

ESTABLISHING BUSINESSES IN FOREIGN JURISDICTIONS: ISSUES, CHALLENGES & PROSPECTS

A PRESENTATION AT THE FIRS TAX TREATY STRATEGY
WORKSHOP IN ABUJA

BY

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DANGOTE SUGAR REFINERY PLC

19 MARCH 2012



Cement | Sugar | Flour | Noodles | Pasta | Salt | Beverages | Telecoms | Steel | Transport | Real Estate | Poly Products | Maritime

TOPIC

Establishing Businesses in Foreign Jurisdictions: Issues, Challenges and Prospects

Outline

1. Global Challenges Affecting FDI
2. The Dangote Group
3. Investing in Africa: The Nigerian Experience
4. The Dangote Experience
5. Conclusion

Opportunities, Prospects & Challenges

Key factors

- Government Policies
- Infrastructure (Road, Power, water etc)
- Political Atmosphere (Crises, Wars etc)
- Manpower (Skilled & Unskilled)
- Return on Investment (Vision 2020)

Global Challenges Affecting Foreign Direct Investments

- Global economy is currently facing turbulence with the economic crises
- Political crises with changes in government and internal struggle for power between incumbents and opposition coalitions
- Economic instability and uncertainties in the economic outlook due to the political crises and lack of continuity in policy implementation
- Inflationary trends, lack of infrastructure & Manpower, Corruption etc

The Dangote Group

- The Dangote Group started business in 1978 as a trading company
- Today, we have diversified into manufacturing with 13 companies in Cement, Sugar, Flour, Noodles, Pasta, Salt, Beverages, Telecoms, Steel, Transport, Real Estate, Poly Products and Maritime.
- Our cement plant produces about 20mt/pa, Sugar 1.44mt, making DSR the second largest sugar refinery in the world and the largest in sub Saharan Africa. Savannah Sugar 55,000mt, DFM Plc (Flour ___MT, Pasta___MT & Noodles ___ P/A) etc
- Currently, we are operating in about 14 African countries, with over \$4bn investment committed to - Ghana, South Africa, Cameroun, Sierra Leone, Tanzania, Ethiopia, Liberia, Cote D'Ivoire, Senegal, Zambia, Congo, Gabon, Sao – Tome etc

Investing In Africa: The Nigerian Experience

- Africa has 54 countries with a population of 1 billion, constituting 14% of global population
- With abundant human and natural resources, Africa offers one of the highest returns on investment in the world, hence an investor's haven.
- Nigeria is the most populous African country and 6th most populous nation in the world, with over 150 million people

Investing in Africa:

The Nigerian Experience

- As one of the most populous nations in the world, any business looking to invest beyond its shores will list Nigeria on its first five prospects.
- The successes recorded so far in FDI's cannot be overlooked, however, more can be achieved if lasting solutions are proffered to the challenged we faced with in Nigeria today:
 - Lack of infrastructure
 - Overlapping functions of regulatory authorities
 - Insecurity
 - Power
 - Multiple Taxation, Rates & Tariffs
 - Changes in government policies
 - Religion & Cultural differences

The Dangote Experience

- There are challenges to doing business in Africa just like other parts of the world, Multiple taxations, poorly developed infrastructure, security of investments, manpower, supply chain management and delays in getting approvals for property are some of the challenges facing businesses in Africa
- Cost of doing business in Nigeria is high. According to a World Bank report, it is easiest to do business in Jigawa and most difficult in Ogun. We have had to provide our own power supply at our plants. Despite this challenges, Dangote Group forged ahead with an impressive expansion drive across Africa.
- In Zambia, we signed an Investment Promotion and Protection Agreement (IPPA) to safeguard our investment in that country in case of change in legislation
- In Cameroon, we are trying to resolve a dispute on our plant
- In Algeria, we after making huge investments in land, Plant & Machinery for our Sugar Refinery, the policies changed, we had to pull out

The Dangote Experience

- These challenges are part of our reality in Africa, but there are bright prospects, with more than 310 million in the ECOWAS region, this offers endless possibilities to investors
- Doing business in Africa can be challenging but rewarding
- Also, in countries like South Africa with political stability, the right policies and infrastructure amongst others are thriving.

Conclusion

- These challenges are part of our reality. Successful businesses take the challenges into account as they design their business models. Lack of information about Africa is holding back foreign investment
- Taking the first step is usually the big challenge in the process of doing business in Africa. Once that step is taken, a world of possibilities unfolds. The most profound effect has been seen in developing countries, in the last two decades FDI's in flows have increased from less than \$10 billion to than \$20 billion and exploded in the 1990s from \$26.7 billion to \$179 billion and \$208 billion in 1999.
- Developing countries now comprise a large portion of global FDI., therefore there is an urgent need for the right policies, taxes and tariffs to be put in place for Nigeria to maximize the benefits presented by these investments.



Thank You

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