarter of 2016. American businesses have expressed strong concern about the CBN's increasing unwillingness to provide foreign exchange and report the restrictions prevent them from repatriating Naira-denominated earnings. Foreign exchange demand remains high because of the dependence on foreign inputs for manufacturing and refined petroleum products. In June 2015, the CBN published a list of 41 product categories which could no longer be imported using official foreign exchange channels. Affected businesses (American and Nigerian) have complained publicly and privately that the policy in effect bans the import of some 700 individual items and severely hampers their ability to source inputs and raw materials.

Remittance Policies

The NIPC guarantees investors unrestricted transfer of dividends abroad (net a 10 percent withholding tax). Companies must provide evidence of income earned and taxes paid before externalizing dividends from Nigeria. Money transfers usually take no more than 48 hours, if individuals provide the necessary documentation. In 2015, the CBN implemented restrictions on foreign exchange remittances. All such transfers must occur through banks.

Such remittances may take several weeks depending of the size of the transfer and the availability of foreign exchange at the remitting bank. Transfers of currency are protected by Article VII of the International Monetary Fund (IMF) Articles of Agreement (<http://www.imf.org/External/Pubs/FT/AA/index.htm#art7>).

Nigeria is not a member of the Financial Action Task Force. It is a member of Intergovernmental Action Group Against Money Laundering in West Africa (GIABA).

3. Expropriation and Compensation

The GoN has not expropriated or nationalized foreign assets since the late 1970s, and the NIPC Act of 1995 forbids nationalization of a business or assets unless the acquisition is in the national interest or for a public purpose. In such cases, investors are entitled to fair compensation and legal redress. A U.S.-owned waste management investment expropriated by Abia State in 2008 is the only known U.S. expropriation case in Nigeria.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Nigeria has a complex, three-tiered legal system composed of English common law, Islamic law, and Nigerian customary law. Common law governs most business transactions, as modified by statutes to meet local demands and conditions. The Supreme Court sits at the pinnacle of the judicial system and has original and appellate jurisdiction in specific constitutional, civil, and criminal matters as prescribed by Nigeria's constitution. The Federal High Court has jurisdiction over revenue matters, admiralty law, banking, foreign exchange, other currency and monetary or fiscal matters, and lawsuits to which the federal government or any of its agencies are party. The Nigerian court system lacks adequate court facilities and computerized document-processing systems, and poorly remunerates judges and other court officials, all of which encourages corruption and undermines enforcement.

The public increasingly resorts to the court system and has become more willing to litigate and seek redress. Use of the courts, however, does not automatically imply fair or impartial judgments. The World Bank's publication, *Doing Business 2016*, ranked Nigeria 143 out of 189 on enforcement of contracts, compared with its 2015 ranking of 140. The *Doing Business* report noted that there can be significant variation in performance indicators between cities in Nigeria (as in other developing countries). For example, resolving a commercial dispute takes 720 days in Kano but 447 days in Lagos. In the case of Lagos, the 447 days includes 40 days for filing and service, 265 days for trial and judgment and 140 days for enforcement of the judgment with total costs averaging 62 percent of the claim. In comparison, in OECD countries the corresponding figures are an average of 538 days and averaging 22 percent of the claim and in sub-Saharan countries an average of 653.1 days and averaging 44.9 percent of the claim.

Bankruptcy

Reflecting Nigeria's business culture, entrepreneurs generally do not seek bankruptcy protection. Claims often go unpaid, even in cases where creditors obtain judgments against defendants. Under Nigerian law, the term bankruptcy generally refers to individuals where as corporate bankruptcy is referred to as insolvency. The former is regulated by the Bankruptcy Act of 1990, as amended by the Bankruptcy Decree 109 of 1992. The latter is regulated by Part XV of the Companies and Allied Matters Act Cap 59 1990 (CAMA) which replaced the

Companies Act, 1968. The Embassy is not aware of U.S. companies that have had to avail themselves of the insolvency provisions under Nigerian law.

Investment Disputes

Nigeria's civil courts handle disputes between foreign investors and the GoN as well as between foreign investors and Nigerian businesses. The courts occasionally rule against the GoN. Nigerian law allows the enforcement of foreign judgments after proper hearings in Nigerian courts. Plaintiffs receive monetary judgments in the currency specified in their claims.

International Arbitration

Section 26 of the NIPC of 1995 provides for the resolution of investment disputes through arbitration as follows:

- 1) Where a dispute arises between an investor and any Government of the Federation in respect of an enterprise, all efforts shall be made through mutual discussion to reach an amicable settlement.
- 2) Any dispute between an investor and any Government of the Federation in respect of an enterprise to which this Act applies which is not amicably settled through mutual discussions, may be submitted at the option of the aggrieved party to arbitration as follows:
 - a. in the case of a Nigerian investor, in accordance with the rules of procedure for arbitration as specified in the Arbitration and Conciliation Act; or
 - b. in the case of a foreign investor, within the framework of any bilateral or multilateral agreement on investment protection to which the Federal Government and the country of which the investor is a national are parties; or
 - c. in accordance with any other national or international machinery for the settlement of investment disputes agreed on by the parties.
- 3) Where in respect of any dispute, there is disagreement between the investor and the Federal Government as to the method of dispute settlement to be adopted, the International Centre for Settlement of Investment Dispute Rules shall apply.

Nigeria is a signatory to the International Centre for Settlement of Investment Disputes Convention and the 1958 Convention on Recognition and Enforcement of Foreign Arbitral Awards (also called the "New York Convention"). Nigerian Courts have generally recognized contractual provisions that call for international arbitration.

ICSID Convention and New York Convention

Nigeria is a member of the International Center for Settlement of Investment Disputes. Nigeria is a member of the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. The Arbitration and Conciliation Act of 1988 provides for a unified and straightforward legal framework for the fair and efficient settlement of commercial disputes by arbitration and conciliation. The Act created internationally-competitive arbitration mechanisms, established proceeding schedules, provided for the application of the United Nations Commission on International Trade Law (UNCITRAL) arbitration rules or any other international arbitration rule acceptable to the parties, and made the New York Convention applicable to contract enforcement, based on reciprocity. The Act allows parties to challenge arbitrators, provides that an arbitration tribunal shall ensure that the parties receive equal treatment, and ensures that each party has full opportunity to present

its case. Some U.S. firms have written provisions mandating International Chamber of Commerce (ICC) arbitration into their contracts with Nigerian partners. Several other arbitration organizations also operate in Nigeria.

Duration of Dispute Resolution – Local Courts

While the judicial process in Nigeria is slow, the court processes are transparent and non-discriminatory. Cases can also be appealed up to the Supreme Court. Investors using the Nigerian court system to enforce an arbitration ruling could end up waiting a year or more if the case is appealed all the way to the Supreme Court. Furthermore, it is not uncommon in Nigeria for business parties to seek and secure court injunctions from judges deemed favorable to their cause, in order to protect themselves against business or legal proceedings which they deem unfavorable. Losing parties do not always pay settlements expeditiously. A U.S. supplier of fuel for the Nigeria Airways state airline, which went into liquidation in 1997, received full payment for its share of the liquidated assets only in 2010.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Nigeria is not a party to the Government Procurement Agreement (GPA) within the framework of the World Trade Organization (WTO).

Many aspects of Nigeria's regime for regulating investment raise questions of consistency with the World Trade Organization's Trade-Related Investment Measures (TRIMS) Agreement. This is particularly true of the GoN's local content requirements in the oil and gas sector along with guidelines applying local content requirements to the information technology sector. While many foreign companies have found ways to operate in Nigeria's service sector, including telecommunications, accounting, insurance, banking, and advertising, complying with local content requirements are a challenge, and a disincentive to investment.

The Investment and Securities Act of 2007 forbids monopolies, insider trading, and unfair practices in securities dealings.

On December 3, 2013, the National Information Technology Development Agency (NITDA), under the auspices of the Federal Ministry of Communication Technology (MCT), issued the Guidelines for Nigerian Content Development in the ICT sector. These guidelines require ICT original equipment manufacturers to use 50 percent local manufactured content within three years from the effective date of the guidelines, and for ICT companies to use Nigerian companies for 80 percent of all value added services on networks within three years. In addition, the guidelines require multinational companies operating in Nigeria to source all hardware products locally; all government agencies to source and procure all computer hardware only from NITDA-approved original equipment manufacturers; and ICT companies to host all consumer and subscriber data locally, to use only locally manufactured SIM cards for telephone services and data, and to use indigenous companies to build cell towers and base stations.

The goal is to promote development of domestic production of ICT products and services for the Nigerian and global markets, but the guidelines post impediments and risks to foreign investment and U.S. companies by interrupting their global supply chain, increasing costs, disrupting global flow of data, and stifling innovative products and services.

Concerns remain as to whether the guidelines will be implemented in a fair and transparent way towards all Nigerian and foreign companies. All ICT companies, including Nigerian companies, currently use foreign manufactured products as Nigeria does not have the capacity to produce ICT products.

In October 2015, MCT and NITDA published a notice requiring government service and ICT service, network and equipment companies to report their local integration status by November 16. On November 5, 2015, NITDA informed U.S. ICT companies that it would not require in-country product manufacturing due to the difficult business environment in Nigeria, but noted that it would continue to press for local ICT capacity building programs. The GoN's history of mixed signals on enforcement of the local content requirements and their implications continues to create uncertainty over local content requirement enforcement.

Investment Incentives

The GoN maintains different and overlapping incentive programs. The Industrial Development/Income Tax Relief Act Number 22 of 1971, amended in 1988, provides incentives to pioneer industries deemed beneficial to Nigeria's economic development and to labor-intensive industries, such as apparel. There are currently 71 industries defined as pioneer industries for the purposes of this incentive. Companies that receive pioneer status may benefit from a non-renewable, 100 percent tax holiday of five years (seven years, if the company is located in an economically-disadvantaged area). Industries that use 60 to 80 percent of local raw materials in production may benefit from a 30 percent tax concession for five years, and investments employing labor-intensive modes of production may enjoy a 15 percent tax concession for five years. Additional tax incentives are available for investments in domestic research and development, for companies that invest in local government areas (LGAs) deemed disadvantaged, for local value added processing, for investments in solid minerals and oil and gas, and for a number of other investment scenarios. For a full list of incentives please, refer to the Nigerian Investment Promotion Council website at nipc.gov.ng.

The Nigerian Export Promotion Council administered an Export Expansion Grant (EEG) scheme to improve non-oil export performance, but the government shut down the program in 2014 due to concerns about corruption on the part of companies who collected the grants but did not actually export. The Nigerian Export-Import (NEXIM) Bank provides commercial bank guarantees and direct lending to facilitate export sector growth, although these services are underused. NEXIM's Foreign Input Facility provides normal commercial terms of three to five years (or longer) for the importation of machinery and raw materials used for generating exports.

Agencies created to promote industrial exports remain burdened by uneven management, vaguely-defined policy guidelines, and corruption. Nigeria's inadequate power supply and lack of infrastructure and the associated high production costs leave Nigerian exporters at a significant disadvantage. Many Nigerian businesses fail to export because they find meeting international packaging and safety standards to be too difficult or expensive. The vast majority of Nigeria's manufacturers remain unable to compete in the international market.

Research and Development

The NIPC states that up to 120 percent of expenses on (R&D) are tax deductible, provided that such R&D activities are carried out in Nigeria and are connected with the business from

which income or profits are derived. Also, for the purpose of R&D on local raw materials, 140 percent of expenses are allowed. For cases in which the research is long-term, it will be regarded as a capital expenditure and will be written off against profit.

Performance Requirements

Foreign investors must register with the NIPC, incorporate as a limited liability company (private or public) with the Corporate Affairs Commission, procure appropriate business permits, and register with the Securities and Exchange Commission (when applicable) to conduct business in Nigeria. Manufacturing companies sometimes must meet local content requirements. Expatriate personnel do not require work permits, but they remain subject to needs quotas requiring them to obtain residence permits that allow salary remittances abroad. Authorities permit larger quotas for professions deemed in short supply, such as deep-water oil-field divers. U.S. companies often report problems in obtaining quota permits. The Nigerian Oil and Gas Content Development Act, 2010 (NOGCDA) restricts the number of expatriate managers to five percent of the total number of personnel for companies in the oil and gas sector.

Technology Transfer Requirements

The National Office of Industrial Property Act of 1979 established the National Office of Technology Acquisition and Promotion (NOTAP) to facilitate the acquisition, development, and promotion of foreign and indigenous technologies. NOTAP registers commercial contracts and agreements dealing with the transfer of foreign technology and ensures that investors possess licenses to use trademarks and patented inventions and meet other requirements before sending remittances abroad. In cooperation with the Ministry of Finance, NOTAP administers 120 percent tax deductions for research and development carried out in Nigeria and 140 percent tax deductions for research and development using local raw materials. The NOGCDA has technology-transfer requirements that appear to violate a company's intellectual property rights.

Customs

The Nigerian Customs Service (NCS) and the Nigerian Ports Authority (NPA) exercise exclusive jurisdiction over customs services and port operations. Nigerian law allows importers to clear goods on their own, but most importers employ clearing and forwarding agents to minimize tariffs and lower their landed costs. Others ship their goods to ports in neighboring countries, primarily Benin, after which they transport overland and smuggle into the country. The GoN implements a destination inspection scheme whereby all imports are inspected upon arrival into Nigeria, rather than at the ports of origin. In December 2013, the NCS regained the authority to conduct destination inspections, which had previously been contracted to private companies. NCS also introduced an online system for filing customs documentation via a Pre-Arrival Assessment Report (PAAR) process.

Shippers report that efforts to modernize and professionalize the NCS and the NPA have reduced port congestion and clearance times. These efforts include an ongoing program to achieve 48-hour cargo clearance, particularly at Lagos' Apapa Port, which handles over 40 percent of Nigeria's legal trade. Nevertheless, bribery of customs agents and port officials remains common, and smuggled goods routinely enter Nigeria's seaports and cross its land borders.

Visa Requirements

Investors sometimes encounter difficulties acquiring entry visas and residency permits. Foreigners must obtain entry visas from Nigerian embassies or consulates abroad, seek expatriate position authorization from the NIPC, and request residency permits from the Nigerian Immigration Service. Investors report that this cumbersome process can take from two to 24 months and cost from USD 1,000 to USD 3,000 in facilitation fees. The GoN announced a new visa rule in August 2011 to encourage foreign investment, under which legitimate investors can obtain multiple entry-visas at points of entry into Nigeria. These changes have not been fully implemented, and the costs to obtain multiple entry visas on entry are not clearly set or standardized with each point of entry. U.S. businesses have reported being solicited for bribes in the visa on entry program. Obtaining a visa prior to traveling to Nigeria is strongly encouraged.

Data Storage

The Guidelines for Nigerian Content Development in the ICT sector issued by NITDA on December 3, 2013 require ICT companies to host all consumer and subscriber data locally and for government ministries, departments and agencies to source and procure software from only local and indigenous software development companies.

6. Protection of Property Rights

Real Property

The GoN recognizes secured interests in property, such as mortgages. The recording of security instruments and their enforcement remain subject to the same inefficiencies as those in the judicial system. In the World Bank publication, *Doing Business 2016*, Nigeria ranked 181 out of the 189 countries surveyed for registering property, a 4 place improvement over its 2015 ranking of 185. In Lagos, property registration required an average of 13 procedures over 77 days at a cost of 10.1 percent of the property value while in Kano registering property averages 9 procedures over 45 days at a cost of 11.8 percent of the property value.

Fee simple property rights remain rare. Owners transfer most property through long-term leases, with certificates of occupancy acting as title deeds. Property transfers are complex and must usually go through state governors' offices. In Abuja, the Federal Capital Territory government cancelled and began a process of reregistering all property allotments, refusing to renew those it deemed not to comply with the city's master plan. Authorities have often compelled owners to demolish buildings on such property allotments, including government buildings, commercial buildings, residences, and churches, even in the face of court injunctions. Therefore, acquiring and maintaining rights to real property has become problematic.

Clarity of title and registration of land ownership remain significant challenges throughout rural Nigeria, where many smallholder farmers have only ancestral or traditional use claims to their land. Nigeria's land reforms have attempted to address this barrier to development but with limited success. A major American investment in an industrial-scale farm in rural Nigeria was cancelled in 2015 in part because the land ownership and the relocation of smallholder farmers was not carried out by the state government, which is vested with such power under Nigerian law.

Intellectual Property Rights

Nigeria's legal and institutional infrastructure for protecting intellectual property rights remains in need of further development and more funding, even though there are laws on the books to deal with enforcing most IPR violations. The areas where the legislation is deficient include online piracy, geographical indications, and plant and animal breeders' rights.

Copyright protection in Nigeria is governed by the Copyright Act of 1988, as amended in 1992 and 1999, which provides an adequate basis for enforcing copyright and combating piracy. That Act is administered by the Nigerian Copyright Commission (NCC), a division of the Ministry of Justice. U.S. business interests have previously noted that the Copyright Act needs to be amended to provide for stiffer penalties for violators. Trademarks are covered under the Trademarks Act of 1965, while patents and designs are protected under the Patents and Designs Act of 1970. Both of these Acts are administered by the Ministry of Industry, Trade, and Investment through its Trademarks, Patents and Designs Registry (TPDR). TPDR officials have benefitted from capacity building and training from U.S. agencies, including most recently from the U.S. Patent and Trade Office.

The lack of new IPR legislation means some newer IPR categories are not currently addressed in Nigerian law, including online piracy, geographical indications, and plant and animal breeders' rights. Efforts to pass legislation to fill these gaps have continued over a period of years but have not yet succeeded. Most recently, in October 2015, the NCC released a draft Revised Copyright Bill, with a public comment period open until January 2016. The draft legislation seeks to include implementation of the Copyright Treaty, the Performances and Phonograms Treaty, the Beijing Treaty for Protection of Audiovisual Performances, and the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired, or Otherwise Print Disabled. These treaties address important digital communication and broadcast issues that have only become more relevant since Nigeria signed them. Until Nigeria becomes a contracting party to these treaties, Nigeria cannot be held accountable to these treaties' provisions. The GoN and National Assembly have also discussed legislation – first introduced in 2006 – that would combine the NCC and the TPDR into one IPR organization, which could provide more effective and efficient protections and enforcement (the TPDR currently does not have enforcement authority). Political wrangling has reportedly been largely responsible for preventing such legislative solutions from being developed and implemented.

Nigeria is a member of the World Intellectual Property Organization (WIPO) but has not yet passed legislation to ratify two WIPO treaties that it signed in 1997: the Copyright Treaty and the Performances and Phonograms Treaty. These treaties address important digital communication and broadcast issues that have only become more relevant since Nigeria signed those 18 years ago.

Recognition of geographical indications would be among the obligations the long-delayed Economic Partnership Agreement (EPA) between the EU and ECOWAS would impose on Nigeria (and all other ECOWAS member countries). ECOWAS has yet to ratify that EPA, however.

Local content guidelines issued by the Ministry of Communication Technology (MCT) in 2013 (Guidelines for Nigerian Content Development in Information and Communications Technology) have raised concerns about, among other things, the future ability of the GoN to protect data and trade secrets, due to the localization processes requiring the disclosure of source code and other sensitive design elements as a condition of doing business. The IT industry in Nigeria has pushed back strongly against several of the measures in those

guidelines, which remain in effect but have not been fully enforced. While the National Information Development Agency (NITDA) does not currently require in-country product manufacturing due to the difficult business environment in Nigeria, it has noted that it would continue to press for local ICT capacity building programs.

Violations of Nigerian IPR laws continue to be widespread, due in large part to a culture of inadequate enforcement. That culture stems from several factors, including insufficient resources among enforcement agencies, lack of GoN political will and focus on IPR, porous borders, entrenched trafficking systems that make enforcement difficult (and sometimes dangerous), and corruption. The NCC, which has primary responsibility for copyright enforcement, is generally viewed as understaffed and underfunded relative to the magnitude of the IPR challenge in Nigeria. According to its report for 2015, the NCC seized 1,783,914 copyrighted works, including DVDs, books, MP3s, and software. Anti-piracy operations in the northern States of Kaduna and Kano in October 2015 led to 98 arrests. Over the past several years, the NCC conducted more than 180 anti-piracy operations across the country, arrested 403 suspects, and seized approximately 5.9 million units of pirated works (with an estimated market value of approximately 40 million USD). Those arrests have resulted in criminal convictions against copyright offenders, with sentences including fines, imprisonment, or both. More than 170 criminal copyright infringement cases remain pending in various courts across the country. The Nigerian Police, the Economic and Financial Crimes Commission, and the National Customs Service all have a supporting role in IPR enforcement, but enforcement actions are typically coordinated and led by the NCC, as these other agencies – also constrained by resource limitations – do not view IPR enforcement as a primary mandate.

Awareness of IPR concerns among the general populace, including among intellectual property rights holders themselves and those who violate those rights, is generally low. The rapid growth in the size of Nigeria's own domestic creative industries, including "Nollywood" (continuing to build on its growth in recent years, Nigeria's entertainment and music sector grew over 6.5 % through the 3rd Quarter of 2015), as well as the growth of internet use in Nigeria, means the Nigerian economy has more to lose than ever before from inadequate IPR protections, including inadequate online digital piracy protections.

The NCS has general authority to seize and destroy contraband. Under current law, copyrighted works require a notice issued by the rights owner to Customs to treat such works as infringing, but implementing procedures have not been developed and this procedure is handled on a case by case basis between the NCS and the Nigerian Copyright Commission (NCC). Once seizures are made, the NCS invites the NCC to inspect and subsequently take delivery of the consignment of fake goods for purposes of further investigation because the NCC has the statutory responsibility to investigate and prosecute copyright violations. The cost of moving and storing infringing goods is to be borne by the NCC. If, after investigations, any persons are identified with the infringing materials, a decision may be taken to prosecute. Where no persons are identified or could be traced, the Commission may obtain an order of court to enable it destroy such works. The Commission works in cooperation with right owners associations and stakeholders in the copyright industries on such matters.

Many USG agencies, including the Department of Justice, the U.S. Patent and Trademark Office, the U.S. Copyright Office, the Department of Homeland Security, the Internal Revenue Service, and others have all led or participated in IPR capacity building efforts in recent years that have included participants from Nigeria's Economic and Financial Crimes

Commission, the Nigerian Customs Service, the Nigerian Police, the Nigerian Copyright Commission, the Nigerian Trademarks, Patents, and Designs Registry, the Standards Organization of Nigeria, and the National Agency For Food and Drug Administration and Control.

Resources for Rights Holders

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

Embassy point of contact: Trade and Investment Officer EconNigeria@state.gov

Local lawyers list: http://nigeria.usembassy.gov/acs_abuja_legal_information.html

7. Transparency of the Regulatory System

Nigeria's legal, accounting, and regulatory systems comply with international norms, but enforcement remains uneven. Opportunities for public comment and input into proposed regulations sometimes occur. Professional organizations set standards for the provision of professional services, such as accounting, law, medicine, engineering, and advertising. These standards usually comply with international norms. No legal barriers prevent entry into this sector.

Taxation

Nigeria's tax laws generally do not impede investment, but the imposition and administration of taxes remains uneven and lacks transparency. Tax evasion commonly occurs, with individuals and businesses often colluding with relevant officials to avoid paying taxes. Nigeria has signed double taxation agreements with several countries, including the United Kingdom, France, the Philippines and Japan. The GON imposes a 7.5 percent tax rate on dividends, interest, rent, and royalties when such benefits are paid to a bona-fide beneficiary under a tax treaty. Multiple taxes remain a problem for businesses at state and local levels, with companies within concurrent state and local jurisdictions expected to pay several taxes and levies. The top individual income tax rate is 24 percent, and the top corporate tax rate is 30 percent. Other taxes include a value-added tax and a capital gains tax.

8. Efficient Capital Markets and Portfolio Investment

The NIPC Act of 1995 liberalized Nigeria's foreign investment regime, which has facilitated access to credit from domestic financial institutions. Foreign investors who have incorporated their companies in Nigeria have equal access to all financial instruments. Some investors consider the capital market, specifically the Nigerian Stock Exchange (NSE), a financing option, given commercial banks' high interest rates and the short maturities of local debt instruments.

Notwithstanding successful national elections in March 2015 and widespread approval of the new Buhari Administration's focus on security issues, the year witnessed continuing declines in stock market value owing to declining crude oil prices, foreign exchange difficulties, and the exit of foreign portfolio investors. The equity market declined 17.36 percent in 2015, following a 16.14 percent decline in 2014. As of December 2015, the NSE claimed over 257 listed companies and a total market capitalization of USD 85.3 billion, a 5.8 percent decline from 2014. Roughly half of that figure is represented by the market capitalization value of just four

companies. The GON has considered forcing companies in certain sectors or over a certain size to list on the NSE, as a means to encourage greater corporate participation and sectoral balance in the NSE, but those proposals have not been enacted to date.

The Government employs debt instruments, with the GoN issuing bonds of various maturities ranging from two to 20 years since the return to civilian rule in 1999. The GoN has issued bonds to restructure the GoN domestic debt portfolio from short-term to medium- and long-term instruments. Some state governments have issued bonds to finance development projects; while some domestic banks have used the bond market to raise additional capital. The Nigerian Securities and Exchange Commission (NSEC) has issued stringent guidelines for states wishing to raise funds on capital markets, such as requiring credit assessments conducted by recognized credit rating agencies.

Money and Banking System, Hostile Takeovers

The Central Bank of Nigeria (CBN) currently licenses 22 deposit-taking commercial banks in Nigeria. Following a 2009 banking crisis, CBN officials intervened in eight of 24 commercial banks (roughly one third of the system by assets) due to insolvency or serious undercapitalization and established the government-owned Asset Management Company of Nigeria (AMCON) to address bank balance sheet disequilibria via discounted purchases of non-performing loans. The Nigerian banking sector emerged stronger from the crisis thanks to a number of reforms undertaken by the Central Bank of Nigeria (CBN) including the adoption of uniform year-end IFRS financial reporting to increase transparency, a stronger emphasis on risk management and corporate governance, and the nationalization of three distressed banks. In 2013 the CBN introduced a stricter supervision framework for the country's top eight banks, identified as "Systematically Important Banks" (SIBs) given they account for more than 70 percent of the industry's total assets, loans and deposits, and their failure or collapse could disrupt the entire financial system and the country's real economy. These eight banks are: First Bank of Nigeria, United Bank for Africa, Zenith Bank, Access Bank, Ecobank Nigeria, Guaranty Trust Bank, Skye Bank, and Diamond Bank. Under the new supervision framework, the operations of SIBs are closely monitored with regulatory authorities conducting stress tests on the SIBs' capital and liquidity adequacy. Moreover, SIBs are required to maintain a higher minimum capital adequacy ratio of 15 percent.

The CBN supports non-interest banking. Both Jaiz Bank International Plc and Stanbic IBTC Plc have established Islamic banking operations in Nigeria. Jaiz Bank International commenced operations in 2012. There are five licensed merchant banks.

9. Competition from State-Owned Enterprises

The Government of Nigeria does not have an established practice that is consistent with the OECD guidelines on Corporate Governance for SOEs. SOEs have enabling legislation that governs their ownership. To legalize the existence of SOEs, provisions have been made in the Nigerian constitution under socio-economic development in section 16 (1) of the 1979 and 1999 constitutions respectively. The government has privatized many former State-Owned Enterprises (SOEs) to encourage more efficient operations, most recently the state-owned telecommunications company, NITEL, and its mobile subsidiary, MTEL.

Nigeria does not operate a centralized ownership system for its SOEs. The enabling legislation for each SOE stipulates its ownership and governance structure. The Boards of Directors are usually appointed by the President. The Boards operate in line with their enabling legislation.

Boards are appointed in line with the enabling legislation which usually stipulates the criteria for appointing Board members. SOEs Boards consist of members appointed by the President on the recommendation of the Minister. Directors are appointed by the board within the relevant sector. In a few cases, however, some board appointments have been viewed as a reward to political affiliates. In the case of the Nigerian National Petroleum Corporation (NNPC), appointment is made by the presidency but the day to day running of business is overseen by the Group Managing Director (GMD). The GMD reports to the Minister of Petroleum, although in the current administration the GMD doubles as the Minister of State for Petroleum while the President is the substantive Minister.

Responsible for exploration, refining, petrochemicals, products transportation and marketing, the NNPC is the biggest and arguably most important state-owned enterprise. It owns and operates Nigeria's four refineries (one each in Warri and Kaduna and two in Port Harcourt), all of which operate far below their original installed capacity. There is an ongoing drive to encourage private investment in refineries. Nigerian cement conglomerate Dangote has committed to building a \$9 billion, 500,000 barrel per day refinery and petrochemical plant in the Lagos area which it expects to begin operating by 2017.

In a bid to attract investment in refineries; the GON says it plans to deregulate the downstream sector fully. In 2016, the Buhari administration took steps to reorganize NNPC into seven independent operational units: Upstream, Downstream, Gas and Power, Refineries, Ventures, Corporate Planning and Services, and Finance and Accounts.

The NNPC operates as an autonomous entity. For many years, there has been little or no information available on its finances, internal controls, or quasi-fiscal obligations. The minister of petroleum resources grants licenses for oil exploration, while the Department of Petroleum Resources, under the minister, oversees the licensing process and regulates the sector. While there is open bidding, the minister of petroleum resources exercises wide discretion in awarding licenses. The legislative branch has limited oversight of the process. Nigeria's tax agency receives taxes on petroleum profits and other hydrocarbon-related levies, while the Department of Petroleum Resources collects rents, royalties, license fees, bonuses, and other payments. The Buhari administration has launched efforts to provide greater transparency in the collection of revenues that accrue to the government and requiring these revenues, including some from the NNPC, to be deposited in the Treasury Single Account.

Another key SOE is the Transmission Company of Nigeria (TCN), responsible for the operation of Nigeria's national electrical grid. Private power generators have accused the TCN grid of significant inefficiency and inadequate technology. The TCN is a wholly owned subsidiary of the Nigeria Electricity Regulatory Commission. The TCN incorporated in November 2005 and emerged from the defunct National Electric Power Authority (NEPA). TCN is currently being managed by a Management Contractor, Manitoba Hydro International (Canada).

The conduct and governance of SOEs are contained within the provision of the company legislation. While SOEs' financials are usually not made public, the NNPC recently started publishing its monthly reports. SOEs prepare their financials, get them audited and submit to the relevant supervisory ministry or the President based on their enabling legislation.

OECD Guidelines on Corporate Governance of SOEs

Nigerian SOEs are not governed by OECD Guidelines on Corporate Governance. The Government of Nigeria does not have an established practice that is consistent with the

OECD guidelines on Corporate Governance for SOEs. SOEs have enabling legislation that governs their ownership. To legalize the existence of SOEs, provisions have been made in the Nigerian constitution under socio-economic development in section 16 (1) of the 1979 and 1999 constitutions respectively.

Sovereign Wealth Funds

The Nigeria Sovereign Investment Authority (NSIA) is the manager of Nigeria's Sovereign Wealth Fund. It was created by the Nigeria Sovereign Investment Authority Act in 2011 and began operation the following year with seed capital of USD 1 billion. Its most recent annual report (calendar year 2014) reported total assets of USD 971.6 million, a 12.8 percent increase from 2013. It was created to receive, manage and grow a diversified portfolio that will eventually replace government revenue currently drawn from non-renewable resources, primarily hydrocarbons.

The NSIA is a public agency that subscribes to the Santiago Principles which are a set of 24 guidelines that assign "best practices" for the operations of Sovereign Wealth Funds globally. The NSIA invests through three funds: the Future Generations Fund for diversified portfolio of long term growth, the Nigeria Infrastructure Fund for domestic infrastructure development, and the Stabilization Fund to act as a buffer against short-term economic instability. NISA does not take an active role in management of companies. The Embassy has not received any report or indication that the activities of the NSIA limit private competition.

10. Responsible Business Conduct

Large local and foreign enterprises generally follow Responsible Business Conduct (RBC) principles as a way to identify with the communities in which they operate and display support for GoN initiatives. Nigeria participates in the Extractive Industries Transparency Initiative (EITI) and is an EITI compliant country. Numerous large local and foreign firms have published policies and guidelines for responsible business conduct.

Major infrastructure projects require an Environmental Impact Assessment certification pursuant to the EIA Act. This law ensures that the significant environmental issues are identified and studied before public and private sector development projects or activities are commenced and that any potential negative effects can be prevented, reduced or mitigated.

The Department of Petroleum Resources (DPR), an arm of the Ministry of Petroleum Resources also ensures comprehensive standards and guidelines to direct the execution of projects with proper consideration for the environment. The DPR Environmental Guidelines and Standards (EGAS) of 1991 for the petroleum industry is a comprehensive working document with serious consideration for the preservation and protection of the Niger Delta.

Companies in Nigeria are expected to ensure that any activity on which they embark is socially friendly and is embedded in their Article and Memorandum of Understanding. In the past, societal expectations from business organizations did not go beyond efficient resource allocation and profit maximization. Today modern business must think beyond profit maximization toward being at least socially responsible to society.

There is no specific RBC law in Nigeria. Several legislative acts incorporate within their provisions certain expectations that directly or indirectly regulate the observance or practice of Corporate Social Responsibility. In order to reinforce responsible behavior, various laws

have been put in place for the protection of the environment. These laws stipulate criminal sanctions for non-compliance. There are also regulating agencies which exist to protect the rights of consumers when breached by these entities.

While the GoN has no specific action plan regarding OECD RBC guidelines, most government procurements are done transparently and in line with the Public Procurement Act which stipulates advertisement and a transparent bidding process.

Regulators exist with oversight functions geared towards human, labor, consumers and environmental protections. The Consumer Protection Council (CPC), NAFDAC, SON etc. have the authority to impose fines, and ensure the destruction of harmful substances which otherwise may have sold to the general public. Environmental pollution by multinational oil companies have resulted in fines being imposed locally while some cases have been pursued in foreign jurisdictions resulting in judgment being granted in favor of the oil producing communities.

The main regulators and enforcers of corporate governance are the Securities and Exchange Commission (SEC) and the Corporate Affairs Commission (which register all incorporated Companies). Nigeria has adopted multiple reforms on corporate governance. Examples include Code of Corporate governance best practice in 2003 issued by Securities Exchange Commission (SEC). Similarly, in 2006, the Central Bank of Nigeria (CBN) issued a Code of Corporate Governance for banks' post consolidation. In order to improve corporate governance, the SEC in September 2008 inaugurated a National Committee for the reviewing the Code of Corporate Governance for public companies in Nigeria. It is stipulated that the Board should report annually on the nature and extent of its social, ethical, safety, health and environmental policies and practices. The Securities Exchange Commission issued another Code of Corporate Governance in 2011.

The Companies Allied Matter Act 1990 (CAMA) and the Investment Securities Act provide basic guidelines on company listing. More detailed regulations are covered in the Nigeria Stock Exchange Listing rules. Publicly listed companies are expected to disclose such information in their Annual Financial Reports.

The Banks and other Financial Institution Act 1991 empowers the Central Bank of Nigeria (CBN) to register and regulate bank and other financial institutions. The Insurance Act of 2003 ensures the regulation of insurance companies through the National Insurance Commission (NAICOM).

The Institute of Chartered Accountant of Nigeria (ICAN), the Association of Accountant of Nigeria (ANAN), and Institute of Directors (IoD) also play various roles in promoting effective corporate governance systems in Nigeria. They promote their goals through conferences, seminars and symposiums on compliance with the code of corporate governance practices for listed firms.

11. Political Violence

Political, religious, and ethnic violence continue to affect Nigeria. Boko Haram, formally known as Jama'atu Ahlis Sunna Lidda'awati Wal-Jihad, has waged a terrorist campaign across a growing number of northern states, calling for the institution of Shari'a law across Northern Nigeria. Such attacks have resulted in thousands of deaths since 2009. Boko Haram has targeted churches, mosques, government installations, educational institutions, and

leisure sites with Improvised Explosive Devices (IEDs) and Suicide Vehicle-borne IEDS across nine Northern states and in Abuja. In 2011, Boko Haram bombed the National Police Force headquarters and conducted a suicide car bombing of the United Nations headquarters in Abuja. Attacks on innocent civilians accelerated from late 2013 through 2014. In 2013, Boko Haram claimed responsibility for raiding educational institutions and murdering students. In 2014, Boko Haram began using young girls as agents of suicide bomb attacks. In 2015, consistent with his campaign pledges, newly-elected President Muhammadu Buhari has focused on matters of insecurity in Nigeria and in neighboring countries. Due to challenging security dynamics in the North, the U.S. Diplomatic Mission to Nigeria has significantly limited official travel north of Abuja. Such trips occur only with security measures designed to mitigate the threats of car-bomb attacks and abductions.

Decades of neglect, persistent poverty, and environmental damage caused by the oil and gas industry has left Nigeria's oil rich Niger Delta region vulnerable to renewed violence. The 2009 amnesty of Delta militants significantly reduced attacks on pipelines and other petroleum facilities, increasing oil production from 700,000 barrels per day (bpd) at the peak of militancy to over 2 million bpd today. However, the sector still faces egregious onshore oil theft and maritime criminality, substandard infrastructure, and byzantine regulation that dampen oil and gas production and impede the sector's further growth.

Though each oil producing state receives a 13 percent derivation of the oil revenue produced within its borders, and the Niger Delta Development Corporation (NDDC) receives an additional USD 1 billion in annual funding to implement social and economic development projects, the Niger Delta suffers from endemic poverty and dismal federal government services.

Endemic corruption and environmental devastation caused by decades of oil spills remain largely unaddressed. State and local governments offer few social services, and Niger Delta residents continue to seek direct payments and other assistance from oil companies. Some oil companies have implemented their own socio-economic development programs to assist local communities, but the virtual absence of concerted government attention to the needs of these communities means many of them remain angry and resentful of oil production activities in their region. The limited scope and timeframe of the amnesty program, which expired in 2015, a shortage of sufficient employment opportunities for both the thousands of amnesty beneficiaries as well as other underserved youth, and the federal government's failure to address the region's underlying grievances could result in a resumption of broader and more violent criminal activity without concerted government action.

12. Corruption

Government Procurement

Foreign companies, whether incorporated in Nigeria or not, may bid on government projects and generally receive national treatment in government procurement, but may also be subject to a local content vehicle (e.g., partnership with a local partner firm or the inclusion of one in a consortium) or other prerequisites which are likely to vary from tender to tender. Corruption and lack of transparency in tender processes has been a far greater concern to U.S. companies than any discriminatory policies based on foreign status. The U.S. diplomatic mission in Nigeria has not been approached in recent years by U.S.-based firms alleging discriminatory treatment in the procurement process and is unaware of any specific such instances. Government tenders are published in local newspapers, a "tenders" journal sold at

local newspaper outlets, and on occasion in foreign journals and magazines. The Nigerian government has made modest progress on its pledge to conduct open and competitive bidding processes for government procurement. Reforms have also improved transparency in procurement by the state-owned Nigerian National Petroleum Company (NPPC). Although U.S. companies have won contracts in a number of sectors, difficulties in receiving payment are not uncommon and can inhibit firms from bidding. Supplier or foreign government subsidized financing arrangements appear in some cases to be a crucial factor in the award of government procurements. Nigeria is not a signatory to the WTO Agreement on Government Procurement.

The Public Procurement Law of 2007 established the Bureau of Public Procurement (BPP) as the successor agency to the Budget Monitoring and Price Intelligence Unit (BMPIU). The BPP acts as a clearinghouse for government contracts and procurement and monitors the implementation of projects to ensure compliance with contract terms and budgetary restrictions. Procurements above 100 million naira (about USD 641,000) reportedly undergo full "due process." Some of the 36 states of the federation have also passed public procurement legislation.

Businesses report that bribery of customs and port officials remains common, and smuggled goods routinely enter Nigeria's seaports and cross its land borders.

Domestic and foreign observers identify corruption as a serious obstacle to economic growth and poverty reduction. Nigeria scored 27 out of 100 in Transparency International's 2014 Corruption Perception Index (CPI), placing it in the 136th position out of the 175 countries ranked. The Economic and Financial Crimes Commission (EFCC) Establishment Act of 2004 established the EFCC to prosecute individuals involved in financial crimes and other acts of economic "sabotage." Traditionally, the EFCC has encountered the most success in prosecuting low-level Internet scam operators. A relative few high-profile convictions have taken place, such as a former governor of Bayelsa State, a former Inspector General of Police, and a former Chair of the Board of the Nigerian Port Authority. However, in the case of the convicted governor of Bayelsa State, the President of Nigeria pardoned him in March 2013. President Mahammadu Buhari, inaugurated in May 2015, has focused on implementing a campaign pledge to address corruption. In late 2015 and early 2016, the EFCC arrested a former National Security Advisor (NSA), a former Minister of State for Finance, a former NSA Director of Finance and Administration and others on charges related to diversion of funds intended for government arms procurement.

The Corrupt Practices and Other Related Offences Act of 2001 established an Independent Corrupt Practices and Other Related Offences Commission (ICPC) to prosecute individuals, government officials, and businesses for corruption. The Act punishes over 19 offenses, including accepting or giving bribes, fraudulent acquisition of property, and concealment of fraud. Nigerian law stipulates that giving and receiving bribes constitute criminal offenses and, as such, are not tax deductible. ICPC investigations have resulted in 8 convictions in 2013, bringing the total since its inauguration to 68 cases. In April 2014, a presidential committee set up to review Nigeria's ministries, departments, and agencies (MDAs) recommended that the EFCC, the ICPC, and the Code of Conduct Bureau (CCB) be merged into one organization. The federal government, however, rejected this proposal to consolidate the work of these three anti-graft agencies.

Nigeria gained admittance into the Egmont Group of Financial Intelligence Units (FIUs) in May 2007. The Paris-based Financial Action Task Force (FATF) removed Nigeria from its list of

Non-Cooperative Countries and Territories in June 2006. In October 2013, the FATF decided that Nigeria had substantially addressed the technical requirements of its FATF Action Plan and agreed to remove Nigeria from its monitoring process conducted by FATF's International Cooperation Review Group (ICRG). The Nigeria Extractive Industries Transparency Initiative (NEITI) Act of 2007 provided for the establishment of the NEITI organization, charged with responsibility to develop a framework for transparency and accountability in the reporting and disclosure by all extractive industry companies of revenue due to or paid to the GON. NEITI serves as a member of the international Extractive Industries Transparency Initiative (EITI), which provides a global standard for revenue transparency for extractive industries like oil and gas and mining.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Nigeria is party to the United Nations Convention against Corruption. Nigeria is not a member of the OECD and not party to the OECD Convention on Combating Bribery.

Resources to Report Corruption

Economic and Financial Crimes Commission. Hotline: +234 9 9044752 or +234 9 9044753.

Headquarters: No. 5, Fomella Street, Off Adetokunbo Ademola Crescent, Wuse II, Abuja, Nigeria. Branch offices in Ikoyi, Lagos State; Port Harcourt, Rivers State; Independence Layout, Enugu State; Kano, Kano State; Gombe, Gombe State.

Independent Corrupt Practices and Other Related Offences Commission:

Abuja Office - Headquarters

Plot 802 Constitution Avenue, Central District, PMB 535, Garki Abuja

Phone/Fax: 234 9 523 8810 Email: info@icpc.gov.ng

13. Bilateral Investment Agreements

Bilateral Taxation Treaties

The GoN signed a Trade and Investment Framework Agreement (TIFA) with the United States in 2000. Nigeria has bilateral investment agreements with Algeria, Austria, Bulgaria, Canada, China, Egypt, Ethiopia, France, Finland, Germany, Italy, Jamaica, Montenegro, The Netherlands, Republic of Korea, Kuwait, Romania, Russia, Serbia, South Africa, Spain, Sweden, Switzerland, Taiwan, Turkey, Uganda, and The United Kingdom. Fifteen of these treaties (those with China, France, Finland, Germany, Italy, Republic of Korea, The Netherlands, Romania, Serbia, South Africa, Spain, Sweden, Switzerland, Taiwan and The United Kingdom) have been ratified by both parties. GoN officials blame treaty partners for the lack of ratification, but the ratification process within the GoN has not proven proactive or well-organized. U.S. and Nigerian officials held their latest round of TIFA talks in April 2016.

Nigeria is a party to double taxation agreements with thirteen countries, the latest of which (with the Philippines) became effective January 1, 2014. Nigeria does not have such an agreement with the United States.

14. Foreign Trade Zones/Free Ports/Trade Facilitation

The Nigerian Export Processing Zone Authority (NEPZA) allows duty-free import of all equipment and raw materials into its export processing zones. Up to 25 percent of production

in an export processing zone may be sold domestically upon payment of applicable duties. Investors in the zones are exempt from foreign exchange regulations and taxes and may freely repatriate capital. The GoN also encourages private sector participation and partnership with state and local governments under the free trade zones (FTZ) program, resulting in the establishment of the Lekki FTZ (owned by Lagos state), and the Olokola FTZ (owned by the federal government, Ogun state, Ondo state, and private oil companies and straddling Ogun and Ondo states). Workers in FTZs may unionize, but may not strike for an initial ten-year period.

15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

Economic Data	Host Country Statistical source		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	2015	N/A	2015	568,500	www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	2014	N/A	2014	5173	http://bea.gov/international/direct_investment/multinational_companies_comprehensive_data.htm
Host country's FDI in the United States (\$M USD, stock positions)	2014	N/A	2014	N/A	N/A
Total inbound stock of FDI as % host GDP	N/A	N/A	N/A	N/A	N/A

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	65326	100%	Total Outward	N/A	100%

United Kingdom	13441	21%	N/A	N/A	N/A
Netherlands	12505	19%	N/A	N/A	N/A
France	4969	8%	N/A	N/A	N/A
China, P.R., Mainland	4229	6%	N/A	N/A	N/A
United States	4071	6%	N/A	N/A	N/A
"0" reflects amounts rounded to +/- USD 500,000.					

Table 4: Sources of Portfolio Investment

Portfolio investment statistics are unavailable for Nigeria.

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments](#)

Legal system:

Mixed legal system of English common law, Islamic law (in 12 northern states), and traditional law

International organization participation:

ACP, AfDB, AU, C, CD, D-8, ECOWAS, EITI (compliant country), FAO, G-15, G-24, G-77, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IDB, IFAD, IFC, IFRC, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC (NGOs), MIGA, MINURSO, MONUSCO, NAM, OAS (observer), OIC, OPCW, OPEC, PCA, UN, UNAMID, UNCTAD, UNESCO, UNHCR, UNIDO, UNIFIL, UNISFA, UNITAR, UNMIL, UNMISS, UNOCI, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO

Section 6 - Tax

Exchange control

Exchange control regulations have been abolished in Nigeria. Under the new foreign exchange and investment promotion laws, a foreign investor is guaranteed unconditional transferability of funds through an authorised dealer in freely convertible currencies in respect of:

- Dividends or profit (net of taxes) attributable to the investment
- Payment in respect of loan serving where foreign loan has been obtained
- The remittance of proceeds (net of all taxes) and other obligations in the event of a sale or liquidation of the enterprise or any interest attributable to the investment.

Authorised dealers of foreign currencies need to notify the Central Bank of Nigeria of any cash transfer to or from a foreign country of any sum in excess of US\$ 10,000. A tax clearance certificate must, however, be obtained by anyone wishing to remit dividend and interest funds outside the country.

Treaty and non-treaty withholding tax rates

Nigeria has exchange of information relationships with 77 jurisdictions through 17 DTCs, 0 TIEAs and 1 multilateral mechanism, Convention on Mutual Administrative Assistance in Tax Matters.

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Belgium	DTC	20 Nov 1989	27 Oct 1994	Yes	No	
Canada	DTC	4 Aug 1992	16 Nov 1999	Yes	No	
China	DTC	15 Apr 2002	21 Mar 2009	Yes	No	
Czech Republic	DTC	31 Aug 1989	2 Dec 1990	Yes	No	
France	DTC	27 Mar 1990	2 May 1991	Yes	No	
Korea, Republic of	DTC	6 Nov 2006	not yet in force	Yes	Yes	
Mauritius	DTC	10 Aug 2012	not yet in force	Yes	No	
Netherlands	DTC	11 Dec 1991	9 Dec 1992	No	No	
Pakistan	DTC	10 Oct 1985	8 Mar 1990	Unreviewed	No	
Philippines	DTC	30 Sep 1997	not yet in force	Yes	No	
Poland	DTC	12 Feb 1999	not yet in force	Yes	No	
Romania	DTC	21 Jul 1992	1 Jan 1995	Unreviewed	No	
Slovakia	DTC	31 Aug 1989	2 Dec 1990	Yes	No	
South Africa	DTC	29 Apr 2000	5 Jul 2008	Yes	No	

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Spain	DTC	23 Jun 2009	not yet in force	Yes	Yes	
Sweden	DTC	18 Nov 2004	not yet in force	Yes	No	
United Kingdom	DTC	9 Jun 1987	27 Dec 1987	No	No	

Methodology and Sources

Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD Global Forum on Transparency and Exchange of Information for Tax Purposes](#) [PKF International](#))

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