Executive Summary

Nigeria hosts Africa's largest economy, with 2013 Gross Domestic Product (GDP) estimated in the $500 billion range, as well as its largest population of over 170 million citizens. This substantial market size, combined with consistent and strong GDP growth over the past decade, has attracted considerable investor interest. The Government of Nigeria (GON) actively seeks foreign investment and in 2012 Nigeria was the largest recipient in Africa, with over $7 billion in foreign direct investment (FDI) recorded. While Nigeria offers abundant natural resources and a low-cost labor pool, much of Nigeria's market potential remains unrealized because of significant impediments to investment that include an inadequate power supply, lack of transportation infrastructure, delays in the passage of announced legislative reforms, an inefficient property registration system, non-comprehensive intellectual property protections and enforcement, restrictive trade policies, an inconsistent regulatory environment, a slow and ineffective judicial system, unreliable dispute resolution mechanisms, insecurity, and pervasive corruption.

The Nigerian economy has continued to grow rapidly in recent years despite these persistent structural weaknesses, with growth concentrated primarily in trade, agriculture, 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 14 percent of GDP, over 90 percent of export earnings, and over 70 percent of government revenues. Nigeria ranks as Africa's largest oil producer and the thirteenth largest in the world, producing high-value, low-sulfur crude oil. However, Nigeria's oil output has contracted in the past three years and regulatory constraints, other uncertainties, and security risks have limited new investment in this sector. A significant bottleneck to broad-based economic development remains Nigeria's underdeveloped power sector, which currently supplies less than 5,000 megawatts of power. A comprehensive reform of Nigeria's power sector is ongoing, although many challenges remain before Nigeria will see a significant, sustainable improvement in power delivery to industrial and consumer end-users.

Conservative macroeconomic management over the past three years has provided Nigeria a stable base for future growth and the overall macroeconomic outlook for Nigeria is strong in the medium term, assuming that oil output stabilizes and oil prices remain strong. The Central Bank of Nigeria (CBN) has pursued broad financial sector reforms and its monetary policy has been successful in cutting consumer price inflation to the 8 percent range in 2013 from double digit levels in recent years. The CBN has also successfully smoothed exchange rate volatility and maintained a high degree of exchange rate stability.

Nigeria's trade regime remains highly-protectionist and distorting, with restrictive import tariffs and outright import prohibitions in place to spur domestic agricultural and manufacturing sector growth. Nigeria's bilateral trade with the U.S. totaled $18.2 billion in 2013. U.S. exports to Nigeria are primarily refined petroleum products, vehicles, cereals, and machinery. Nigeria's 2013 exports to the U.S. totaled $11.7 billion, down 38.3 percent from 2012. Crude oil and

petroleum products accounted for over 99 percent of 2013 Nigerian exports to the U.S. Nigeria enjoys preferential access to the U.S market under the African Growth and Opportunity Act (AGOA). However, non-oil exports to the U.S. under AGOA remain at low levels.

Although the bulk of Nigeria's FDI has historically been concentrated in its oil and gas sector, substantial new investment is flowing into Nigeria's power, telecommunications, real estate (commercial and residential), and agricultural sectors. The stock of U.S. FDI in Nigeria stood at $5.2 billion in 2010, up 5.1 percent from 2009. U.S. direct investment in Nigeria remains concentrated in the oil and gas sectors.

1. Openness to and Restrictions on Foreign Investment

Nigeria is Africa's most populous nation with an estimated population of over 170 million. Following a March 2014 statistical "rebasing" exercise, it is also Africa's largest economy, with 2013 GDP estimated in the $500 billion range. The country offers investors abundant natural resources and a low-cost labor pool. Much of Nigeria's market potential remains unrealized, however, because of a long list of impediments to investment. These include an inadequate power supply, lack of infrastructure, delays in the passage of announced legislative reforms, non-comprehensive intellectual property protections and enforcement of 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.

The Nigerian economy has continued to grow rapidly in recent years despite these persistent structural weaknesses, with growth concentrated primarily in trade, agriculture, and telecommunications. Post re-basing, in 2013 Nigeria's agricultural sector contributes an estimated 22 percent of GDP, the oil and gas sector 14 percent, the telecom sector 9 percent, and the manufacturing sector 7%. Overall, services including telecommunications, finance, and construction, contribute 52 percent of GDP. The agriculture sector in Nigeria sustains over 80 percent of rural households; and the government is working to expand private agro-businesses access to finance, increase the use of irrigation and improved seed varieties, and relieve farm-to-market transport infrastructure constraints.

The Nigerian economy remains heavily dependent on its oil sector, which contributes over 90 percent of total export earnings and over 70 percent of consolidated government revenues. Nigeria ranks as Africa's largest oil producer and the thirteenth largest in the world, producing high-value, low-sulfur crude oil. However, Nigeria's oil output has contracted in the past three years, with negative growth in 2012 and 2013. Regulatory constraints, other uncertainties, and security risks have limited investment in this sector. In particular, investors have been hesitant to make new investments in light of uncertainty regarding oil and gas sector legal, regulatory, and fiscal terms in legislation pending review by the National Assembly. Increasing disruption of oil pipeline operations and oil theft have also played a major role in the recent decline in oil output.

A significant bottleneck to broad-based economic development remains Nigeria's underdeveloped power sector, which currently supplies less than 5,000 megawatts of power -- enough to power a mid-sized U.S. city -- compared with 48,000 megawatts generated by South

Africa, a country with less than one-third of Nigeria's population. A comprehensive reform of Nigeria's power sector is ongoing, although many challenges remain before Nigeria will see a significant, sustainable improvement in power delivery to industrial and consumer end-users. In 2012, Nigeria's Electricity Regulatory Commission (NERC) began a phased increase of electricity tariffs towards cost-reflective levels, an important step towards improving the sustainability of investment in the sector. Government-owned thermal and hydro-power generation assets, representing the majority of Nigeria's current installed generation capacity, as well as regional electricity distribution companies were privatized and concessioned in 2013. Private owners must invest significant new capital to upgrade their inadequate infrastructure, and obtaining necessary financing will be challenging. The government must also deregulate natural gas pricing more fully to provide incentives to develop greater supply for domestic power generation. Nigeria's transportation infrastructure -- road, rail, port, and aviation -- remains broadly inadequate, and GON efforts to attract private capital to develop these sectors, including through public-private sector partnerships (PPP), have remained slow and only intermittently-successful.

Conservative macroeconomic management over the past three years has provided a stable base for further growth. High dependence on oil revenue makes strong countercyclical policy essential to maintain macroeconomic stability and, to this end, in 2004 Nigeria established a fiscal reserve fund, the Excess Crude Account (ECA). ECA balances reached $20 billion in 2008, allowing the government to finance a stimulus package that maintained growth and stability during the global financial crisis of 2008-9. However, ECA fiscal reserves dropped significantly to the $3 billion level in 2013 due to lower oil production. This contributed to market uncertainty and some reduction in portfolio investment in Nigerian sovereign securities and equities. Nevertheless, the overall macroeconomic outlook for Nigeria remains strong in the medium term assuming that oil output stabilizes and oil prices remain strong. Because effective management of Nigeria's fiscal reserve is essential to sustain a counter-cyclical fiscal policy, Nigeria has passed legislation to reform fiscal reserve management and move from the current Excess Crude Account to a Sovereign Wealth Fund based on clearer rules and regulations.

Attitude Toward FDI

In the aftermath of the 2009 near collapse of Nigeria's banking sector, the Central Bank of Nigeria (CBN) pursued broad financial sector reforms, establishing a restructuring agency (the Asset Management Company of Nigeria) to purchase bank non-performing loans, recapitalizing the banking sector, strengthening regulation, and narrowing the types of financial activities banks are allowed to engage in. CBN monetary policy has been restrictive and effective in reducing the pace of consumer price inflation to 8 percent in 2013 from double digit levels in previous years. The CBN has smoothed exchange rate volatility and maintained a high degree of exchange rate stability.

Nigeria's trade regime remains highly-protectionist and distorting. A national Agricultural Transformation Action Plan 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. Nigeria's bilateral trade with the U.S. totaled $18.2 billion in 2013, according to U.S. Department of Commerce data. U.S. exports to Nigeria, primarily refined petroleum products ($2.1 billion); vehicles ($1.3 billion); cereals

(wheat) ($962 million); machinery ($820 million); and plastic ($185 million); rose roughly 28 percent in 2013 to $6.5 billion. Nigeria's 2013 exports to the U.S. totaled $11.7 billion, a decrease of 38.3 percent from 2012, with crude oil and petroleum products accounted for over 99 percent of this total. While Nigeria enjoys preferential access to the U.S market under the African Growth and Opportunity Act (AGOA), non-oil exports to the U.S. remain at low levels.

The value of Nigeria's merchandise trade with the world in 2013 totaled $132 billion, according to the Nigerian National Bureau of Statistics, down 24.3 percent from 2012. Nigeria's global exports declined 35.6 percent in 2013 and were valued at $89 billion. 2013 imports rose 22 percent from the previous year to $43 billion. China remains the largest source of Nigeria's imports. Crude oil continues to dominate Nigeria's overall trade. U.S. crude oil imports from Nigeria have continued to decrease as a result of expanded U.S. domestic production. India is currently Nigeria's largest export market, following by the European Union. As its crude oil export trade patterns have shifted towards Asia, Nigeria has remained a reliable crude oil supplier to international markets.

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 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. Five bombings of high-profile targets with multiple deaths have occurred in the federal capital Abuja since October 2010. Other bombings and assassinations have occurred in the cities of Kaduna, Maiduguri, Damaturu, Bauchi, Jos, Kano, Suleja, and Abuja, the majority linked to an extremist Islamic sect known as Boko Haram. An amnesty program for militants in the restive 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.

President Goodluck Jonathan gained election to a full four-year term in April 2011 via a general election judged by most international and domestic observers to be free, fair, and credible. Since President Jonathan's inauguration in May 2011, Nigeria has conducted several successful state-level gubernatorial and parliamentary elections, an indicator of the sustained strength of the Independent National Electoral Commission (INEC). Over the past three years, U.S.-Nigeria Bi-National Commission (BNC) Working Group meetings have addressed Regional Security;

Governance, Transparency and Integrity; Energy and Investment; the Niger Delta; and Agricultural Development and Food Security. Nigeria seeks to strengthen its leadership role internationally, including at the African Union (AU) and the Abuja-based Economic Community of West African States (ECOWAS), and as a non-permanent member of the UN Security Council.

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. Moreover, the country's overall human rights record remains poor.

Nigeria's Selected Indices and Rankings
The following table indicates Nigeria's recent ranking according to various metrics of transparency and good governance:

Measure	**Index/Ranking**
Transparency International Corruption Index	144 (out of 177 countries)
Heritage Economic Freedom Index	129 (out of 186 countries)
World Bank Doing Business Index	147 (out of 189 countries)
MCC Govt. Effectiveness	42%
MCC Rule of Law	29%
MCC Control of Corruption	27%
MCC Fiscal Policy	55%
MCC Trade Policy	29%
MCC Regulatory Quality	53%
MCC Business Start-up	42%
MCC Land Rights Access	32%
MCC Natural Resource Protection	62%
MCC Access to Credit	96%
MCC Inflation	17%

The GON actively seeks foreign investment and has repealed or amended earlier military government decrees inhibiting competition or conferring monopoly powers on public enterprises. The GON's protectionist tradition remains strong despite these actions, resulting in inconsistent trade policy. The GON specifically prohibits the importation of some goods, such as cement, and, effective 2013, refined sugar, to foster domestic production. The GON enacted the Nigerian Oil and Gas Content Development Act (NOGCDA) in 2010 to support domestic employment and value-added in this sector. The NOGCDA requires oil and gas production and service companies to use local resources for the delivery of some goods and services previously sourced from outside the country. Concerns about the NOGCDA include its restrictive trade practices in violation of World Trade Organization (WTO) agreements as well as technology transfer

requirements that infringe upon foreign investor company intellectual property rights. Many local companies established to respond to the greater demand for local goods and services provided for by the NOGCDA have suffered due to lack of new contracts caused by the delayed passage of the Petroleum Industry Bill (PIB). Laws against the re-export of equipment restrict the development of Nigeria as an oil and gas service center for the growing African oil and gas industry.

Laws/Regulations of FDI

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.

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.

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. The GON is in the process of privatizing state-owned generation and distribution assets in the electric power sector and signed an electricity transmission management contract with an international operations and management contractor. 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 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.

The GON established the Infrastructure Concession Regulatory Commission (ICRC) in 2008 to identify Greenfield projects for concessioning. More recently, the GON has articulated its strong interest in developing public-private partnerships to attract foreign capital to support basic infrastructure development. The GON recently terminated and re-awarded a long term concession granted for the Design-Build-Operate-Transfer of the Lagos-Ibadan Expressway, a major highway in the southwestern part of the country. An ongoing dispute also exists between

the GON and a private sector company over the concession granted for the Murtala Muhammed domestic airport in Lagos.

Nigeria's telecommunications industry has been the fastest growing sector of the economy since the early 2000s. According to the Nigerian Communications Commission (NCC), a regulatory oversight body, as of 2014 there were over 129 million telephone line subscribers, both mobile and landline, representing a 92.1 percent teledensity. Four private companies, MTN, Airtel, Globacom, and Etisalat, dominate the mobile industry. GSM technology is utilized by 97.9 percent of Nigeria’s telephone lines.

It estimated that 36 percent of Nigerians have access to some form of the internet, mostly through mobile phones, and that 6 percent of Nigerians utilize broadband internet. Five undersea communications cables land in Lagos. Fiber optic backbone cable connects Lagos with all 36 of Nigeria’s state capitals. However providing service within Nigeria’s cities, including “last mile” broadband access to residences, businesses and government customers, has been impeded by high taxation and right of way fees charged to lay fiber optic cable by state and local governments. The Ministry of Communications Technology announced a National Broadband Plan in 2013 and in 2013 the NCC proposed to divide the current broadband provision market into three segments: retail internet providers, wholesale “infrastructure companies”, and broadband backbone providers.

The GON has made efforts to expand its civil aviation sector. A bilateral air services ("Open Skies") agreement with the U.S. was signed in 2000. Its implementation has been mixed: in 2012, Nigeria denied a U.S. carrier "fifth freedom" rights specifically permitted under the Open Skies agreement to provide transportation to passengers between Nigeria and a third country on flights en route to the U.S. U.S. carriers presently fly from Lagos to Atlanta and Houston. A Nigerian carrier flies between Lagos and New York. In 2010, the Federal Aviation Administration awarded Nigeria Category 1 status in its International Aviation Safety Assessments program, indicating that Nigeria's civil aviation authority fully complies with International Civil Aviation Organization safety standards. Nigeria and the U.S. signed an Air Marshals Memorandum of Understanding in 2010.

2. Conversion and Transfer Policies

The Foreign Exchange Monitoring Decree of 1995 opened Nigeria's foreign exchange market. To improve anti-money laundering oversight and discipline in the foreign exchange markets, a Wholesale Dutch Auction System adopted in 2006 was suspended in 2013 and replaced with a retail version requiring dealers to reveal the identity of the buyers. Foreign companies and individuals can hold non-naira-denominated accounts in domestic banks. Account holders have unlimited use of these funds, and foreign investors may repatriate capital without restrictions. Authorities have established a $4,000 quarterly Personal Travel Allowance for foreign exchange and a $5,000 quarterly Business Travel Allowance per individual for naira-denominated accounts. Commercial banks and Bureaux De Change (BDCs) usually issue foreign exchange for travel in cash, while some authorized dealers also issue pre-paid credit cards for use at Automatic Teller Machine (ATM) terminals worldwide. Purchase of foreign exchange for business purposes, such as for importing equipment and raw materials, and for paying school

fees abroad, must be routed through banks, while some retail transactions, such as credit card payments, school fees, travel allowances, among others can also be done via BDCs.

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. All such transfers must occur through banks.

3. Expropriation and Compensation

The GON has not expropriated or nationalized foreign assets since the late 1970s. A U.S.-owned waste management investment expropriated by Abia State involves the only known U.S. expropriation case in Nigeria.

4. Dispute Settlement

Legal System

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 does not have enough court facilities, lacks computerized document-processing systems, and poorly remunerates judges and other court officials, all of which encourage corruption and undermines enforcement. Debtors and creditors rarely have recourse to Nigeria's pre-independence bankruptcy law. Entrepreneurs generally do not seek bankruptcy protection in Nigeria’s business culture. Claims often go unpaid, even in cases where creditors obtain judgments against defendants.

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 2014, which surveyed 189 countries, ranked Nigeria 136 out of 189 countries on the enforcement of contracts, compared with its 2013 ranking of 138 out of 185 countries surveyed. In addition, the report revealed that contract enforcement required 40 procedures spanning an average of 447 days averaging 92 percent of the value of the contract. This situation compared with 31 procedures spanning an average of 529 days and averaging 21 percent of the cost of the contract in OECD countries and 39 procedures spanning an average of 652 days and averaging 51.1 percent of the contract in sub-Saharan countries.

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. Plaintiffs in these cases, however, do not always pay settlements expeditiously. 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. 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.

International Arbitration

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 Convention on the Recognition and Enforcement of Arbitral Awards (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.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Nigeria regulates investment in line with the World Trade Organization's Trade-Related Investment Measures (TRIMS) Agreement. Foreign companies operate successfully in Nigeria's service sector, including telecommunications, accounting, insurance, banking, and advertising. The Investment and Securities Act of 2007, forbids monopolies, insider trading, and unfair practices in securities dealings.

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. 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 incentives exist for the natural gas sector, including allowances for capital investments and tax-deductible interest on loans. The GON encourages foreign investment in agriculture, mining and mineral extraction (non-oil), and oil and gas sectors. The GON recently announced incentives in the agricultural sector to promote rice, sugar, and cassava production. Such incentives include a 12 percent corporate tax rebate for bakers that attain a 40 percent cassava blend with wheat flour; and zero percent duty on imported machinery used for domestic sugar manufacturing, rice production, and processing cassava flour for composite flour blending. In practice, these incentive programs meet with varying degrees of success.

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. As mentioned earlier, the NOGCDA has technology-transfer requirements that appear to violate a company's intellectual property rights.

Import Policies

Import tariffs provide the GON its second largest, although much less significant, source of revenue after oil and gas exports. The GON issued the 2008-2012 Common External Tariff (CET) Book in September 2008, which is still in use. The CET harmonizes Nigeria's tariffs under the agreed to but yet to be adopted Economic Community of West African States (ECOWAS) CET. Nigeria's CET includes five tariff bands that include: 1) zero percent duty on capital goods, machinery, and essential drugs not produced locally; 2) 5 percent on imported raw materials; 3) 10 percent on intermediate goods; 4) 20 percent on finished goods; and 5) 35 percent on goods in certain sectors. In October 2013, ECOWAS members agreed to adopt the ECOWAS-wide, five-band tariff regime beginning January 1, 2015. An import prohibition list includes frozen poultry; pork; beef; pasta; fruit juice in retail packs; soaps and detergents; refined vegetable oil; beer; non-alcoholic beverages; cassava flour; plastics, and effective January 2013, refined sugar.

The GON has implemented various tariff and non-tariff measures in an effort to achieve self-sufficiency in the sector listed above, among others. These include a ban on imported cassava flour as of March 31, 2012; the imposition of a 65 percent levy on imported wheat flour and an increase to a 15 percent levy on imported wheat grain as of July 1, 2012; a rise to a 30 percent levy on imported brown rice as of July 1, 2012; and an increase to a 50-percent levy on imported polished (milled) rice as of 1 July 2012. Tariff measures effective January 2013 include 10 percent import duty and 50 percent levy on raw sugar. Other notable tariff measures due to be implemented in 2013 include zero duty and zero Value Added Tax (VAT) on the import of

commercial aircraft and its spare parts, including machinery and equipment used in the solid minerals sector

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. Many importers under-invoice shipments 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 and port officials remains common, and smuggled goods routinely enter Nigeria's seaports and cross its land borders. Efficient functioning of concessioned container terminals has significantly reduced container ship wait times, and the GON claims that the release times for containers has been significantly shortened due in part to the longer work hours. Importers, however, are unwilling to clear their goods at night at the ports due to security concerns. The Nigerian Maritime Administration and Safety Agency (NIMASA) became the Designated Authority for compliance with the International Ship and Port Facility Security Code (ISPS) in May 2013.

Export Incentives

The Nigerian Export Promotion Council administers the Export Expansion Grant (EEG) scheme to improve non-oil export performance, however, the Ministry of Finance announced in 2013 that it would re-evaluate program costs and effectiveness. The Nigerian Export-Import (NEXIM) Bank provides commercial bank guarantees and direct lending to facilitate export sector growth, although these practices 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. The vast majority of Nigeria’s manufacturers remain unable to compete in the international market.

Government Procurement

The GON awards contracts under an open-tender system, advertising tenders in Nigerian newspapers and a “tenders” journal, and opening the tenders to domestic and foreign companies. Procurement has become slightly more transparent, but allegations of large-scale corruption in the awarding of government contracts persist. Procurement for capital projects often suffers from over-invoicing, which permits improper payments or "kick-backs" to private and public

sector officials. Many U.S. companies claim they remain disadvantaged in obtaining GON contracts, even when they appear to have submitted the best bids in technical and financial terms. Unsuccessful U.S. bidders sometimes allege collusion between foreign competitors and key GON officials.

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 $641,000) reportedly undergo full "due process." Some of the 36 states of the federation have also passed public procurement legislation.

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 $1,000 to $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. Obtaining a visa prior to traveling to Nigeria is strongly encouraged.

6. Right to Private Ownership and Establishment

The GON supports competitive business practices and protects private property in accordance with the NIPC Decree of 1995.

7. Protection of Real Property Rights

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 2013,” Nigeria ranked 185 out of the 189 countries surveyed for registering property, requiring averages of 13 procedures over 77 days at a cost of 20.8 percent of the property value. According to the report, property registration in OECD countries required averages of five procedures over 24.1 days at a cost of 4.4 percent of property values, while in sub-Saharan African countries this process required averages of 6 procedures over 58.9 days at a cost of 9.0 percent of 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 have become major challenges.

Protection of Intellectual Property Rights

Nigeria is a member of World Intellectual Property Organization (WIPO) and a signatory to the Universal Copyright Convention, the Berne Convention, and the Paris Convention (Lisbon text). The Patents and Design Decree of 1970 governs the registration of patents, and the Registry of Trademarks, Patents, and Designs falls under the Ministry of Industry, Trade, and Investment's Commercial Law Department (CLD). Once conferred, a patent conveys exclusive rights to make, import, sell, or use a product or apply a process. The Trademarks Act of 1965 gives trademark holders exclusive rights to use registered trademarks for a specific product or class of products. In January 2014, the CLD introduced the Intellectual Property Automated System to upgrade and digitize the process for submitting and reviewing trademark, patent, and industrial design applications.

The Copyright Act of 2004 is based on WIPO standards and U.S. copyright law, and makes it a crime to export, import, reproduce, exhibit, perform, or sell any work without the permission of the copyright owner. However, copyright owners do not register their works under the Copyright Act. Rather, they notify the Nigerian Copyright Commission (NCC). Nigeria's copyright statutes also include the National Film and Video Censors Board Act and the Nigerian Film Policy Law of 1993.

The Copyright Act incorporates trade-related aspects of intellectual property rights (TRIPS) protection for copyrights, except provisions to protect geographical indications and undisclosed business information. Confusion exists among the various GON agencies regarding proposed legislation expected to put all intellectual property agencies under a single and uniform authority. This legislation has undergone consideration by the National Assembly since 2006.

Concomitantly, the National Assembly has under consideration a bill that would establish an Industrial Property Commission, amend the Patents and Design Decree of 1970 to make comprehensive provisions for the registration and proprietorship of patents and designs, amend the Trademarks Act of 1965 to improve existing legislation relating to the recording, publishing, and enforcement of trademarks, and provide protection for plant varieties (including biotechnology) and animal breeds. The GON has signed the WIPO Internet treaties but has yet to ratify them.

Patent and trademark enforcement remains weak, and judicial procedures as well as application of enforcement measures suffer from delays and corruption. Relevant Nigerian institutions lack training and resources. A key deficiency involves inadequate appreciation of the benefits of Intellectual Property Rights (IPR) protection among regulatory officials, distributor networks, and consumers. Over-stretched and under-trained Nigerian police possess little understanding of intellectual property rights. The tariff policy released in September 2008 empowers the NCS to seize pirated works and prosecute offenders. The Nigerian Customs Service has received some WIPO-sponsored and USG-sponsored training, but admits that the technical capacity of its officers needs further enhancement to combat piracy effectively.

Companies do not often seek trademark or patent protection, because they consider the enforcement mechanisms as ineffective, however, recent efforts by the NCC, the NCS, the National Drug Law Enforcement Agency, the Economic and Financial Crimes Commission (EFCC), and the Nigerian Police intellectual property infringement have yielded some results. NCC publishes a detailed annual report of enforcement actions and prosecutions.

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

8. 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.

9. Efficient Capital Markets and Portfolio Investment

The NIPC Decree 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. Trading on the NSE has witnessed significant declines in value since March 2008 due to many factors, including the freeze on margin loans by local banks, sale of large quantities of shares by bank debtors to pay back margin loans, and exit of foreign portfolio investors and hedge funds due to the global economic crisis beginning in 2008. As of April 2014, the NSE had over 150 listed companies with a market capitalization of 12.8 trillion naira (about $80 billion). The top 50 listed companies accounted for over 91 percent of market capitalization.

The NSE operates nine branches nationwide, and the volume of shares listed continues to rise due to new companies listing their shares on the NSE. The listing of Dangote Cement Company in 2010, introduction of the contributory pension system in late 2005, GON divestment of equity in parastatal companies, and initial public offerings (IPOs) and issuances of additional shares by listed companies have contributed to the NSE's overall growth during the last several years. The NSE continues to expand its membership and investor pool. The GON is considering proposals that would require oil and gas, telecommunications, and newly privatized power sector companies to list their shares on the NSE as a means to encourage greater corporate participation and sectoral balance in the NSE.

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. The rating agencies recognized by the NSEC include: Agusto and Company, Brickfield Road Associates Limited, Datapro Limited, Pharez Limited, and Global Credit Rating of South Africa. The GON successfully issued a $1 billion 5 and 10 Year Eurobond to finance infrastructure development in 2013.

Money and Banking System

The Central Bank of Nigeria (CBN) currently licenses 21 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. Two financial institutions, First Securities Discount House Limited and

Rand Merchant Bank, a subsidiary of FirstRand of South Africa, were each granted merchant bank licenses in November 2012, and are expected to commence operation in 2013.

10. Competition from State-Owned Enterprises (SOEs)

The Government has privatized many State-Owned Enterprises (SOEs) to encourage more efficient operations. Remaining SOEs are drains on government finances. The GON continues efforts to privatize both state-owned telecommunications company, NITEL, and its mobile subsidiary, MTEL. The four state-owned oil refineries in Port-Harcourt, Warri, and Kaduna operate far below their original installed capacity. There is an ongoing drive to encourage private investment in refineries and, in a bid to attract such investment, the GON says it plans to deregulate the downstream sector fully.

11. **Corporate Social Responsibility**

Both local and foreign enterprises generally follow Corporate Social Responsibility (CSR) principles as a way to identify with the communities in which they operate and display support for GON initiatives. Generally, communities favorably view firms that pursue CSR.

12. Political Violence

President Jonathan's term tenure since his April 2011 election has largely been defined by political, religious, and ethnic violence that affect Northern Nigeria and Abuja. Boko Haram (formally known as "Jama'tu 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 more than three thousand deaths since 2009. Attacks on innocent civilians increased at an accelerated rate by the end of 2013 and some of the attacks on Muslims and Christians continued to catalyze religious and ethnic-based reprisals, resulting in death tolls often under-reported in the media. Mohammed Abubakar, a northerner from Zamfara state, remains the Inspector General of Police and Colonel (retired) Sambo Dasuki, a former military officer from Sokoto state, is the National Security Advisor. Both continue to catalyze GON efforts to contain Boko Haram.

Attacks in Northern states and Abuja have become increasingly lethal and sophisticated during the past year. 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 2013, Boko Haram claimed responsibility for raiding educational institutions and murdering students. In 2011, Boko Haram bombed the National Police Force headquarters and conducted a suicide car bombing of the United Nations headquarters in Abuja. 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.

From 2010 to 2013, Nigeria deployed a Joint Task Force (JTF), comprised of military and police personnel, as part of Operation "Restore Order" to combat Boko Haram. Security force efforts to

counter Boko Haram in Borno and Yobe States have elicited public allegations of the use of excessive force and human rights abuses against both innocent civilians and suspected Boko Haram members. In 2012, Amnesty International and Human Rights Watch published reports noting the alleged commission of crimes against humanity by Boko Haram members and detailing credible instances of systematic human rights abuses committed by JTF forces. The GON has publicly denounced the reports as biased and based on unreliable witness accounts, while noting frequent, deadly attacks perpetrated by Boko Haram elements against innocent civilians. On May 14, 2013, President Jonathan declared a State of Emergency in the three northeastern states of Yobe, Adamawa and Borno. In mid-2013, the 7th Infantry Division was deployed to the northeast to replace JTF forces.

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 about 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 $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 (set to expire 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.

Political violence often erupts during Nigerian elections. Some candidates hire young people to engage in violent acts, including intimidation of their opponents' supporters or of voters believed to support opponents. Violence can also occur during the polling process, with the theft of ballot boxes and clashes at or near polling stations. The murder of political opponents and the kidnapping of family members of political opponents have also taken place.

13. Corruption

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 offences 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.

14. Bilateral Investment Agreements

Investment Agreements

The GON signed a Trade and Investment Framework Agreement (TIFA) with the United States in 2000. Nigeria has bilateral investment agreements with Algeria, Bulgaria, China, Egypt, Ethiopia, France, Finland, Germany, Italy, Jamaica, Montenegro, The Netherlands, North Korea, Romania, Serbia, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Turkey, Uganda, and The United Kingdom. Twelve of these treaties (those with France, Finland, Germany, Italy, The Netherlands, Romania, Serbia, South Korea, Spain, Switzerland, Taiwan and The United Kingdom) have been ratified by both parties. The GON and Canada concluded negotiations in May 2013 for a Foreign Investment Promotion and Protection Agreement. 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 March 2014.

15. **OPIC and Other Investment Insurance Programs**

The U.S. Overseas Private Investment Corporation offers all its credit and risk products to U.S. investors in Nigeria.

16. **Labor**

Nigeria's skilled labor pool has declined over the past decade as vocational and university educational standards have fallen, mainly because of poor funding and repeated and prolonged university strikes, as employment opportunities in the formal sector have stagnated, and as educated Nigerians have left for employment in other countries, including the United Kingdom, the United States, and South Africa. The low employment capacity of Nigeria's formal sector means that almost three-quarters of all Nigerians work in the informal and agricultural sectors or are unemployed. Companies involved in formal sector businesses such as banking and insurance possess an adequately skilled workforce (often trained abroad in private institutions or at the better-funded universities). Manufacturing sector workers often require additional training and supervision, but too few supervisory personnel exist to ensure that this is done well. The result is that while individual wages are low, individual productivity is low and overall labor costs are high. Labor-management relations have encountered strains in some sectors, especially in the profitable oil and gas and public education sectors.

The Right of Association Nigeria's constitution guarantees the rights of free assembly and association and protects workers' rights to form or belong to trade unions. Several statutory laws, nonetheless, restrict the rights of workers to associate or disassociate with labor organizations. The Trade Union Amendment Act of 2005 allowed non-management senior staff to join unions. Nigerian unions belong to one of two trade union federations, the Nigeria Labor Congress (NLC), which tends to represent "junior" (i.e. blue collar) workers, and the Trade Union Congress of Nigeria (TUC) representing the "senior" (i.e. white collar) workers. According to figures provided by the Ministry of Labor and Productivity, total union membership stands at roughly 7 million. A majority of these union members work in the public sector, although unions exist across the private sector. Nigeria's largest labor federation, the NLC, contains 42 industrial unions; the TUC, includes 18.

Collective Bargaining

Collective bargaining occurred throughout the public sector and the organized private sector in 2013. However, public sector employees have become increasingly concerned about the GON and state governments' failure to honor previous agreements from the collective bargaining process. For instance, in 2013 a five-month strike by the Academic Staff Union of Universities (ASUU) was the result of the GON failing to implement a 2009 agreement. President Jonathan signed legislation in 2011 amending the Minimum Wage Act to raise the minimum wage to 18,000 naira (about $110) per month. Union leaders still complain that some state governors have not fully implemented the Act citing its budget implications, and in response unions staged strikes in some states.

Collective bargaining in the oil and gas industry is relatively efficient compared to other sectors. Issues pertaining to salaries, benefits, health and safety, and working conditions tend to be resolved quickly through negotiations. One exception is a long-standing, unresolved dispute over the industry's use of contract labor.

Workers under collective bargaining agreements cannot participate in strikes unless their unions comply with the requirements of the law, which includes provisions for mandatory mediation and referral of disputes to the GON. Despite these restrictions on staging strikes, unions occasionally conduct strikes in the private and public sectors without warning. Localized strikes occurred in the education, government, energy, power, and transportation sectors in 2013. The law forbids employers from granting general wage increases to workers without prior government approval, but the law is not often enforced.

The Nigerian Minister of Labor and Productivity may refer unresolved disputes to the Industrial Arbitration Panel (IAP) and the NIC. Union officials question the effectiveness and independence of the NIC, believing that the NIC is unable to resolve disputes stemming from GON failure to fulfill contract provisions for public sector employees. Union leaders criticize the arbitration system's dependence on the Minister of Labor and Productivity’s referrals to the IAP.

Child Labor

Nigeria has ratified the International Labor Organization (ILO) Convention on the Elimination of the Worst Forms of Child Labor. The Labor Act of 1974 and the 1999 Constitution prohibit forced or compulsory labor of children and restrict the employment of children under the age of 15 to home-based agricultural or domestic work for no more than eight hours per day. The law allows the apprenticeship of youths above the age of 12 under specific conditions. However, Nigeria's poor distribution of income has forced many children into commercial activities to enhance family income. The law sets a general minimum age of above 14 years of age for employment, but does not protect children from exploitation in the workplace and is not effectively enforced by the government. The law mandates that children under the age of fifteen who work shall reside with their parents or guardians. The law also restricts children under the age of 14 from employment in industrial work. Child labor remained widespread in practice, however. The Ministry of Labor and Productivity and the National Agency for the Prohibition of Traffic in Persons (NAPTIP) recently estimated that almost 16 million children have become involved in child labor, including 2.3 million employed in hazardous work.

The Ministry of Education estimated in 2010 that 9.5 million "almajiri" children (itinerant children under Koranic instruction, with many involved in street begging) in the northern part of the country. The federal government passed the Child Rights Act of 2003, with ratification left up to each state government. Only 23 of the 36 states and the Federal Capital Territory passed a version of the Child Rights Act of 2003 establishing laws providing the protection of children's rights as of the end of 2013. In September 2013, the Federal Executive Council (i.e. cabinet) approved the National Strategy on Child Labor and National Action Plan for the Elimination of Child Labor.

The Ministry of Labor and Productivity deals specifically with child labor problems and operates an inspections department to enforce legal provisions on conditions of work and protection of workers. From January to November 2013, the Ministry of Labor and Productivity reported 8,441 labor inspections of all types. The Labor Inspectorate employed 882 factory inspectors and labor officers in 2013, including hiring 209 new officers that year, 80 percent of whom were factory inspectors. Labor inspections mostly occurred randomly, but occasionally took place when there was suspicion of, rather than actual complaints of, illegal activity. Prosecutions for labor law violations, including use of child labor, remained rare. Monetary penalties under the law have become out of date, with fines for some violations limited to less than one U.S. dollar.

Acceptable Conditions of Work
Nigeria's Labor Act of 1974 provides for a 40-hour work week, two to four weeks of annual leave, and overtime and holiday pay for all workers except agricultural and domestic workers. No law prohibits compulsory overtime. The Act establishes general health and safety provisions, some of which specifically apply to young or female workers, and requires the Ministry of Labor and Productivity's Labor Inspectorate inspect factories for compliance with health and safety standards. Under-funding and limited resources undermine the Factory Division's oversight capacity, and construction sites and other non-factory work sites are often ignored. Nigeria's labor law requires employers to compensate injured workers and dependent survivors of workers killed in industrial accidents.

17. Foreign Trade Zones/Free Trade Zones

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.

18. Foreign Direct Investment

According to U.N. Conference on Trade and Development (UNCTAD) data, in 2012 Nigeria was the largest recipient of Foreign Direct Investment (FDI) in Africa, valued at $7 billion (down from $8.9 billion in 2011) and its total stock of FDI was valued at $76.3 billion in 2012 (up from $69 billion in 2011). Total FDI inflow amounted to $8.9 billion in 2011, mostly in the oil and gas sector, and representing about 55 percent of total FDI in West Africa and 21 percent of total FDI in Africa (including North Africa). Some FDI reaches telecommunications, real estate (including commercial and residential), and manufacturing, but total investment in the non-oil and gas sector remains small relative to investment in the oil and gas sector. The stock of U.S. FDI in Nigeria stood at $5.2 billion in 2010, up 5.1 percent from 2009, which is concentrated in the oil and gas sectors.

19. Contact Point at Post

Trade and Investment Officer
EconNigeria@state.gov
Plot 1075 Diplomatic Drive
Abuja, Nigeria
+234 9 461 4000