



TRANSACTION SERVICES

Ondo State, Nigeria

Market feasibility study for sustainable development

November 2008

ADVISORY

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In preparing this document we have relied upon and assumed, without independent verification, the accuracy and completeness of various sources of information, some of which have been derived from public sources. Details of the sources that we have used are given in our report. We set out a bibliography of our interview sources in appendix two. KPMG in Nigeria accepts no responsibility or liability to any party in connection with such information or views.

Our core fieldwork and research was performed between July 2007 and January 2008. We have not undertaken to update our report for events or circumstances arising after that date.

Appropriate professional advice should be sought to undertake a more specific examination of the particular circumstances applicable to a potential investor. The contact details of KPMG firms' professionals who could assist in this regard are given at the back of this report.

Acknowledgments

KPMG in Nigeria would like to thank the Millennium Cities Initiative (MCI) for the opportunity to prepare this report to support its valuable project. We would also like to thank the numerous entities and people and acknowledge their contribution in the preparation of this report (please see appendix two for more details).

Foreword

As part of KPMG's Global Development Initiative, which focuses KPMG member firms' skills and resources on achieving the United Nations' Millennium Development Goals (MDGs), KPMG in Nigeria was asked by the Millennium Cities Initiative (MCI) to undertake this report on potential investment opportunities for investors in Ondo State.

The MCI is an urban counterpart to the Millennium Villages Project and was set up in association with the UN Millennium Project by The Earth Institute at Columbia University. The initiative is focused on helping a selected number of mid-sized cities across sub-Saharan Africa to achieve the MDGs through economic development. This report which explores the investment potential in Ondo State, is one of several that are being produced by KPMG Transaction Services. It is an excellent example of how KPMG member firms and their people are committed to making a difference to the people in sub-Saharan Africa.

The economy of Ondo State ('Ondo' or 'the State'), is the sixth largest in Nigeria and is dominated by oil and crop production. Akure is its capital city. The state is endowed with abundant natural resources ranging from favourable climatic conditions for crop production to huge mineral deposits and rich forest resources.

These abundant resources coupled with the state's location and safety make it attractive to investment in a number of areas. Sectors of great potential within the state highlighted in the report are mineral resource exploitation, agriculture and agro-processing, tourism and infrastructure provision.

Identified investment opportunities specific to Akure include agro-processing, food processing and timber processing. Other opportunities were identified in the hotel and infrastructure provision.

Overall, Ondo presents a spectrum of investment opportunities across a range of sectors. Investment in and around Akure can help drive socio-economic transformation, and although investors will need to make a well weighted decision, our belief is that there is long term potential in this area.

To this extent, we hope this work will lead to sustainable poverty eradication and securing the future of many hundreds of people through work and enterprise.

Lord Hastings of Scarisbrick CBE; KPMG International Global Head of Citizenship and Diversity

Professor Jeffrey D. Sachs, Director of The Earth Institute at Columbia University



The Millennium Cities Initiative (MCI) is a project of The Earth Institute at Columbia University. Launched by the Institute's Director, Professor Jeffrey D. Sachs in 2006, MCI seeks to assist, through research and policy analysis, selected mid-sized cities across sub-Saharan Africa to achieve the Millennium Development Goals. Guided by its co-directors, Dr. Susan Blaustein and Dr. Karl P. Sauvant, MCI, more specifically, helps the cities involved to arrive at integrated City Development Strategies. Part of this effort is to demonstrate that more investment, including foreign direct investment, can be attracted to these cities, with the resulting employment and economic growth effects. **For further information, please see <http://www.earth.columbia.edu/mci>**

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Executive summary



Introduction

Nigeria is a coastal West African country lying on the shores of the Gulf of Guinea.

With a land mass of 932,773 square kilometres, Nigeria is the twelfth largest country in Africa, but by far the most populous with about 140 million people as at 2006. Nigeria is traditionally an agrarian economy, and agriculture remains a dominant employer of labour. However, crude oil is the major source of revenue, accounting for over 90 percent of its export earnings.

In line with positive changes in its macro economic environment in recent years, Nigeria's investment climate has improved significantly as evidenced by the increase in foreign direct investment (FDI) to the country. Nigeria offers investors a large low-cost labour pool and domestic market, abundant natural resources and investment freedom through incentives such as 100 percent foreign ownership and removal of exchange control restrictions. Nevertheless, major impediments such as inadequate infrastructure, endemic corruption and lack of security exist which limit investment in the country.



Nigeria, Africa



Economic indicators	2003 ^a	2004 ^a	2005 ^a	2006 ^a	2007 ^a	2008 ^b	2009 ^b	2010 ^b
Nominal GDP (US\$bn)	56.7	88.9	114.5	148.7	166.4	217.0	254.5	294.4
Nominal GDP growth (%)	30.1	56.9	28.8	29.8	11.9	30.4	17.2	15.7
Real GDP growth (%)	10.7	6.0	7.2	5.6	6.3	9.1	8.3	7.0
Prime interest rate, MPR (end of period, %)	15.0	15.0	13.0	10.0	9.5	10.5	11.0	10.0
Inflation (end of period, %)	23.8	10.1	11.6	8.5	6.0	8.5	8.7	7.9
Nominal exchange rate (N:US\$), end of period	139.6	132.1	130.4	128.8	117.9	111.5	109.3	105.7
Population	139	143	146	150	154	157	161	165
Population growth, (%)	2.7	2.7	2.5	2.5	2.5	2.5	2.4	2.4
GDP per capita current, US\$	408	623	783	992	1,083	1,378	1,580	1,784
GDP per capita growth, (%)	26.6	52.7	25.7	26.7	9.2	27.2	14.7	12.9

Sources: Renaissance Capital Country Report on Nigeria – 17 April 2008

a Actual
b Renaissance Capital Estimates

Ondo State has a fairly large population of 3.4 million people suggesting a potential for high output. Its economy which is the sixth largest in Nigeria, is dominated by oil and crop production which jointly account for 90 percent of its gross state product.

Akure is the capital city with a population of about 387,000, and is the economic nerve centre of the state, the largest state in south-western Nigeria.

Although Ondo State is endowed with abundant natural resources ranging from favourable climatic conditions for crop production to huge mineral deposits and rich forest resources, and has been referred to as Nigeria's twenty-first century investment haven because of its abundant reserves of crude oil, natural gas and solid minerals, Ondo remains largely undeveloped with high poverty levels and low standard of living for its indigenes as most of its resources remain untapped.

Ondo State is an agrarian economy with agriculture being the dominant employer of labour, providing income and employment opportunities for over 70 percent of the population.

Advantages and challenges

Outlined opposite are key areas of challenges and advantages to the development of Ondo State.

Strengths

- Abundant reserves of oil and non-oil mineral resources
- Favourable ecological and climatic conditions
- Rich forest topography
- Fairly large population
- Educationally advanced state
- Most peaceful state in the oil-rich Niger Delta region

Weaknesses

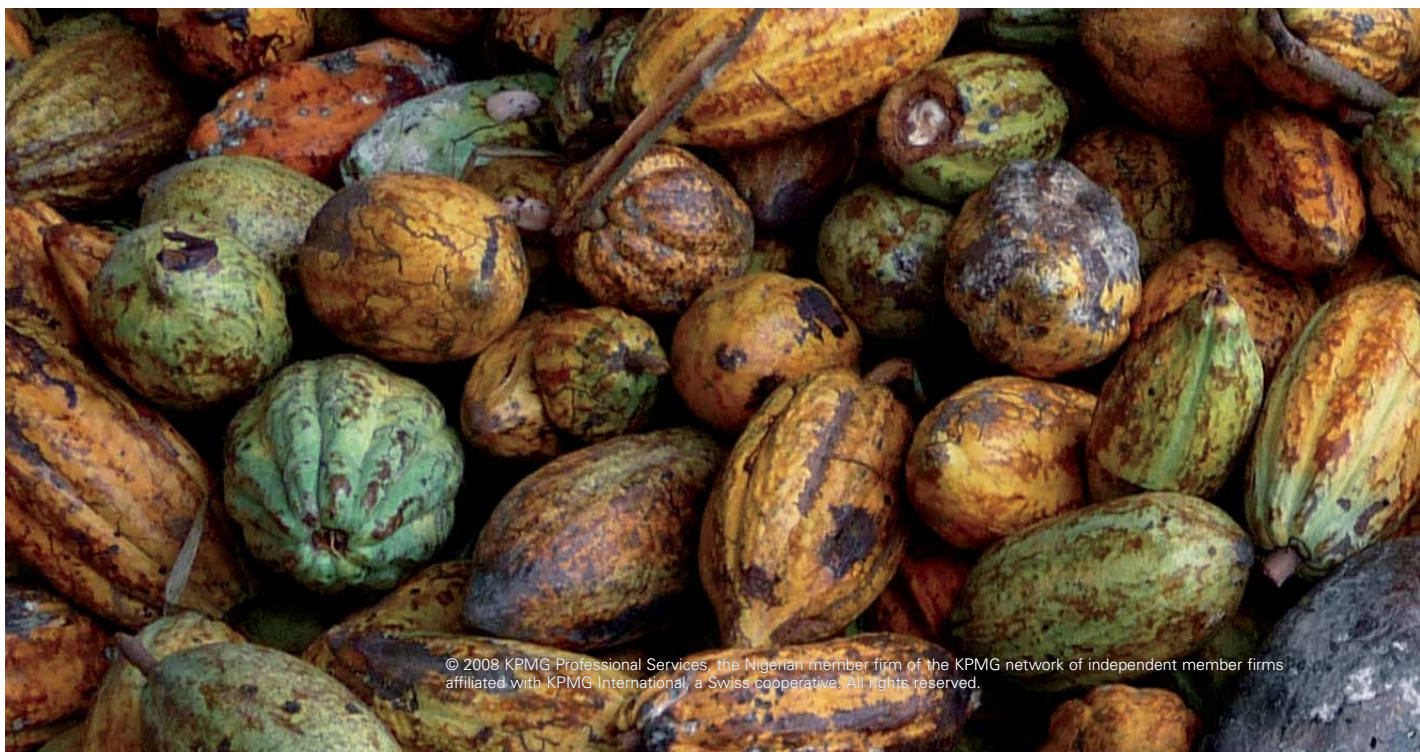
- Scarcity of tarred roads
- Unavailability of commercial flights to/from the state
- Lack of rail infrastructure
- Frequent power outages
- Land availability constraints
- Continuous migration of workforce to neighbouring states
- Lack of adequate state government support

Opportunities

- Proposed construction of sea port and free trade zone which will stimulate economic activity
- Nigeria's stable political and economic environment
- Renewed federal government (FG) focus on the promotion of non-oil exports

Threats

- Close proximity to more investor friendly towns such as Lagos and Ibadan
- Negative perception of oil producing areas
- Mineral resources are under FG control with little or no state exploitation
- Inadequate federal government support
- Mismanaged exploitation of mineral resources



Investment opportunities

The following presents the investment opportunities in Ondo State based on the outcome of the assessment of key sectors.

Agriculture

- Crop production
- Aquaculture activities
- Livestock farming

Agro-processing

- Cash crop processing i.e. cocoa and oil palm
- Food crop processing i.e. maize, cassava, yam
- Fish and shrimp processing
- Timber processing

Oil and natural gas

Upstream oil and gas sub-sector

- Surveying
- Civil works
- Seismic data acquisition and interpretation
- Exploration and production of crude oil

Downstream oil and gas sub-sector

- Refining of crude oil
- Manufacture of petrochemicals
- Marketing of petroleum and gas products

Solid minerals

- Exploitation of available mineral resources with large proven reserves:
 - Bitumen
 - Silica sand
 - Kaolin
 - Ball clay
 - Salt
- Processing of mineral resources:
 - Bitumen products
 - Glass products
 - Ceramic products
 - Paper coating and filler products
 - Granite products

Services

- Partnership arrangements with the government to develop and manage existing tourist sites
- Establishment of new tourist sites such as amusement parks
- Provision of necessary support services:
 - Restaurants, bars etc.
 - Tour operators
 - Hotels

Infrastructure

- Education
- Water
- Housing
- Electricity
- Telecommunications

Olokola deep sea port and free trade zone project

Ondo State in partnership with Ogun State proposes to develop a free trade zone (FTZ), OKFTZ in conjunction with a deep sea port. The proposed FTZ is expected to attract investment to the region through the provision of special tax and custom treatments as well as a range of infrastructural facilities including an airstrip, a helipad, bonded storage warehouses and office buildings.

Others

- Transportation services
- Storage
- Agricultural input retailing
- Machinery leasing

Investment promotion initiatives

Despite the investment opportunities and incentives, there are several challenges which adversely impact investment.

These include poor infrastructure facilities which significantly increase cost of production, a high level of government bureaucracy and complicated procedures for obtaining requisite licenses and permits.

Entry options

Entry options for potential investors in Ondo State are as follows:

- Investment in an existing venture which may take the form of an outright acquisition of a business or the establishment of a partnership/joint venture with a local business.
- Starting a new venture in an identified opportunity area, particularly in areas where there are few or no existing local businesses i.e. oil and gas and solid minerals.

Conclusion

Ondo State offers investors a large low-cost labour pool and domestic market, abundant natural resources and relative investment freedom. However, investors must be willing to tackle issues such as inadequate infrastructure, government bureaucracy and inconsistent government policies in order to exploit available opportunities.

Nigeria: country overview

Introduction

Departing from its prior history of political instability, Nigeria's political climate has been characterised by relative calm and stability over the last few years following the return to civilian rule in 1999.

The completion of its first successful transition from one civilian government to another in 2007 is expected to preserve the state of the country's political environment.

In line with its improved political environment, the Nigerian economy has also undergone significant transformation in the last few years following the implementation of a comprehensive reform programme, National Economic Empowerment and Development Strategy (NEEDS).

The programme recorded significant successes resulting in the achievement of relative macroeconomic stability as evidenced by the improvement in key economic indicators which included:

- Increased external reserves (US\$7.5 billion in 2003 to US\$59.16 billion in May 2008³)
- Comparatively high GDP growth rate (estimated at 5.8 percent in 2007 by the EIU)⁴
- Significant growth in FDI, from US\$2.3 billion in 2005 to US\$9.4 billion⁵ in 2006)
- Growth in aggregate personal disposable income from US\$26.6 billion in 2001 to US\$49.8 billion in 2007⁶
- Reduced inflation and relatively stable foreign exchange rate (reduction in the gap between the official and parallel market rates for foreign currency to less than two percent)⁷

Backed by the positive changes in the macro economic environment, the country's investment climate has also improved in the last few years as evidenced by the increase in FDI to the country. Nigeria offers investors a large low-cost labour pool, abundant natural resources, and a large domestic market coupled with investment freedom through incentives which include 100 percent foreign ownership in most industries, removal of exchange control restrictions etc. Nevertheless, major impediments still exist which limit investment flows to the country.

These include inadequate infrastructure, endemic corruption, high crime rates, lack of security particularly in the Niger Delta region, inconsistent regulatory environment and slow and ineffective courts and dispute resolution mechanisms.

However, with elections successfully completed, the economy is expected to continue to grow in line with the positive trend exhibited in recent years as the present administration pushes ahead with a programme of economic reforms broadly similar to that of the previous administration.

3 CBN Communique No 56 of the Monetary Policy Committee, 2 June 2008

4 EIU estimates

5 Citigroup – Nigeria Economic & Market Analysis, February 2007

6 EIU statistics (www.viewswire.com)

7 CBN

Advantages and challenges

Outlined here is a summary of key favourable factors for investment in Ondo State along with some of the potential obstacles.

Strengths

- Abundant reserves of oil (crude oil and natural gas) and non-oil (solid minerals) mineral resources
- Favourable ecological and climatic conditions to support cultivation of large variety of crops
- Rich forest topography which hosts various types of hardwood species
- Large population of 3.4 million people providing a readily available large domestic market
- One of the most educationally advanced states in Nigeria providing a large pool of skilled manpower for potential investors to tap from
- Most peaceful state in the oil-rich Niger Delta region with few incidents of conflict

Weaknesses

- Lack of tarred roads in the state particularly in the rural areas consequently resulting in high road transportation costs
- Unavailability of commercial flights to the airport due to inadequate demand for this service
- Lack of rail infrastructure in the state restricting the transportation of people and goods primarily to the inadequate road infrastructure
- Frequent power outages with as little as four hours electricity supply per week in the state
- Land availability constraints due to unwillingness of communities to part with their land
- Continuous migration of workforce to neighbouring states reducing the availability of manpower in the state

Opportunities

- Proposed construction of a sea port and implementation of a free trade zone is expected to stimulate economic activity as well as transform the state into a trade hub for the region
- Nigeria's stable political and economic environment is expected to create an enabling environment for investment required to support and promote economic growth
- Renewed FG focus on the promotion of non-oil exports such as agriculture and solid minerals (key sectors in Ondo) is expected to create investment in these sectors

Threats

- Close proximity to more developed towns such as Lagos and Ibadan with more investor-friendly environment
- Negative perception of oil producing areas may deter investment
- Mineral resources are under FG control, thus the state has little or no control over the exploitation of these resources.
- Inadequate government support in terms of policy formulation and incentives
- Mismanaged exploitation of mineral resources could result in environmental degradation

Key economic indicators

Economic indicators	2003 ^a	2004 ^a	2005 ^a	2006 ^a	2007 ^a	2008 ^b	2009 ^b	2010 ^b
Nominal GDP (US\$ bn)	56.7	88.9	114.5	148.7	166.4	217.0	254.5	294.4
Nominal GDP growth (%)	30.1	56.9	28.8	29.8	11.9	30.4	17.2	15.7
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GDP per capita growth, %	26.6	52.7	25.7	26.7	9.2	27.2	14.7	12.9

Source: Renaissance Capital Country Report on Nigeria, 17 April 2008

^a Actual

^b Renaissance Capital Estimates

Ondo State: overview of key sectors

Mineral resources

Ondo State is referred to as Nigeria's twenty-first century investment haven because of its abundant reserves of crude oil, natural gas and solid minerals among which include bitumen, kaolin and granite.

Ondo State is a member of Nigeria's oil producing states as a result of onshore and offshore crude oil production which is estimated to contribute up to 10 percent of the country's crude oil production and reserves. Nigeria's reserves and daily production is estimated at 35 billion barrels and 2.5 million barrels per day respectively. There is presently only one major oil company, ChevronTexaco, involved in the crude oil production (upstream sub-sector) in Ondo State while players such as ExxonMobil, Total and ChevronTexaco are involved in the marketing and distribution (downstream sub-sector) of petroleum products.

Ondo State also possesses liquefied natural gas deposits in commercial quantities which has precipitated the construction of a US\$6 billion natural gas plant in the state. The plant which is being constructed through a joint venture arrangement between Olokola Liquefied Natural Gas Company (OKLNG), Chevron-Texaco, Royal Dutch Shell, British Gas and the Nigerian National Petroleum Corporation (NNPC), is expected to commence production of natural gas in 2009. The plant is expected to produce at peak capacity of 20 million tonnes per year.

In addition to its huge oil and natural gas reserves, Ondo State has large deposits of various solid minerals which include granite, bitumen, kaolin, silica sand, coal, salt, tin and marble.

Although granite is currently mined in Ondo State, there are no granite processing companies thus the resource is exported in its raw form to other Nigerian states or other countries for processing. Other mineral resources already exploited within Ondo State include silica sand which is used for glass production and ball clay which is used in the production of ceramics. Silica sand exploitation in Ondo State is mainly carried out by Oluwa Glass Plc which produces glass products while ball clay exploitation is mainly carried out by Golden Ceramics Limited which produces ceramics products. However, both companies which are state-owned are moribund due to poor management practices and excessive bureaucracy. Hence, there is little or no commercial exploitation of these solid minerals.

Apart from the solid minerals stated above, the state's other minerals are yet to be commercially exploited. Ondo is estimated to have one of the largest bitumen deposits in the world; however, there is currently no commercial exploitation of bitumen in the state. Other minerals which remain unexploited commercially within Ondo State include kaolin clay, limestone, iron ore, quartz sand, coal, columbite, gemstone, diorite, lignite, tin and marble.

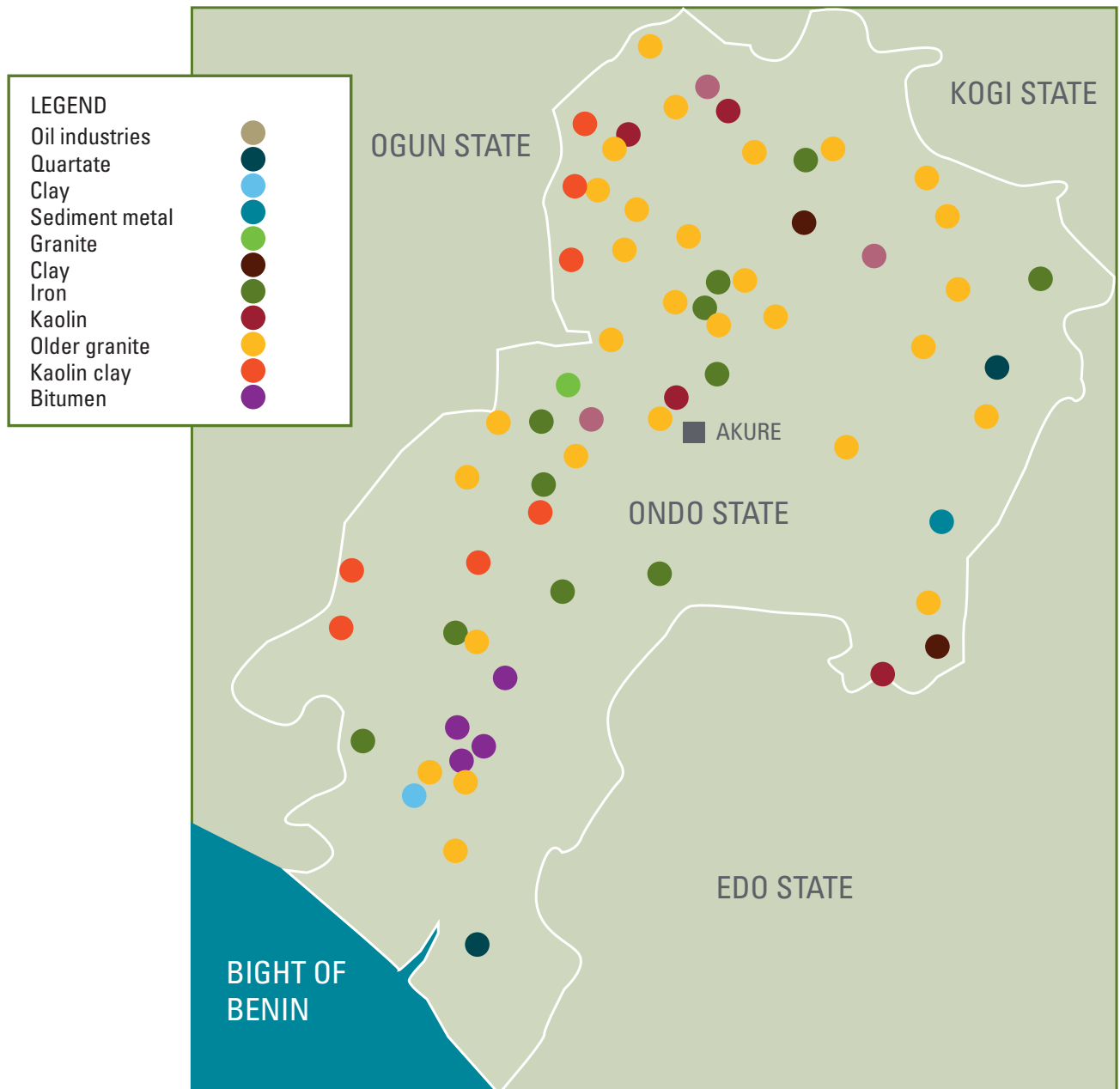
Mineral resources existent in Ondo State

Mineral	Estimate reserves	Location	Existing players/processing capacity	Ownership
Crude Oil	3.5 billion barrels	Ilaje and Ese-Odo	0.25 million barrels per day. No refinery in the state.	Not applicable
Natural Gas	Not available	Ilaje and Ese-Odo	No processing plant. Production expected to commence in 2009.	Not applicable
Bitumen	42 billion barrels	Agbabu, Ofosu, Looda, Lamudifa, Atijere, Mahintedo, Okitipupa, Ode-Aye, Araromi-Obu, Igbekebo	No commercial exploitation	Not applicable
Silica Sand	3 billion MT*	Igbokoda, Akata, Agbala, Aboto, Agerige, Zion Pepe	Oluwa Glass Plc (moribund) 8 million m ₂ per annum	100% Ondo State Government
Kaolin	1 billion MT	Omialafara, Ewi, Ode-Aye, Omifun, Abusoro	None	Not applicable
Ball Clay	49 million MT	Erusu Akoko, Orayin River, Ute, Arimogija, Ifon	Golden Ceramics Products (moribund) 77,000m ₂ tiles per annum	100% Ondo State Government
Limestone	8 million MT	Okeluse Arimogija	None	Not applicable
Salt	Extensive sea water	Ilaje	None	Not applicable
Granite	Over 100 million MT	Akure, Ore, Ilaramokin, Akungba, Igababara Oke, Idanre, Ile-Oluji, Ondo	Crush Rock Industries Limited (non-operational) 10sqm 2/annum of dimension stones	Private investment
			Gems Nigeria Limited – 3,000 cm ₂ /annum	Private Investment
Iron Ore	Not available	Akunnu-Akoko, Oba-Akoko, Ase, Lokuakua, Lamu	None	Not applicable

Source: Ondo State Nigeria – Investment Guide

* MT: metric tonnes

Ondo State map showing the location of key mineral resources



Source: www.nigerianmuse.com

Agriculture and agro-processing

Ondo State has varied and favourable ecological and climatic conditions which support the cultivation of a large variety of crops.

Despite this, the state produces well below its full potential in terms of agricultural productivity because most of its agricultural activities is largely characterised by small scale, low input subsistence farming.

Agricultural produce in the state includes tree crops such as cocoa, oil palm, rubber, cashew and kolanut; arable crops such as cassava, yam, maize, rice, sugarcane and fruit crops such as pineapple, citrus, mango, pepper and tomato. However, Ondo State's main revenue yielding crops are cocoa and oil palm.

Cocoa is the highest revenue earner for Ondo State which is the leading cocoa producing state in Nigeria (accounting for over 40 percent⁸ of the Nigeria's annual cocoa output). Cocoa beans are cultivated in the state by individual farmers who sell their produce to registered cocoa merchants. The cocoa merchants who achieve bulk quantities by dealing with numerous farmers then sell the cocoa beans to processing companies within the state and also export them to other states and/or countries mainly by road using lorries and trucks. Most of the cocoa cultivated in Ondo State is presently exported in its raw form (cocoa beans) with no value added as there are few cocoa processing companies. The main cocoa processing companies include Ile-Oluji Cocoa Processing Company Limited, Stanmark Cocoa Processing Company, Coop Cocoa and Cocoa Catalytic Processing Company.

These companies have a total installed processing capacity of 56,000MT which is significantly less than the total quantity of cocoa cultivated in Ondo. Processed cocoa products produced by these companies include cocoa cake, cocoa powder, cocoa butter and cocoa liquor.

Oil palm is the second highest revenue earner for the state through the sale of unrefined oil palm fruit and processed oil palm products which include palm oil, palm kernel oil and spices. There are three main oil palm processing companies: Okitipupa Oil Palm Plc (OOP Plc), Ore Irele Oil Palm (OIOP Plc), and Araromi-Aiyesan Oil Palm Plc (AOP Plc), along with several small to medium-scale sized oil processing companies. There is presently no independent supply of oil palm fruits, consequently oil palm processing companies produce the oil palm fruits used in their processing i.e. they are involved in oil palm cultivation.

The state's other cash crops include cassava, maize, rubber and cashew. However, there are few industries here to exploit these resources to produce value added products.

Owing to its location along the Atlantic Ocean and the presence of prominent rivers such as the Owena, Ala, and Oni Rivers, Ondo State presents tremendous potential for its fishing industry. The creeks and coastlands in the state are also known for their richness in prawns, lobsters and stock fish.

⁸ Dow Jones Newswire – Nigeria's Ondo State passes law prohibiting cocoa tampering



Currently, there is no commercial aquaculture and processing activity in the state; the only large scale fishing company, Igbokkoda Fishing Terminal, is not operational. Aquaculture activities are presently carried out only on an individual, small-scale basis.

Livestock farming is also carried out on a small-scale basis. It comprises mainly of eggs and broiler production and is only carried out during festive seasons.

Ondo State is also one of the main timber producing states in Nigeria due to its rich forest topography which hosts various types of hardwood species such as *iroko*, mahogany, *obeche* and teak. The availability of timber in large quantities has led to the establishment of several sawmill companies in the state, the largest of which is the Nigeria-Romania Wood Industry. Others include Premier Timber Industries, Wanwood Nigeria Limited and O.S.A.P Sawmill. However, most of these processing companies carry out only minimal processing, thus, timber is mainly exported as timber logs for further processing outside the state/country through the state's waterways and roads.

Agricultural products and their key locations in the state

Crop	Location
Cocoa	Akure, Idanre
Oil Palm	Widespread
Rubber	Araromi Obu and forest zone
Coffee	Forest Zone
Cowpea	Widespread
Yam	Widespread
Cassava	Widespread
Kolanut	Ikare, Oke-Igbo, Ondo, Ore, Ijare and the forest zone
Maize	Widespread
Soya beans	Widespread
Plantain	Widespread
Citrus	Widespread
Timber	Forest zone

Source: Ondo State Website – www.ondostategovernment.com

The largely subsistent nature of agricultural activities in the state can be attributed to a number of constraints which include inadequate infrastructural facilities, outdated farming methods due to lack of finance, unavailability of competent managerial expertise and land availability constraints due to unwillingness of communities to part with their land as well as lack of access to finance.

The table opposite presents the state's output and targeted agricultural output, the main processing companies and their processing capacity as at 2004*.

Agricultural output and key processing companies

Crop	Hectarage cultivated (Ha)	Annual tonnage currently produced (MT)	Target tonnage** (MT)	Key processing and their capacity companies	Ownership
Tree crops					
Cocoa	300,000	69,822	240,000	Ile-Oluji: 30,000 MT	90% Private sector and 10% Ondo State Government
				Stanmark: 10,000 MT	Private sector
				Coop cocoa: 10,000 MT	Private sector
				Cocoa Catalytic Processing Company: 6,000 MT	Ondo State and the Federal Government of Nigeria
Oil palm	49,000	Palm kernel: 19,600 FFB***			
		Palm oil: 98,000 FFB	320,000	OOP Plc: 20 tonnes FFB/Hr	Private sector
				OIOP Plc: 6 tonnes FFB/Hr	Jointly owned by the Federal and Ondo State Government
				AOP: 12 tonnes FFB/Hr	60% Private sector and 40% Ondo State Government
Rubber	4,000	1,549	60,000	Araromi Rubber Estates Company: 1,549 MT	Private sector
Cashew	950	788	120,000	JOF Ideal Farms Owo: 788 MT	Private sector
Kolanut	45	120	20,000	None	Not applicable
Arable crops					
Cassava	94,440	1.7 million	6 million	Matna starch factory: 24 MT/day	Private sector
				Oke-ayo farms: 40 MT/day	Private sector
Yam	97,180	1.5 million	5.8 million	None	Not applicable
Cocoyam	27,180	228,310	1 million	None	Not applicable
Maize	87,130	185,130	0.8million	None	Not applicable
Rice	20,080	38,180	0.5million	Oladet Rice Processing Mill	Private sector
Sugarcane	200	3,000	0.4 million	None	Not applicable
Forestry					
Teak	8491	22,241 out of 38,978 (mature ones)	6 million M3	Premier Timber Industries	Private sector
				Wanwood Nigeria Ltd	Private sector
				Joinery Craft & Moulding Ltd	Private sector
				Ondo State Afforestation Project Sawmill	100% Ondo State Government
Gmelina	23,087	8,486	20 million M3	S.A Olukayode & Sons Sawmill	Private sector
				Fobro (Nigeria) Ltd	Private sector
				Goamco (Nigeria) Ltd	Private sector
Indigenous species	1,101	-	2 million M3	Several sawmill companies across the state	Private sector
Fisheries					
Fish	80 km coastline	20,000	79,232	Igbokoda fishing terminal (not operational)	Federal Government of Nigeria
Shrimp	80 km coastline	3,000	N.A	Igbokoda fishing terminal (not operational)	Federal Government of Nigeria

Source: Ondo State Nigeria – Investment Guide

* Latest available information.

** Target tonnage is the estimated tonnage to be achieved if farming in the state is largely mechanised and farmers use high yield seedlings

*** FFB –Fresh Fruit Bunches

Services

Ondo State has a variety of potential tourist attractions that have historical, cultural and artistic appeal. These include the Idanre Hills, the palace of the Deji of Akure (traditional ruler) and the Owo Museum of Antiquities.

Tourism

The state has several beaches, mountain highlands and tropical rain forests which enhance its appeal. Despite the availability of tourist attractions, the potential of tourism in Ondo State has been largely unexplored as most of its tourist sites are undeveloped and necessary support services such as standard hotels, adequate healthcare facilities and tour operators are unavailable.

The present state government has made the development of tourism in the state one of its top priorities. Towards this end, it has embarked on the piecemeal rehabilitation of existing tourist sites.

Furthermore, the government recognises the need for private sector participation in the development of this sector, thus it is actively seeking private sector partnership in the development and management of new and existing tourist sites as well as the provision of requisite support services.

Financial services

Ondo State has a substantial number of financial institutions offering a wide range of financial services to its citizens. These institutions include the Central Bank of Nigeria, 18 of the 24 banks currently operating in the country, 46 community banks, insurance companies and brokers and finance houses. Most of these institutions are located or have branches in Akure.



Key infrastructure development

Transportation

Road transport

Ondo State is accessible from numerous key economic centres in the country. The state is connected with a network of roads consisting of about 4,905 kilometres⁹ of road particularly in the urban areas.

Over the last few years, the state government has made efforts at road rehabilitation and reconstruction in Akure to improve road transport within the state. However, there is still a lack of tarred roads in the state particularly in the rural areas consequently resulting in high transportation costs.

Air transport

Ondo State has an airport located in Akure. With a runway length of about 9,613 feet¹⁰, the airport is primarily used for charter flights by senior government officials. There are currently no commercial flights in or out of the airport due to inadequate demand for this service.

Rail transport

There is currently no rail infrastructure in Ondo state. However, in 2006, the federal government announced a 25-year modernisation and expansion plan to address the nation's deteriorating rail transport system. The plan involves the construction of railway lines to traverse all state capitals (including Akure) and major commercial centres in the country.

Sea transport

Ondo State is connected by waterways to Edo, Delta and Ogun states as well as the Atlantic Ocean. The waterways are presently used by small-scale private operators using flying and speed boats to transport people and goods within and out of the state.

The Niger Delta Development Commission has commenced the dredging of East/ West coastal waterways traversing Ondo and neighbouring states.

In a bid to transform the region into a major trade and distribution hub, in 2004, Ondo State jointly with Ogun State, obtained a license to build an integrated multi-purpose deep seaport complex and Free Trade Zone (FTZ) around Olokola, the coastal area of both states. Construction of the seaport and FTZ is to start soon although it is estimated that construction will be completed in 2010.

Telecommunications

Telecommunication services, particularly mobile phone services, are now widely available within Ondo State mainly through the many public call centres available. In addition major cities such as Akure, Owo, Ikare, Ondo are linked to private telephone operators. However, as is the case in the rest of Nigeria, the level of rural coverage is low, the number of fixed lines available is limited and the use of personal computers and internet remains negligible.

Support infrastructure

Education

Ondo State is recognised as one of the most educationally advanced states in Nigeria. The state has several tertiary institutions as well as a large number of public primary and secondary schools. There are also several private nursery, primary and secondary schools in major towns such as Akure, Ondo, Owo and Ikare, offering high quality education.

Health

Ondo State was ranked sixth out of the 36 states in Nigeria in respect of access to healthcare. Healthcare is provided in the state by a broad number of healthcare institutions which include several state owned specialist and healthcare hospital, basic and comprehensive health centres and a psychiatric hospital.

Water supply

Water supply in Ondo State has improved due to a revamp programme embarked upon by the state government. The programme has been a success: 61.8 percent¹¹ of Ondo State residents had access to safe water in 2006, compared to the World Bank estimate of 4.4 percent in 2003. However, access to large quantities of water required for agriculture and processing remains negligible.

Electricity

Nigeria currently faces a serious energy crisis due to declining electricity generation resulting from poor maintenance of facilities. Power outages are frequent as the sector continues to operate below capacity. Presently only 40 percent of Nigerians have access to electricity.

Despite various efforts by the state government to improve power supply, it remains poor with as little as four hours electricity supply per week in certain areas in the state.

⁹ www.ondostategovernment.com

¹⁰ www.world-airport-codes.com/Nigeria/akure

¹¹ Becans Working Paper 2 – Economic competitiveness across Nigerian States

Investment opportunities

Mineral resources

The successful exploration and exploitation of mineral resources requires both technical expertise and financial strength. Consequently, the Nigerian government has made great efforts to create an enabling environment to encourage and increase private sector participation.

Oil and gas

The oil and gas sector in Nigeria is controlled by the federal government as the ownership of this resource is vested to them as custodians on behalf of the citizens of the country. Therefore, investors seeking to exploit oil and gas in Nigeria must apply to the federal government for licenses.

Upstream oil and gas sub-sector

Investment opportunities exist in the following activities under the upstream sector, surveying, civil works, seismic data acquisition and interpretation, geological activities, drilling operations, exploration and production of crude oil and the transportation and storage of crude oil.

Downstream oil and gas sub-sector

Investment opportunities exist in the refining of crude oil, maintenance of refineries, manufacture of spare parts and chemicals and marketing and distribution of petroleum and natural gas products.

Opportunities also exist for willing investors in gas development and conversion and marketing of crude oil. Identified target markets for the products outlined above comprise both domestic and global markets.

Solid minerals

Exploitation of available mineral resources

Investment opportunities exist in the mining of solid minerals in the state particularly those with proven large reserves such as bitumen, silica sand, ball clay, kaolin and salt.

However, in Nigeria, ownership of these minerals is vested in the federal government, thus investors seeking to exploit mineral resources in Nigeria must apply for licenses or titles to explore, mine and market the minerals. The procedures for obtaining mining licenses in Nigeria are contained in Appendix 1.



In addition to the acquisition of licenses from the federal government, investors are also required to acquire the land in which the minerals are located from the state government.

In order to promote the development of this sector within the state, the state government is willing to assist potential investors in the acquisition of mining titles and licenses from the federal government in the following ways:

- Obtain the license as the property of state government and enter a partnership with an investor to exploit mineral resources
- Facilitate the issuance of licenses to willing investors through letters of introduction/recommendation by the state government.

Processing of mineral resources

The availability of mineral resources in Ondo State also creates investment opportunities in the production of products processed from these resources. Identified investment opportunities include the production of the following:

Bitumen products

Bitumen products, which include asphalt, petrochemicals, motor fuel, and kerosene, can be produced within the state owing to the large bitumen deposit estimated at 42 billion barrels is yet to be exploited.

Investment entry opportunities

The State Government owns a license to exploit bitumen in the state. It has been allocated a block and it is willing to partner with private investor(s) seeking to exploit this opportunity.

Glass products

Glass products can be produced locally using silica sand (the main raw material for glass production) which is available in commercial quantities in the state. The silica sand deposit in Ondo State is estimated at three billion metric tonnes (MT).

The state government is seeking to privatise Oluwa Glass Plc, a wholly state-owned company involved in the production of glass products. The government is willing to divest completely or hold minority holdings where required to boost investor confidence. The company already holds a license and requisite land to exploit silica sand, thus it provides an immediate investment entry option for willing investor(s) interested in the glass production. The company is presently in decline due to poor management practices and excessive bureaucracy.

Ceramic products

Ceramic products can be produced locally using ball clay which is available in commercial quantities in the state. The ball clay deposit in Ondo State is estimated at 49 million MT.

The state government is seeking to privatise Golden Ceramics Limited, a wholly state-owned company involved in the production of ceramic tiles and table wares. As the company already holds a license and requisite land to exploit ball clay, it provides an immediate investment entry option. The government is willing to divest completely or hold minority holdings where required to boost investor confidence. The company is currently suffering from poor management practices and excessive bureaucracy.

Paper coating and filler products

Paper coating and filler products can be produced locally using kaolin available in large quantities in Ondo. The kaolin deposit in Ondo estimated at one billion MT is yet to be exploited.

Granite products

Granite products which include paving blocks, dimension stones and stone dust can be produced locally using Ondo State's granite deposit, estimated at over 100 million MT. This resource is commercially exploited in the state but exported in its raw state due to lack of granite processing companies in the state.

Salt products

Salt products such as table and industrial salt can be produced in the region due to the extensive sea water area available in and around the state.

Despite the availability of many mineral resources in commercial quantities offering opportunities for potential investment, there are a number of constraints which include:

- Lack of requisite infrastructure such as electricity, water and roads in areas where mineral resources are found resulting in high operational costs for businesses as they are forced to use more expensive alternatives.
- Political unrest in oil producing states is a major constraint to production of crude oil in the region. Ondo State, though part of the Niger Delta is a very peaceful state, with few incidents of conflict.
- Protection of the domestic market for petroleum products by government through the regulation of prices has been a major deterrent to private investment in the downstream sector.
- Unavailability of a database of Nigeria's mineral base, activities and potential to guide local and foreign investors.
- High level of government bureaucracy and complicated procedures for obtaining licenses.

Agriculture and agro-processing

The largely subsistent nature of agricultural activities in Ondo State implies that agricultural productivity in the state is well below the potential suggested by Ondo's favourable and climatic conditions.

Crop production

Investment opportunities exist for willing investors in the large-scale production of crops that can be cultivated in the state which include cocoa, oil palm, rubber, cashew and kolanut, cassava, yam, maize, rice, sugarcane; pineapple, citrus, mango, pepper and tomato.

Aquaculture activities

Currently, most of the fish consumed in Ondo State is frozen imported from outside the state. This is mainly due to the largely subsistent nature of aquaculture activities in the state which is unable to support local demand. Thus, there is significant potential for large scale aquaculture activities. This will also support the establishment of fish and shrimp processing companies.

Livestock farming

Livestock farming in Ondo State comprises mainly of egg and broiler production. It is carried out on a small scale basis and particularly during festive seasons. Investment opportunities exist in large scale livestock farming which include animal husbandry as well as poultry farming already carried out.

The target market for agricultural produce which include livestock and fish includes Ondo State for local consumption and domestic processing companies as well as for export.

Agro-processing

There are currently few agro-processing companies in Ondo State most of which are involved in cocoa and oil palm processing, however, investment opportunities have been identified in the following areas.

Cocoa processing

Most of the cocoa cultivated in Ondo State is exported with no value added, thus there are opportunities for investment in cocoa processing.

Oil palm processing

The climatic conditions in Ondo State support the production of oil palm fruits, and so investment opportunities exist in the processing of these locally. However, in the short term, investment would imply investment in oil palm cultivation as current production is just enough to meet current demands.

Food crop processing

According to the Millennium Villages Project in Ondo State, investment opportunities exist in the processing of food crops such as maize, cassava and yams which are currently cultivated in the Ikaram/Ibaram Millennium Village cluster.

Fish and shrimp processing

There is currently no fish and shrimp processing in Ondo State despite the availability of the requisite raw materials in large quantities. The establishment of large-scale aquaculture activities will increase capacity for processing in the state. The government has embarked on the large scale production of fingerlings to encourage fish production as well as serve as inputs for processing companies.



Timber processing

Timber processing is also mainly carried out by small-scale enterprises. Timber is mainly exported as timber logs to companies outside the state and/or outside the country. Consequently, there are opportunities that exist for investment in further processing of timber locally into products such as furniture, paper and pulp.

Investment entry opportunity

The state government is seeking to privatise Ondo State Afforestation Project Sawmill, a wholly state-owned company involved in timber processing. The government is willing to divest completely or hold minority holdings where required to boost investor confidence. The company already holds a license to cut and process timber thus it provides an immediate investment entry option for willing investor(s) interested in timber processing.

Constraints

Despite the enormous agriculture and agro-processing potential of Ondo State, there are a number of constraints that must be eliminated to ensure the development of the sector. These constraints include:

- Lack of access to land which can be mainly attributed to the unwillingness of communities to part with their land. In addition, in cases where land is purchased from the state government, investors might still have to negotiate with communities in respect of the land.
- Inadequate supply of raw materials for some agro-processing activities due to the subsistent nature of agricultural activities in the state. For example, in the case of cassava and oil palm processing, processing companies are forced to also engage in the cultivation of requisite raw materials as a result of inadequate supply.
- Inadequate infrastructural facilities (electricity, water and transport). The unavailability of these facilities significantly increases the cost of production as businesses are forced to resort to more expensive alternatives.
- Unfavourable government policies such as the reduction in the import tariffs on starch from 70 percent to 20 percent for general importers and 5 percent for pharmaceutical companies. This policy has resulted in the dearth of cassava processing companies that are unable to compete with imported starch.
- Inadequate quality control procedures/policies which fail to protect indigenous companies from the dumping of cheap sub-standard products in the local markets, thus making these companies uncompetitive.

The elimination of these constraints is necessary to the development of agriculture and will also increase the investment potential within the sector.

Services

Tourism

The State Government is presently seeking active private sector participation in the development of Ondo's tourism potential.

This potential is evidenced by the state government's recent efforts to promote the adoption of Idanre Hills by the United Nations Educational Scientific and Cultural Organisation (UNESCO), as a World Heritage Site. If accepted, the site will be ceded to UNESCO to develop and manage. This will bring much needed international exposure to tourism in Ondo. Investment opportunities include:

- Partnership arrangements with the government i.e. Build Own Operate and Transfer (BOOT) to develop and manage existing tourist sites.
 - Establishment of new tourist sites such as amusement and theme parks.
 - Provision of necessary support services which include:
 - **Accommodation.** Many of the hotels in Ondo are below international standard and are therefore not suitable for tourists. In addition, in areas where some of the attractions are situated there are few hotels, most of which lack standard facilities. Investors seeking to participate in this industry may consider investing in existing hotels or establishing new ones.
- Investment entry opportunity**
Royal Birds Motel Limited, a hotel in Akure is presently seeking private equity investment up to a maximum of 40 percent of its equity capital from willing investors.
- **Restaurants, bars:** Most of the state's tourist sites presently have little or no entertainment facilities such as restaurant and bars which are required to attract tourists.
 - **Tour operators:** Owing to its undeveloped tourism industry, there are presently no tour operators to provide tourist packages in Ondo State. However, due to the ongoing revitalisation of the industry, investment opportunities exist for tour operators.

Due to the wide appeal of tourism, the target market for tourism and related support services in Ondo state is broad. It includes Ondo State indigenes, national, regional and global tourists. However, despite the enormous tourism potential of Ondo State, there are a number of constraints that must be considered to ensure the development of the sector. These constraints include:

- **Lack of requisite infrastructure:** Availability of good transportation network to promote easy access to Ondo State and in particular tourist sites, the rehabilitation and development of existing and new roads is a key requirement for the development of this sector.
- **Lack of requisite support services:** Most of the hotels and entertainment facilities in the state are below international standard thus not suitable for tourists. In addition, other support facilities such as tour operators are not presently available.
- **Lack of awareness of existing tourist attractions in the state:** Aggressive marketing of existing and proposed tourist destinations to create awareness is critical to the promotion of tourism.
- **Negative perception of Nigeria:** Nigeria is generally not regarded as a tourist destination by international tourists due to the perceived lack of security in the country.
- **Negative image of the Niger Delta region which includes Ondo State:** The government must make efforts to improve the state's image by ensuring that the international community is aware that Ondo State is very peaceful with few incidents of unrest.



Olokola deep sea port and FTZP

The planned deep sea port and free trade zone project is proposed to be private sector led with a maximum of 40 percent government participation, thus opportunities exist for investors willing to invest in the project. Several private organisations have already expressed interest by submitting bids for concessions to develop and manage the project. However, concessions are yet to be awarded. Willing investors should liaise with the state government to identify specific investment opportunities.

There are supply gaps in the provision of infrastructure facilities such as the road and rail network and healthcare facilities.

Infrastructure

Water supply

Farmers and processing companies in the state which require water in large quantities are forced to rely on rivers which tend to dry up during certain periods of the year for their water needs. Consequently, investment opportunities exist in the provision of water through the construction of boreholes and dams to cater for the water needs of these parties.

Housing

There is currently inadequate low-cost housing available in Ondo State, thus there is room for investment in the construction and rental of low-cost accommodation.

Electricity

The inadequate supply of electricity in the state also provides investment opportunities in the provision of electricity supply through the construction of independent power projects (IPPs).

Telecommunications

The growing telecommunications sector in Nigeria also presents investment opportunities for willing investors, the main investment opportunity identified being the provision of private telephone services.

Education

Opportunities exist in the provision of education and training services to increase the technical and managerial competence of Ondo indigenes and other Nigerians, thereby improving productivity in the state and country.

Others

Other investment opportunities identified in the service sector in Ondo state include the following:

Transportation

The development of the key sectors in Ondo such as the agriculture and mineral resource sector should result in an increase in the volume of goods transported within and out of Ondo State. Thus investment opportunities exist in the provision of transportation services particularly road and water transport services for which there is adequate demand.

Storage

Increased activity in the agriculture and agro-processing sector will create a demand for the provision of adequate storage facilities for agricultural produce in order to ensure that demand by consumers which also include agro-processing companies will be met all year round.

Agricultural input retailing

Investment opportunities also exist in the provision of agricultural inputs such as fertilizers, fingerlings and seedlings.

Machinery leasing

Investment opportunities exist in the provision of machineries such as tractors to businesses/farmers that are unable or unwilling to purchase the much needed machinery.

Investment initiatives

The state government offers a package of incentives to provide an enabling environment for prospective investors. These include:

- Easy land acquisition through the Ministry of Lands and Housing which maintains a large area of agricultural and industrial land bank.
- Easy access to certificate of occupancy for required land.
- Application for letters of consent to mortgage property on the state industrial estate to be processed free.
- Statutorily defined pioneer industries shall be given two years' moratorium for the payment of tenement rates on business premises after commissioning.
- Foreign and local investors wishing to establish in the state and source their raw materials locally are allowed to pay in installments for the cost of the Certificate of Occupancy and are exempted from all rates for a period of three years after commissioning.
- Provision of free advisory and counselling services.
- Investment counselling on sources of plant and machinery and raw materials to prospective investors.
- Provision of loans to small scale industrialists through the Ondo State Micro-Credit Agency (OSMA).
- Availability of a pool of skilled labour that can be easily integrated into industries due to the high literacy rate.

Despite these incentives, the state government is still required to implement specific measures aimed at reducing the constraints outlined earlier and improve the state's investment environment.

These measures include:

- Provision of basic infrastructure facilities to reduce production costs.
- Assist investors with land acquisition from local communities in order to ease land availability constraints.
- Provision of special welfare schemes for farmers in order to reduce rural-urban migration and thus increase labour availability in the farming areas.
- Provision of agricultural credit schemes and extension services to assist farmers and encourage large scale production.
- Act as the last buyer of excess agricultural produce to encourage large scale production.
- Enforce quality control policies and procedures to protect local production.

Conclusion

Ondo state's extensive raw material base which includes huge mineral deposits, rich forest resources and favourable climatic and ecological conditions which support large scale crop production creates enormous investment potential. The table overleaf summarises investment opportunities, key constraints and challenges as well as recommendations.



Key investment opportunities

Agriculture and agro-processing	Oil and natural gas	Solid minerals
<p>Investment opportunities</p> <ul style="list-style-type: none"> • Crop production • Aquaculture activities • Livestock farming • Cash crop processing i.e. cocoa and oil palm and food crop processing i.e. maize, cassava, yam • Fish and shrimp processing • Timber processing <p>Investment entry opportunity: Ondo State Afforestation Project Sawmill</p> <p>Constraints and challenges</p> <ul style="list-style-type: none"> • Poor infrastructural facilities (electricity, water and transport) significantly increase cost of production • Lack of access to land due to the unwillingness of communities to part with their land • Inadequate supply of raw materials for some agro-processing activities • Inadequate quality control procedures/policies fail to prevent dumping of cheap sub-standard products • Unfavourable government policies • Environmental degradation as a result of oil exploration and production activities <p>Recommendations</p> <ul style="list-style-type: none"> • Consistent power supply • Improved transportation network • Adequate water supply through bore hole and dam construction • Implementation of land reforms • Establishment of farmer cooperatives • Provision of agriculture credit schemes offering credit at subsidised rates to farmers in order to encourage large scale production • Government to act as the last buyer of excess agricultural produce • Government provision of agricultural extension services to assist farmers • Restriction of activities i.e mineral exploitation, agriculture to specific allocated areas in the state to avoid issues arising from overlapping activities 	<p>Investment opportunities</p> <ul style="list-style-type: none"> • Upstream oil and gas sub-sector • Surveying • Civil works • Seismic data acquisition and interpretation • Exploration and production of crude oil • Downstream oil and gas sub-sector • Refining • Manufacture of petrochemicals • Marketing and distribution of petroleum and natural gas products <p>Constraints and challenges</p> <ul style="list-style-type: none"> • Poor infrastructure facilities in areas where mineral resources are found resulting in high operational costs • Political unrest in oil producing states is a major constraint to production of crude oil • Protection of the domestic market for petroleum products by government through the regulation of prices <p>Recommendations</p> <ul style="list-style-type: none"> • Provision of basic infrastructure i.e.: consistent power supply • Improved transportation network, i.e. road renovation and construction and rail renovation and upgrade • Adequate water supply through bore hole and dam construction • Development of a framework which ensures active involvement of local communities 	<p>Investment opportunities</p> <p>Exploitation of available mineral resources with large proven reserves such as:</p> <ul style="list-style-type: none"> • Bitumen • Silica Sand • Kaolin • Ball clay • Salt <p>Production of products processed from mineral resources:</p> <ul style="list-style-type: none"> • Bitumen products <p>Investment entry opportunity: state-owned bitumen block</p> <ul style="list-style-type: none"> • Glass products <p>Investment entry opportunity: Oluwa Glass Plc</p> <ul style="list-style-type: none"> • Ceramic products <p>Investment entry opportunity: Golden Ceramics Limited</p> <ul style="list-style-type: none"> • Paper coating and filler products • Granite products • Salt products <p>Constraints and challenges</p> <ul style="list-style-type: none"> • Unavailability of a database of Nigeria's mineral base to guide local and foreign investors • High level of government bureaucracy and complicated procedures for obtaining licenses to exploit mineral resources <p>Recommendations and requirements</p> <ul style="list-style-type: none"> • Removal of protection policies or the implementation of incentives which override losses incurred as a result of the protection of the domestic market • Development of a national mineral resource database which is regularly updated • Simplified and clearly laid out procedures for obtaining mining licenses for mineral resource exploitation

Services	Infrastructure	Others
<p>Investment opportunities</p> <ul style="list-style-type: none"> • Partnership arrangements with the government to develop and manage existing tourist sites • Establishment of new tourist sites such as amusement and theme parks • Provision of necessary support services which include: <ul style="list-style-type: none"> - Restaurants, bars etc. - Tour operators - Hotels <p>Investment entry opportunity: Royal Birds Motel</p> <p>Constraints and challenges</p> <ul style="list-style-type: none"> • Lack of requisite infrastructure • Lack adequate hotels, restaurants and tour operators • Lack of awareness of existing tourist attractions • Negative image of Niger Delta region <p>Recommendations and requirements</p> <ul style="list-style-type: none"> • Provision of basic infrastructure i.e.: <ul style="list-style-type: none"> - Consistent power supply - Road upgrades and construction - Rail renovation and upgrade • Aggressive promotion of Ondo's tourist sites 	<p>Investment opportunities</p> <ul style="list-style-type: none"> • Education • Water • Housing • Electricity • Telecommunications • Olokola Deep Sea Port and FTZP <p>Constraints and challenges</p> <ul style="list-style-type: none"> • High level of government bureaucracy and complicated procedures may deter investment • Business case for public-private partnership delivery <p>Recommendations and requirements</p> <ul style="list-style-type: none"> • Clearly laid out policies and regulations to facilitate private sector participation <p>Investment opportunities</p> <ul style="list-style-type: none"> • Concession from the state government to develop and manage the project <p>Constraints and challenges</p> <ul style="list-style-type: none"> • High level of government bureaucracy and complicated procedures may deter investment <p>Recommendations and requirements</p> <ul style="list-style-type: none"> • Clearly laid out policies and regulations to facilitate private sector participation 	<p>Investment opportunities</p> <ul style="list-style-type: none"> • Transportation services • Storage • Agricultural input retailing • Machinery leasing <p>Constraints and challenges</p> <ul style="list-style-type: none"> • Poor infrastructure facilities • Low level of activity in the key sectors results in insufficient demand <p>Recommendations and requirements</p> <ul style="list-style-type: none"> • Provision of basic infrastructure i.e.: <ul style="list-style-type: none"> - Consistent power supply - Improved transportation network • Increased activities in key economic sectors to enhance demand for support services

Entry options

There are two main entry options for potential investors in Ondo.

Investment in an existing venture

which may take the form of an outright acquisition of a business or the establishment of a partnership/joint venture with a local business. This entry option may be suitable where there are existing businesses in the identified opportunity area for example, the provision of hotel services may be better addressed through investment in existing hotels.

In addition, potential investors may also be more willing to invest in the solid minerals sector by investing in state-owned companies.

Starting a new venture in an identified opportunity area particularly where there are few or no existing local businesses i.e. oil and gas and solid minerals.

Regulatory requirements for business entry

Type of company	Government agency	Requirements	Description
All companies	Corporate Affairs Commission (CAC)	Certificate of Incorporation	All companies that wish to carry on business in Nigeria must be incorporated in Nigeria.
Companies with foreign participation	Nigerian Investment Promotion Commission (NIPC)	Business Permit	The NIPC permit entitles the recipient company to apply for, and obtain the assistance of the NIPC in making required liaisons for any applicable incentives whether fiscal or non-fiscal. In addition, evidence of registration with the NIPC is now a pre-condition for the remittance of dividend, profits and capital by a foreign investor.
All companies	Federal Ministry of Internal Affairs (FMIA)	Business Permit	This business permit is required before FMIA will grant expatriate quota approvals to companies.
All companies	FMIA/Nigerian Immigration Service (NIS)	Expatriate Quota	Expatriate employees may be needed to provide managerial/technical expertise. The expatriate quota granted varies according to the amount of capital of the company: <ul style="list-style-type: none"> • Capital of N2 million: one expatriate • Capital of N5 million: two expatriates • Capital of N10 million: four expatriates However, it is possible to employ a higher number of expatriates with the help of local companies.
All companies	NIS	Work Permit	Work permits are issued to enable foreigners to work in Nigeria. The number of work permits issued is based on the expatriate quota assigned to each company.

Business entry for potential investors in Nigeria has been simplified with the establishment of a One Stop Investment Centre (OSIC).

The OSIC is an investment facilitation mechanism which brings relevant government agencies to one location to coordinate and streamline the business entry process in order to provide efficient and transparent services to investors. The OSIC provides investors with a single place to pick up all documents and approvals that are statutorily required to set up a business venture in Nigeria.

According to the OSIC, investors may obtain the following business start-up requirements in the OSIC in the following timeframe.

Timeframe for obtaining regulatory requirements for business entry

Requirement	Timeframe
Certificate of Incorporation (CAC)	1 day
Business Permit (NIPC)	1 day
Expatriate Quota and Work Permit (FMIA & NIS)	3 days

Source: OSIC

The OSIC states, however, that these timeframes are subject to the timely provision by the investor of all relevant documents required by the various government agencies.

It is also important to note that the specified timeframe is often subject to impediments which include government bureaucracy and inefficient communication facilities. In addition, business start-up is further restricted by centralisation of processes (OSIC and other relevant government agencies are based in Abuja, the nation's capital) and a national regulatory environment. According to *Doing Business 2008*, (a series of annual reports issued by the World Bank and International Finance Corporation), starting a business in Nigeria takes an average of 34 days.



Strategies for sustainable development

Existing government policies

This section presents the policies implemented to drive the development of the select sectors, any identified policy gaps and recommended key policy initiatives; roles of FDI, public and private investment as well as the critical success factors for sustainable development of the sectors. The section concludes with a road map for the implementation of recommended initiatives.

Agriculture

Agricultural policy

The main thrust of the agricultural policy is the restriction of the government's role in agriculture to a more supportive one thereby encouraging active private sector participation in the sector. The private sector is expected to play a leading role in the investment in all aspects of agricultural production, storage, processing and marketing by taking advantage of the enabling environment provided. This role definition removes the risk of role duplication and overlapping functions among the parties.

Land use policy

The basic instrument of land use policy in Nigeria is the Land Use Act promulgated in 1978. The provisions of the Decree include:

- Ownership of land is vested in the hands of state government
- User rights are granted to people through statutory rights granted by state governors in respect of urban land, and customary rights granted by local government councils in respect of rural land

The ownership of land is vested in the hands of state governments to ensure the availability of land for agricultural and other activities.

Macro-economic policies: fiscal

Fiscal policy instruments which impact agricultural development are primarily designed to promote private sector participation. These include:

- Fiscal incentives aimed at stimulating private investment such as:
 - tax free dividends for five years for agricultural production and processing businesses
 - zero tax on agricultural loans with moratorium period of over 18 months and repayment period of not more than seven years

- tax relief for five years for pioneer industries engaged in cultivation, processing and preservation of food crops and fruits, integrated dairy, deep sea trawling and processing, manufacture of fertilizers.
- Provision of 50 percent subsidy on insurance premium paid in respect of most food crops and livestock items under the Nigerian Agricultural Insurance Scheme¹⁵.

Recommendations and requirements: monetary

Existing monetary policies that impact agriculture are designed to provide credit to the sector on concessionary terms.

These include:

- Farmers can obtain loans of up to N20,000 without tangible collateral. In addition, a moratorium of seven years is also available for bank loans to investors in long-gestation cash crop plantation and mechanised large-scale farms¹⁶
- Establishment of the Small and Medium Enterprises Equity Investment Scheme (SMEEIS) aimed at increasing small and medium sized enterprises (most agricultural concerns in the country fall under this definition) access to finance
- Enactment of the micro-finance policy to promote micro finance banks to cater to the finance needs of the under-served but economically active portion of the economy which comprises mainly of rural population that are mainly involved in agriculture
- Establishment of the Agricultural Credit Support Scheme to provide credit facilities to farmers at single digit interest rates

Trade

Trade policies which impact agriculture in Nigeria designed to protect local agricultural production and encourage exports. These include:

- Abolition or reduction of import duties in respect of agricultural inputs, agricultural raw materials and agricultural machinery

- Export promotion of non-oil goods (agricultural commodities) with the implementation of non-oil export incentives such as¹⁷:
 - permissible retention of export proceeds in foreign currency in a domiciliary account with any authorised bank
 - establishment of an export development fund to provide financial assistance to private exporting companies to cover part of their initial expenses for certain export promotion activities
 - establishment of an export adjustment fund scheme which provides supplementary export subsidy to compensate exporters for high cost of local production

Solid minerals

Mining policy

The basic instrument of mining policy is the Minerals and Mining Act 2007, which focuses on the role of the government as a solely regulatory one from the dual role of operator and regulator previously permitted. It is anticipated that the provisions of the new act will develop the country's long neglected solid minerals sector by creating a more conducive environment for private sector involvement.

Macro-economic policies: fiscal

Fiscal incentives available to private investors in mining operations under the mining legislation include:

- Full foreign ownership of companies
- Tax holidays of three to five years
- Low income tax rates of 20 to 30 percent
- Import duty waiver on imported machinery
- Free repatriation of profits
- Deferred royalty payments
- Insurance cover by the Multi-lateral Investment Guaranty Agency (MIGA) against political risk
- Tax deductible benefit for providing infrastructure to a mining location

15 Assessment of Nigerian Agriculture Policy
 16 Assessment of the Nigerian Agriculture Policy
 17 Nigeria Investment Promotion Commission (NIPC)

Recommendations and requirements: monetary

Monetary policy instruments that directly impact the solid mineral sector focus mainly on the provision of credit facilities to the sector. These policy instruments include the following:

- Establishment of the Small Scale Mining Credit Guarantee Scheme to increase access of small scale mining operations to credit facilities¹⁸
- Establishment of the SMEIS to increase access to finance
- Enactment of the microfinance policy to promote micro finance banks to increase access to finance

Trade

Trade is a key issue for the solid minerals sector as the bulk of minerals produced are exported. Trade policies relevant to mining is the implementation of non-oil incentives previously stated under trade policies relevant to agriculture.

Oil and gas

National oil and gas policy

The Nigerian Government recently approved a new national oil and gas policy to guide the oil and gas industry in the country. Some of the key elements of the new policy include²⁰:

- Replacing the Ministry of Energy with the National Petroleum Directorate to provide policy direction for the industry
- Replacing the Nigerian National Petroleum Corporation with the National Oil Company to build a strong national oil and gas company like its counterparts in Brazil and Malaysia
- Replacing the Department of Petroleum Resources with an autonomous entity: the Petroleum Inspectorate Commission
- Replacing the Pipeline Product Marketing Company with the Product Distribution Authority
- Replacing the National Oil and Gas Assets Holding Company with the present National Petroleum Investment Management Services Company

Nigerian content policy

This policy was issued to address the problem of low level of Nigerian Content in the oil and gas industry. The government has set local content targets of 45 percent in 2006 and 70 percent in 2010 and is moving towards 100 percent fabrication especially as this is seen as Nigeria's area of competitive competency.

- **Policies affecting the downstream sector:** in order to nurture private sector participation the government embarked on the deregulation of the sector through the licensing of private refineries and privatisation of public refineries. The licensing of private refineries is expected to improve domestic capacity
- **Policies affecting the upstream sector:** with regards to the upstream sector, a bill making it mandatory for all major international oil companies operating in Nigeria to refine at least 50 percent of their crude oil production in the country, has been sent to the Senate for approval. This would ensure that there are many suppliers in the local market, encouraging competition and the attendant lower costs.

Macro-economic policies: fiscal

There are a wide variety of fiscal incentives available to attract private sector investment. These incentives include¹⁹:

- Guaranteed minimum margin of US\$2.50 bn
- Accelerated capital allowances which provides that the capital allowances can be carried forward indefinitely
- Graduate royalty rates approved for oil companies
- Investment tax allowances (ITA) granted to a company in respect of any asset for the accounting period. The ITA is graduated as follows:
 - Onshore: 5 percent
 - Offshore in depths of up to 10m: 10 percent
 - Offshore in depths of between 100–200m: 15 percent
 - Offshore in depths of over 200m: 20 percent

Trade

The bulk of crude oil produced in Nigeria is exported; consequently, the provisions of the existing trade policy on the exports of crude oil are critical to the development of the sector.

Key trade policies which affect the oil and gas sector include:

- Development of an Oil and Gas Export Free Zone which encompasses three oil and gas service centres around the ports of Onne (near Port Harcourt), Calabar and Warri. Within this zone, there is a 100 percent repatriation of capital and profit, no personal income tax and no pre-shipment inspection of goods imported into the zone²⁰
- Permissible retention of export proceeds in foreign currency in a domiciliary account with any authorised bank in Nigeria

Tourism

Tourism policy

The national tourism policy was produced in 1991 as part of government's plan to make tourism an economically viable industry in Nigeria. The main thrust of the policy is to make Nigeria a prominent tourism destination in Africa, generate foreign exchange, encourage private sector participation, accelerate rural-urban integration and foster socio-cultural unity. Due to the importance the Nigerian government attaches to the tourism industry, the following strategies have been adopted:

- **Land concession:** state government will provide land for tourism development at concessional rates and conditions favourable to investment
- **Infrastructure:** the state government would ensure that the provision of good roads, water and electricity to tourist attractions

Macro-economic policies: Fiscal

Fiscal and other incentives aimed at promoting private sector investment in Nigeria's tourism sector include²¹:

- The sector has preferred sector status meaning that companies engaged in the development of holiday resorts, hotels, sporting and recreational activities qualify for tax holidays, longer years of moratorium and import duty exemption on tourism related equipment
- Availability of soft loans with a long period of moratorium etc

¹⁸ Constraints To Small Scale Mining In Nigeria: Policies And Strategies For Development by Miriam Lawal

¹⁹ Nigerian Investment Promotion Commission

²⁰ Nigerian Investment Promotion Commission

Policy gaps and initiatives for select industries

Sector	Policy gaps	Recommendations	Responsibility
Solid minerals	Small-scale mining Small-scale mining is an important part of the mining sector. It has the potential to raise internal revenue in addition to foreign exchange, create employment and encourage foreign direct investment. However, there are presently no defined policies to guide these operations thus most of such fall into the illegal mining category.	Formulation of clear cut policies on mining practices, code of conduct, training and development of miners, mining research, financial guidelines and environmental regulation to guide small scale operations in Nigeria. Implementation of deliberate policies to integrate small-scale into the formal mining sector.	Federal Government
	Lack of formal training framework There is inadequate competent technical and management workforce in Nigeria's mineral and mining industry due to the lack of a formal training framework for the industry.	Development of a formal training framework which introduces specific mining engineering management courses in local educational institutions in collaboration with foreign institutions to produce competent technical staff and management.	Federal Government and Ondo State Government
	Access to finance In spite of existing monetary policy instruments employed such as SMEIS, the sector still lacks access to finance at much needed affordable and competitive rates.	Provision of incentives such as concessions from the CBN to financial institutions that provide finance to the sector would increase access to much needed finance in the sector.	Federal Government, Central Bank of Nigeria
Oil and gas	Regulation of prices for petroleum products Protection policies such as the regulation of product prices in the domestic market create a disincentive for private sector investment in the sector particularly the downstream sector.	Removal of protection policies or the implementation of incentives which override any losses incurred as a result of the protection of the domestic market will encourage increased private sector participation.	Federal Government
	Non-involvement of host communities The lack of involvement of local communities in the decision making process is a major cause of local unrest which negatively impacts production.	Development of a framework which ensures the involvement of local communities will reduce instances of instability in oil regions.	Federal Government and Ondo State Government

Sector	Policy gaps	Recommendations	Responsibility
Agriculture	Land policy The existing Land policy has not been very effective in ensuring the availability of land for agricultural purposes. Investors often have to pay twice i.e. pay to the government and communities for land. Furthermore communities are still unwilling to part with their land.	Formulation of a new land use policy which ensures the availability of land for agricultural and other purposes.	Federal Government
	Access to finance In spite of existing monetary policy instruments employed such as SMEES, the sector still lacks access to finance at much needed affordable and competitive rates.	Provision of incentives such as concessions from the CBN to financial institutions that provide finance to the sector would increase access to much needed finance in the sector.	Federal Government, Central Bank of Nigeria
	Rural poverty Labour constraint in agriculture continues unabated due to rural-urban drift, lack of skilled labourers, poor technology and high wages in other sectors of the economy. Agriculture takes place in the rural areas, which are lacking in infrastructural facilities. The consequence is the movement of able-bodied men out of the rural areas. Similarly, higher wage rates in other sectors of the economy draw away Labour from agriculture. All these factors aggravate the persistence of the Labour constraint.	Provision of special welfare schemes for farmers to alleviate rural poverty and the redistribution of income in favour of the rural poor.	Ondo State Government
	Low yield produce Most farmers in Nigeria use old seed and tree varieties in spite of the fact that there are newer varieties of high-yielding and relatively easy to maintain seeds and trees. The farmers are reluctant to replace old plantations because of the high cost of replanting new ones.	Provision of replanting grants to cash crop farmers to encourage them replace their old trees with high-yield varieties.	Ondo State Government
	Communication gap The existing agricultural policy includes strategies for agricultural extension services which involves the dissemination of appropriate technologies to farmers. However, there seem to be communication gaps between farmers and researches resulting in the persistent technical constraint which means that farmers are unable to take up new innovations aimed at boosting their productivity and output.	Development of a clear framework which outlines the transmission of research output by researchers to the end-users which are the farmers. Establishment of demonstration farms to educate farmers.	Ondo State Government, Local Government
Tourism	Outdated tourism policy The existing tourism policy was formulated in 1990 and does not take into consideration modern challenges in the sector.	The policy should be reviewed in line with countries that are renowned for tourism such as Kenya and the US.	Federal Government

Critical success factors

Despite the state government's policy on easy land acquisition through the Ministry of Lands and Housing, there are still difficulties obtaining land in the state.

Agriculture and agro-processing

Availability of labour

Ondo State has a fairly large population of 3.4 million made up of a mainly rural population, whose main occupation is agriculture. However, due to rural-urban migration, the portion of the populace which could be engaged in agricultural activities, are seeking white-collar jobs in cities and towns, thus reducing available resources.

Access to finance

Agriculture in Ondo remains largely subsistent due to financial constraints resulting from inaccessibility to credit facilities required to finance the acquisition of land and relevant large-scale machineries.

Infrastructure: transport, water and electricity

The most common form of transportation for agricultural produce is road transport. The state government has made efforts over the last few years at massive road rehabilitation and reconstruction in the metropolis. However, there is still a lack of tarred roads in the state. In addition, electricity and water supply in Nigeria, particularly in rural areas remains low.

Government policies and initiatives

One of the major constraints to agricultural development in Nigeria is policy instability. Over the years, the rate of turnover in agricultural policies has been high, with many policies formulated and scrapped in rapid succession mainly as a result of political instability. In addition, there is also a tendency to regard the formulation of policies as ends in themselves, rather than being means to desired ends. Consequently, little attention is paid to the efficient implementation of policies. Poor managerial capacity, bureaucratic bottleneck, corruption and high rates of policy turnover also tend to complicate the problem of policy implementation.



Mineral resources

Political stability

The successful political transition in May 2007 has gone a long way in increasing investor confidence in the sector. However, there is a growing concern about the restiveness in the Niger Delta which has negatively impacted the country's oil production. Ondo State, though part of the Niger Delta, is known for its peace and stability.

Market demand potential

With a population of 140 million (Nigeria), there is a huge local demand for petroleum and natural gas products as well as other mineral resources such as granite and bitumen. In addition to the large local demand, the country has export potential to regional and international markets. Thus, ready markets exist both domestically and internationally.

Tourism

Establishment of structural reforms to facilitate sustainable growth

There are several ongoing federal and state government initiatives to harness the potential of tourism in Nigeria. However, these are yet to make a strong impact on the continental or global tourism industry. There is need for more development of this sector to deliver a competitive tourism industry.

Aggressive marketing

Ondo State has several tourist sites but there has been little or no marketing effort to create awareness of these to potential tourists, both local and international.

Infrastructure development

Currently, the infrastructure requirements for tourism are largely underdeveloped, so in order to stimulate tourism, it is imperative that the necessary infrastructure is made available.

Involvement of the private sector, role of FDI and public funding

Mineral resources

Oil and gas

Upstream oil and gas sub-sector: this sub-sector is jointly funded by both public and private sector resources through various joint venture arrangements between the NNPC and various private oil companies. Private sector investment in this sub-sector comprise solely of foreign direct investment as Chevron-Texaco, a major oil company, is the only player involved in crude oil production in Ondo State. However, with the recent introduction of the Nigerian local content policy, domestic private sector involvement is expected to increase in this sector.

Downstream oil and gas sub-sector:

this sector is also jointly funded by both public and private sector resources. Private sector investment in this sub-sector which includes domestic and foreign investment is primarily involved in the marketing and distribution of petroleum companies.

Although there is currently no refinery in Ondo State, public sector funding is involved in the refining of oil in the other parts of the country where refineries are located, for sale to private companies involved in marketing and distribution. In a bid to increase private sector involvement in refining, the government recently issued licences to private companies to build refineries. However, the protection of the domestic market by government through subsidies has been a major deterrent to private investment thus, there are still no private refineries in the country. The government is also in the process of privatising the existing state-owned refineries.

Solid minerals

Presently, this sector is largely funded with public resources with very negligible investment (domestic and foreign) from the private sector. This is evidenced by the predominance of wholly state owned companies.

However, continuous government efforts at creating a more conducive environment for private sector involvement through the provision of requisite infrastructure and incentives as well as the successful privatisation of state-owned companies should see private sector funding play a more dominant role.

Agriculture and agro-processing

The agriculture and agro-processing sector in Ondo is mainly funded by the private sector as investments in all aspects of agricultural production, storage, processing and marketing are mostly funded by the private sector. However, the private funding is mainly domestic private investment provided by Ondo indigenes or other Nigerians with very minimal foreign direct investment.

Public funding is primarily concerned with the provision of an enabling environment through the provision of requisite infrastructure, agricultural inputs, research and development etc necessary for private sector investment.

Tourism

Public funds also play a main role in the financing of this sector as presently, tourist sites are mainly funded using public funds. The government is actively seeking private sector investment in the development and management of these sites in order to reduce its involvement.

However, support services such as hotels and conference facilities are presently funded by the private sector which is mainly domestic funds with very minimal public funding involved.

Infrastructure

Infrastructural facilities in Ondo State are mainly provided by the government, thus public funds play a major role in the financing of this sector. However, there is minimal private sector investment in the provision of certain facilities which include housing, education and water supply.

Conclusion

Currently, most sectors in Ondo state are largely funded with public resources with very negligible investment (domestic and foreign) from the private sector.

Appendices



Appendix 1: Procedure for obtaining a mining license in Nigeria

Mining licenses are issued subject to proof of economic reserve of the mineral commodity for which a concession is sought.

The steps for obtaining a mining license in Nigeria are as follows:

- Application to the Minister for Mines and Steel Development for a Certificate of Entry into the mining industry. The requirements for this include submission of the company's certificate of registration, evidence of technical competence and of financial capability
- Application for a Prospecting Right (PR) to enable a company carry out general and scientific prospecting for the categories of minerals within the prospecting right. If properly conducted, work carried out under the prospecting right will guide the company towards zeroing into a particular mineral within a specific land area
- Application for an exclusive prospecting license (EPL) in the state where the mineral is located i.e Ondo Mines Office. This is an exploration license for a particular mineral(s) over a particular land area which, by law, should not exceed 22 square kilometres. Once granted, the area is held exclusively to the company which will now confidently invest in mineral exploration work on the area without hindrance. This license is renewable every one or two years depending on the nature of the terrain
- Application for a mining license for the whole or part of the area covered by the EPL where the desired mineral is found to be available in commercial quantity

The law insists that the company employs the services of a "technically competent person" in carrying out the prospecting under the PR, the exploration within the EPL and finally the extraction of the mineral within the mining license area. This is necessary and to the advantage of the mining company as it reduces investment risks and reaps the maximum benefit from the investment.

Appendix 2: Acknowledgments

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Sola Obadimu	Investment Promotion and Business Development Expert	Millennium Cities Initiative, Nigeria

Appendix 3: Glossary of terms

ACSS	Agricultural Credit Support Scheme
AOP Plc	Araromi–Aiyesan Oil Palm Plc
ATM	Automated Teller Machine
BOOT	Build Own Operate and Transfer
CAC	Corporate Affairs Commission
CBN	Central Bank of Nigeria
FDI	Foreign Direct Investment
FEED	Front End Engineering Design
FMIA	Federal Ministry of Internal Affairs
GDP	Gross Domestic Product
ITA	Investment Tax Allowance
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
MCI	Millennium Cities Initiative
MDGs	Millennium Development Goals
MIGA	Multi-lateral Investment Guarantee Agency
MT	Metric Tonnes
MVP	Millennium Village Project
NEEDS	National Economic Empowerment and Development Strategy
NIS	Nigerian Immigration Service
NIPC	Nigerian Investment Promotion Commission
NIROW	Nigeria-Romania Wood Industry
NNPC	Nigerian National Petroleum Corporation
OIOP Plc	Ore Irele Oil Palm Plc
OKFTZ	Olokola Free Trade Zone
OKLNG	Olokola Liquefied Natural Gas Company
OOP Plc	Okitipupa Oil Palm Plc
OSEB	Ondo State Electricity Board
PHCN	Power Holding Company of Nigeria
PTO	Private Telephone Operator
SMEEIS	Small and Medium Enterprises Equity Investment Scheme
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organisation

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