

Nigeria: The Next Frontier

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Before Jim O'Neill, an economist, coined the term MINT to represent the four countries (Mexico, Indonesia, Nigeria and Turkey) that are expected to be the next frontiers for global growth, keen observers already knew that remarkable transformation was happening in Nigeria. Between 1999 and 2012, Nigeria's GDP grew at an average of 7.9 percent, compared with 2.2 percent in the United States, 1.8 percent in the United Kingdom and 0.4 percent in the Euro zone. In this same period, Nigeria's GDP per capita had grown from US\$700 to US\$2,600. In addition, Nigeria has become the second largest economy in Africa. South Africa is the largest economy in Africa but not for long.

Today, Nigeria is an attractive destination for Foreign Direct Investment (FDI). In the last 3 years, Nigeria has attracted over 10 percent of the total FDI to Africa totalling over US\$20 billion. This performance is driven by favourable political, economic and demographic realities. Nigeria has had 14 years of uninterrupted democratic rule with four successive elections. Economic and investment conditions have improved with a decrease in the external debt portfolio from US\$36 billion to US\$4 billion resulting in a current debt to GDP ratio of 19 percent, one of the lowest in the world. Inflation has remained in the single digit. With a population estimated at about 170 million and growing at an average rate of 2.5 percent, Nigeria presents an interesting economic market. With over 60 percent of the population below the age of 25 years, Nigeria has more people eligible to work than otherwise; although unemployment is still a major challenge.

Poor infrastructure is a key driver of the unemployment numbers. This situation, however, offers significant opportunities for the savvy infrastructure investor. Take power for instance. Nigeria currently generates about 3,600MW of power, which is about 13 percent of its projected electricity demand by the year 2015 (28,360 MW).

Government ownership and control of the power infrastructure was one of the reasons for the poor power supply situation in Nigeria. However, in September 2013, Federal Government of Nigeria handed over the privatised power companies to the new owners and signalled its full commitment to transforming Nigeria's power sector.

However, in September 2013, government of Nigeria privatised 16 power plants and is currently in the process of privatising an additional 10 power plants. It is estimated that Nigeria need about US\$3.5 billion annual investment in its power sector. The bulk of the investment will be for increasing generation capacity from the current levels of approximately 7 GW to 350 GW, and building the transmission network to transfer the generated electricity across the country. Most of this investment is expected to come from the private sector with the government providing all the required enablements.

Nigeria is, indeed, one of the last frontiers of opportunity for significant return on investment. Some of these opportunities were discussed at the 2013 Power Investor Summit: Nigeria (PISN). The 2014 PISN planned for March 20-21, 2014 at the

Intercontinental Hotel, Lagos, Nigeria will focus on how to finance these opportunities and provide an opportunity for senior government officials to reaffirm government's commitment to providing an enabling environment for investments in the sector. These are definitely interesting days for investors in Nigeria.

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