

Scaling Up Business Financing and Nigeria's Industrial Competitiveness in a Post- Covid World

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- Overview of the Nigerian Economy
- Supporting Government Regulation and Policy Reform
- Growing Business Financing in Nigeria
- Investment Opportunities in Nigeria



Nigeria remains an attractive investment destination to both international and domestic investors

GDP



Nigeria leads the African continent with its **GDP of \$433bn**

Population



Nigeria is the most populous country in Africa with over **200 million people**

Natural Resources



Nigeria is abundantly filled with a **wide variety of attractive natural resources**

Stock Market



The Nigerian Stock Exchange was the **best performing exchange** in 2020

Startup Hub



Lagos, Nigeria has been ranked as the **best city for technology startups** and is home to **three Tech unicorns**

Investor Destination



Nigeria **attracts the most VC investments** with almost **30% of total investments in Africa**

The Nigerian Agric sector is one of the sectors with significant investment opportunities

A



- The sector's growth rate over the last 5 years averaged 4%. Crop production dominates the sector, accounting for 21.8% of GDP alongside livestock (1.4%), fisheries (1.1%) and forestry (0.2%).

B



- Agriculture remains the largest sector in Nigeria contributing an average of 24% to the nation's GDP and employs more than 36% of the country's labour force, a feat which ranks the sector as the largest employer of labour in the country.

C



- Strong collaboration between the public and private sector has set Nigeria on a path to build an agribusiness economy capable of delivering sustained prosperity by meeting domestic food security goals, generating exports, and supporting sustainable income and job growth.

D



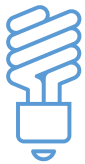
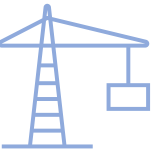
- Enabling policies such as: pioneer status incentives, zero import duty for import of agricultural equipment and agro-processing equipment, VAT exemption amongst others make the sector particularly attractive to investors

Fueled by enabling government initiatives and policy reforms, the manufacturing sub-sector is poised to drive the industrialization of the Nigeria economy



- The sub-sector's capacity utilization has grown from an average of 35% in the 1990s to an average of 54% in the last five years. Its contribution to national GDP has also grown steadily to an annual average of 9% in the same period.

- Lagos and its surroundings are home to about 60% of Nigeria's industrial activities. Other key industrial centres are Kano, Aba, Ibadan and Kaduna. Nigeria's most important manufacturing industries include beverages, cement, food processing, textiles and detergents



- Nigeria has a goal to become the preferred manufacturing hub in West Africa; and the preferred source for supplying low and medium-technology consumer and industrial goods domestically and regionally. Government has committed to ensuring that Nigeria generates a minimum of 10,000MW of power.

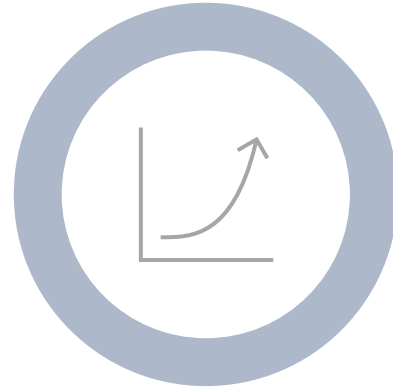
- Government has deliberately designed investment incentives to support private sector participation in the sub-sector. While some of these incentives are in form of tax holiday, exemptions, and reliefs, there are many more that leverage specific government policies, as well as relevant international investment treaties



Leveraging advancement in technology to transform the economy, the information and communication technology sub-sector has witnessed rapid growth



- The information and communication sub-sector contributed 14.6% to GDP in 2020 and has grown at about 4% over the last 5 years.
- Nigeria is home to the fastest growing and largest telecommunications industry in Africa.



- The sub-sector has grown phenomenally from a very low tele-density of 1.89% in 1993 to a magnificent 106.6% in 202
- GDP contribution has grown about 9%



- With a population size of about 200 million, less than 60% of whom are active internet users, the information, communications and technology (ICT) industry presents attractive investment opportunities.



- Nigeria's ICT network has revolutionized business operations by providing the highly mobile-technology-driven population with seamless ability to bank, invest, purchase, distribute, communicate, and explore through anytime and anywhere access to the internet

Government has implemented key initiatives and policies reforms to support the growth of the economy and create an enabling environment for businesses to thrive

Regulations and Policies Reforms



Finance Act

The Finance Act aims to reform the country's tax laws, aligning them with global best practices, support MSMEs, encourage investments in infrastructure and capital markets, and increase revenue to fund strategic projects.

CAMA

An updated Companies and Allied Matters Act (CAMA) is a progressive legislation that is aimed at transforming Nigeria's business landscape. The Act allows small and medium businesses to enjoy several benefits such as, tax incentives, ability to attract funding, etc.

Startup Bill

The Nigeria Startup Bill project is a joint initiative by Nigeria's Tech ecosystem and the Presidency designed to harness the potential of Nigeria's digital economy through co-created regulations. Using its big tent approach, the bill aims to get input from both government and the private stakeholders to boost the Tech ecosystem.

National Broadband

The new National Broadband Plan (NBP) provide the guidelines and strategies, new technologies and solutions that can be leveraged to advance broadband penetration of up to a 70 per cent coverage against the current coverage rate of 35 per cent and promotes Nigeria's digital Economy

The various policies of the government has led to an improved ease of doing business ranking for Nigeria (131/190)

Nigeria's ease of doing business ranking improved by 15 steps and 4.01 points between 2019 and 2020

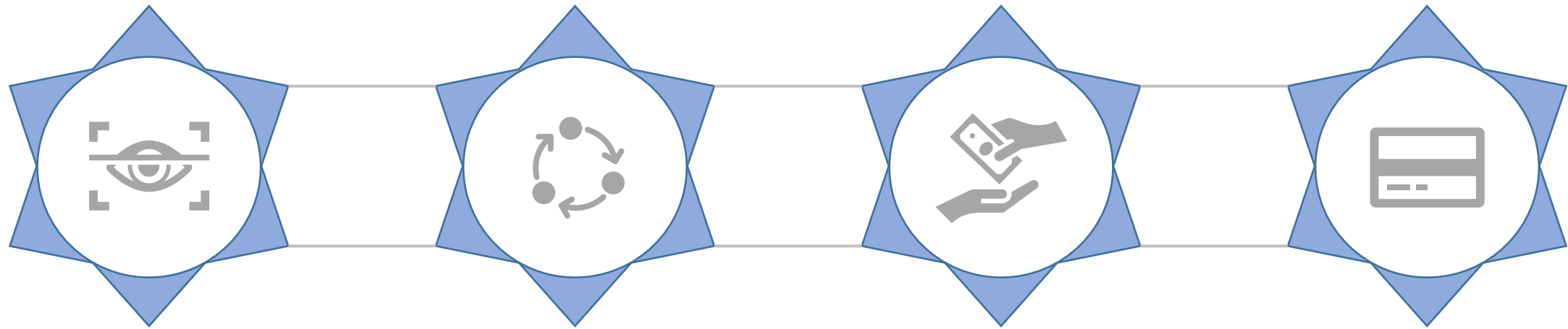
...Positive national doing business score...

	<u>Rank</u>	<u>Difference</u>	<u>¹DTF</u>	<u>Difference</u>
2020	131/190	↑ +15	56.9	↑ +4.01
2019	146/190	↓ -1	52.89	↑ +1.37
2018	145/190	↑ +24	51.52	↑ +6.89
2017	169/190	↑ +1	44.63	↓ -0.06
2016	170/190	↑ 0	44.69	↑ +1.14

2020 DB Ranking		
	<u>Rank</u>	<u>Difference</u>
Starting a business	105/190	↑ +5
Dealing with construction permits	55/190	↑ +94
Getting electricity	169/190	↑ +2
Registering property	183/190	↑ +1
Getting credit	15/190	↓ -3
Protecting minority investors	28/190	↑ +10
Paying taxes	159/190	↓ -5
Trading across borders	179/190	↑ +3
Enforcing contracts	73/190	↑ +20
Resolving insolvency	148/190	↑ +1

The players in the financial system have embraced and are leveraging technology in improving access, increasing funding and supporting businesses in Nigeria

Technology now plays a critical role throughout the business financing life-cycle



Verification

Lenders have been able to leverage technology to quickly verify the identity and credentials of users

Decisioning

The deployment of artificial intelligence and machine learning tools have improved the credit decisioning and approval process

Disbursement

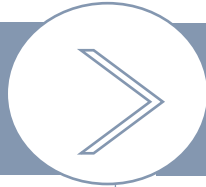
Instant disbursement of approved loans has made it easier for businesses to quickly meet their financing needs

Collections

Automated debit have made it easier for lenders improve their loan collections from debtors

The government has provided more financing options to support the growth of businesses in the country

Government agencies delivering business finance



Providing access to cheap credit in the domestic financial markets



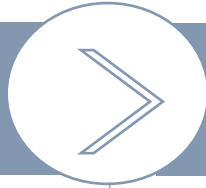
One of the government's major focus is creating an enabling environment for investors through business-friendly financial system and providing access to finance that businesses/firms can leverage to grow and develop rapidly

Some initiatives aimed at providing financial access to businesses include:

- Some of the various credit schemes and loans targeted at business financing include; African Development Bank Export Stimulation Loan scheme, National Economic Reconstruction Fund, Commercial Agriculture Credit Scheme
- The CBN also rolled out massive developmental interventions in critical areas such as Agriculture, Manufacturing and SMEs which include the SME Credit Guarantee Scheme (SMECGS); Agri-business/Small and Medium Enterprises Investment Scheme (AGSMEIS); and Targeted Credit Facility (TCF)x

The Nigerian Investment Promotion Commission has equally been integral and will continue to boost finance for business in Nigeria

Promoting investments in Nigerian businesses



Investment Promotion Commission (IPC)



**NIGERIAN
INVESTMENT
PROMOTION
COMMISSION**

The Investment Promotion Commission (Nigeria Investment Promotion Commission) creates a link between suitable foreign investment and the domestic economy



- The Nigerian Investment Promotion Commission (NIPC) serves as a one-stop shop for the requirements investors demand from Nigeria



- The commission acts as a catalyst in Nigeria's domestic economy, prompting the development of top-notch infrastructure and ready access to skilled workers, technicians, engineers and managers that is required by businesses



- It engages in after-investment care to accelerate the potential for reinvestments, and the potential for cluster-development because of follow-up investments.

However, given optimal structures and leveraging the improved business environment will attract additional private capital to drive development and improve Nigeria's competitiveness

The robust regulatory framework builds trust and signal confidence from the private sector attracting funding into the economy

Collateral Registry

Financial institutions need to maximize the potentials of the country's collateral registry to scale up the business finance for the plethora of MSMEs

Also, extend coverage of the credit bureau to include a larger segment of the bankable population through integrating nontraditional credit providers into the credit reporting system

Public Private Partnerships

Increased use of the government and private capital will increase the business financing resources particularly for critical sectors of the economy

Government will:

- Streamline process for approval of PPP projects from average 2 years to 6 months
- Expand the infrastructure tax credit scheme to other critical infrastructure

User-based funding

This structure could be in form of tolling or consumption taxes used to finance development and maintenance of infrastructure

For example:

- Petroleum surcharge goes to the "Highway Trust Fund" for road construction and transportation
- Imposition of 0.5% levy on the wholesale price of petroleum products to fund the Midstream Gas Infrastructure

Sector Liberalization

Full deregulation of a sector and the discipline of market competition will create enabling conditions for private capital allocation.

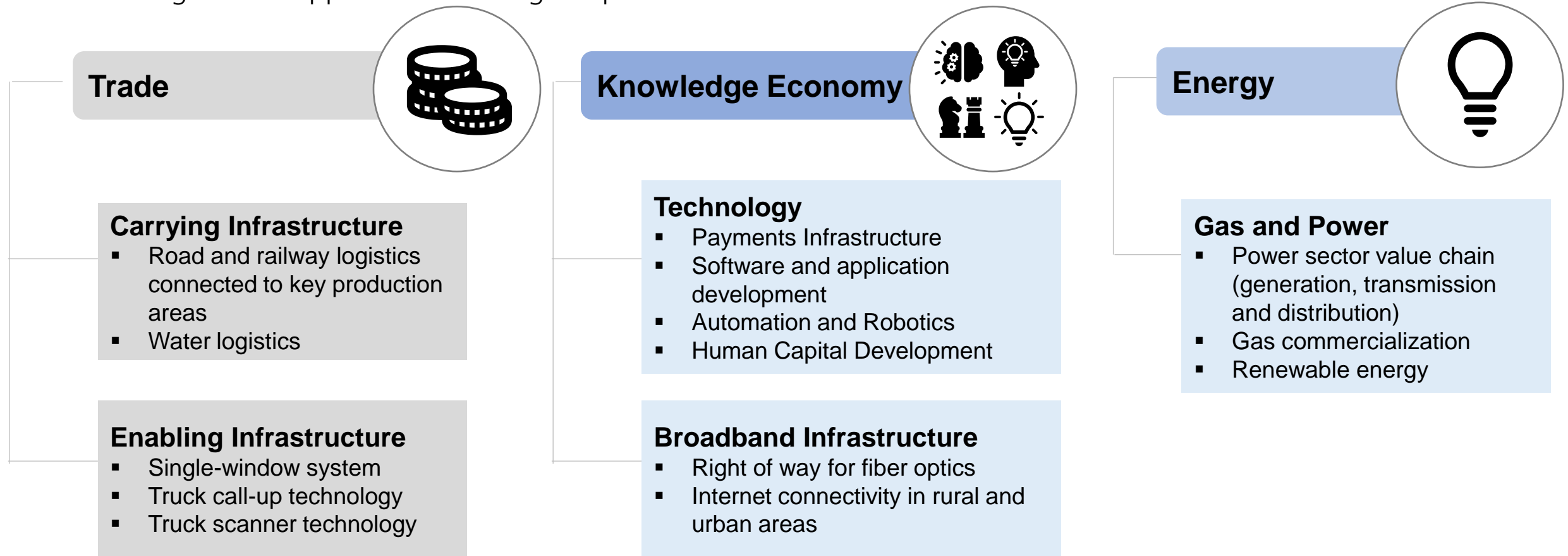
The recently enacted Petroleum Industry Act 2021 will attract private capital into Nigeria's oil and gas sector

Replicate success recorded in other sectors:

- Successful outcome in the Telecoms sector
- Successful outcome in the Ports sectors

Prioritizing investments in high-impact economic areas, in the medium to long term, will help improve Nigeria's industrial competitiveness in a Post-covid world

There are significant opportunities in high impact economic areas



Potentials

The logistic sector can grow to c.10% of GDP; from current level of <5%

Six out of the seven unicorns in Africa's technology sector are from Nigeria, with further potentials to scale

Nigeria's power sector loses **₦1.5 - 2** billion daily in unrealized electricity revenue due to constrained generation and transmission



High-impact growth sectors are poised to fuel Nigeria's economic growth and development in the post Covid19 era

Accelerating funding/financing to specific sectors/subsectors will fuel growth and enhance the industrial competitiveness of Nigeria

Sectors/Subsectors

Areas with high impact opportunities

Health Care & Health Technology

Pharmaceuticals, supplements, medical devices, personal protectives equipment (PPE), telemedicine, smart hospitals and online consultations, digital medical assistances, etc.

Telecommunications, Media and Education

New data infrastructure – 4G and 5G, other infrastructure expansion, Telco VAS services, gaming, Nollywood, content distribution, digital advertisements, virtual visits to landmarks, virtual classes, etc.

Information Technology : Software and Platforms

Cloud migration, digital transformation/migration, e-commerce platforms, geospatial platforms, analytics, robotics, AI, software as a service (SaaS), computer devices, etc.

Agriculture, Agro-Allied and Agro-Processing

Input supplies (seed, fertilizer, pesticides, etc.), storage, food processing and packaging, product export, transportation and distribution of agricultural equipment & FMCG manufacturing, etc.

Manufacturing

Electrical equipment, textile mills, furniture & related products, machinery, primary metals, miscellaneous manufacturing, chemical products, fabricated metal, plastics & rubber products, etc.

Logistics and Transportation

Ecommerce delivery, aviation, road and rail travels, water transportation, autonomous delivery, infrastructure development, port management, etc.

With government's consistent focus on improving the business climate, investment returns will remain very attractive and sustainable

The government understands that investment will play a major role in achieving sustained recovery and Nigeria's development, and is focused on implementing reforms that will attract significant investments into key sectors

- Sectors that can account for a sizeable share of employed individuals.
- Sectors that have potential to grow and expand their outputs
- Sectors with strong backward and forward linkages.
- Sectors with link to inclusive growth.



- Agriculture
- Manufacturing
- Oil and Gas
- Construction
- Trade
- Information and Communication Technology
- Education and Health

Targeted Reforms



- Industrial/Manufacturing:
 - *Revisiting the National Industrial Policy*



- Trade: AfCFTA:
 - *Clear winning strategy*



- Petroleum Industry Act:
 - *Implementation in 2021/2022*



- Digital Economy:
 - *Support for innovation & digital integration*



- Social Sector:
 - *Health/Education: Data-driven innovation, value creation & access*



Justification for Investment



Agriculture

- Availability of arable land across the country including 3.14 million hectares of irrigatable land;
- Favorable weather conditions that support all-year-round agricultural activities;
- Supportive government policy that is geared towards encouraging mechanized farming and agribusiness; and
- Huge demand gap between the supply of agricultural produce and the industrial activities.



Industry

- Large internal market with access to the regional and continental markets;
- Trainable workforce with competitive wage demand;
- Considerable size of disposable income by the population;
- Predictable macro-economic policy framework;
- Supportive government policy that is geared towards industrialization.



Services

- Large and competitive market with huge and unmet demand.
- A growing and increasingly sophisticated middle class with tech-savvy young adults.
- Large and flexible workforce.
- An entrepreneurial population with innovative, creative and highly resilient mindset

Thank You

YOU FIRST

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FirstBank has played a critical role in financing and supporting the economic growth of Nigeria in key sectors

Agriculture



>80% of Nigeria's farmers are smallholder farmers. These numbers accounts for 90% of Nigeria's agriculture produce



Agricultural production contributes **24.45%** to GDP in 2020 and **23.78%** in Q2, 2021



The agricultural sector employs **36%** of the labour force, the largest of any sector



In four years (2016-2019), Nigeria's cumulative agricultural imports stood at **NGN3.35trn** four times higher than the agricultural export of **NGN803bn** within the same period



... FirstBank's Contribution

- Partnership with several International Institutions and Development Organizations involved in the agricultural enterprise value chain
- Major partner of Government in developing and implementing various agricultural initiatives ACGSF, CACS, GES, etc.
- The Bank has deployed over N70bn under the Commercial Agriculture Credit Scheme (CACS) to support 121 agricultural projects, impacting the largest number of agricultural enterprises
- FirstBank participated in the design and development of the private sector financing model of the Growth Enhancement Support Scheme (GESS) and supported the scheme with over N8bn



... Economic Impact

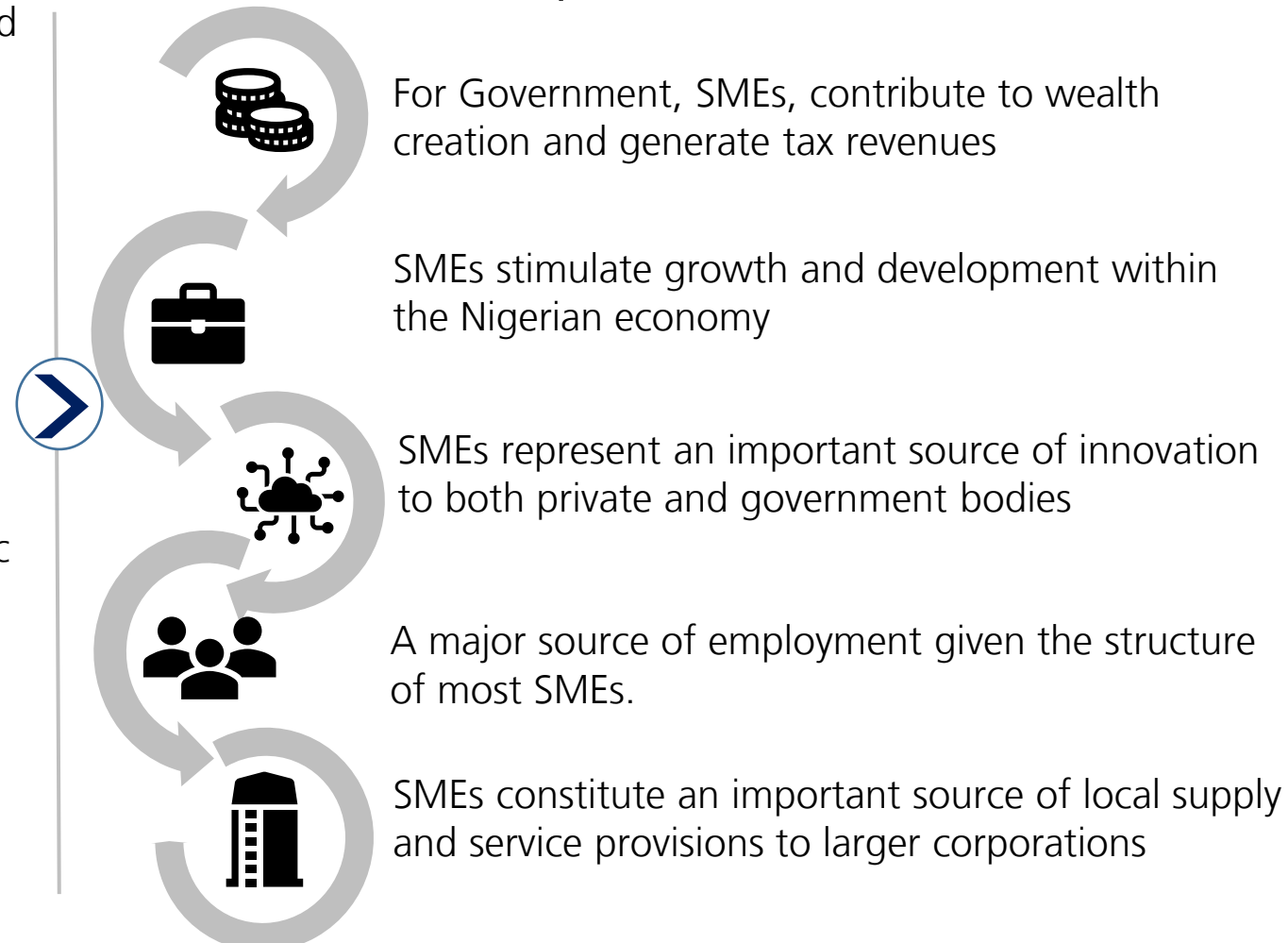
- Boost economic output
- Increased export earnings
- Increased FDI
- Job creation
- Improved business activities
- GDP growth

FirstBank has played a critical role in empowering Small and Medium Scale Enterprises for sustainable economic development in Nigeria

SMEs Businesses

- FirstBank through its SME Connect initiative has supported Small and Medium-sized Enterprises in Nigeria to help grow their businesses
- Beyond the financial support, strategic advisory services were also provided, periodic business seminars as well as information that will guide in growing the business for economic development of Nigeria
- FirstBank is committed to providing the Nigerian SME'S with the support needed for growth
- FirstBank has tailor-made products targeted at the specific needs of SMEs in Nigeria. These loan products have been designed for financing the activities of Small and Medium Enterprises (SMEs) under the U-First Scheme
- The Bank has over 772,500 SMEs in its books and a large percentage have benefited from the different programs targeted at supporting their growth

... Economic Impact



Through FirstBank's Agent banking proposition, the Bank is creating sustainable socioeconomic value and empowering rural communities in unique ways

Financial Inclusion



Over **139k** Agents with **>400k** direct and indirect jobs created to tackle unemployment through the FirstBank's Firstmonie agent network



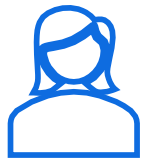
Cumulatively, ~ **\$38 billion** processed on the Firstmonie platform since January 2018



>\$100 million has been paid as **commission** to agents as at October 2021, with the attendant multiplier effect on rural communities



Over **50% of Firstmonie's** agents are in the rural areas, contributing significantly to the development of the rural economy



Over 35k of FirstBank's Firstmonie Agents are **women**, enabling us drive gender inclusive growth within rural communities



Firstmonie agents supported several **government/NGOs' cash transfers** to the poorest of the poor in the rural areas



Over 2.0 million individuals have been economically impacted via the jobs created through the FirstBank's Firstmonie proposition



Significant informal sector/rural area **IGR collections across many LGAs** are being powered by Firstmonie agents