



OFFICE OF THE EXECUTIVE GOVERNOR

ONE STOP INVESTMENT CENTRE (OSIC)

BRIEF ON INVESTMENT OPPORTUNITIES IN ADAMAWA STATE

GENERAL INFORMATION

Adamawa State is one of the 36 States in Nigeria. Its capital city is Yola and its major towns are Mubi, Gombi and Numan. The State has a population of 3.6 million people, majority of who are the Hausa - Fulani, Chamba and Bura ethnic groups.

2. Geography. Adamawa State is situated in North-eastern Nigeria and it covers an area of about 42,158 square kilometres within the Guinea Savannah grasslands. It experiences a tropical climate. The State is drained by 4 major rivers – Benue, Gongola, Faro and Yedseram. It is bordered to the North by Borno; to the West by Yobe and Gombe States; to the South by Taraba State; and to the East by the Republic of Cameroun.

3. Natural Resources. Most of the State is arable and it is one of the major sources of food especially grain crops (maize, millet, guinea corn, rice etc) and livestock (cows, sheep and goats) in Nigeria. Apart from agricultural resources it is endowed with solid mineral resources such as Clay, Feldspar, Baryte, Limestone and Gypsum. It also has Graphite, Magnesite, Cassiterite coal and Trona salt.

4. Governor. The current Governor of Adamawa State is Vice Admiral Murtala Hammanyero Nyako (rtd). He was born 27 August 1943. He joined the Nigerian Navy in 1963 and rose to the rank of Vice Admiral. He was Military Administrator of Niger State – 1976; Chief of Naval Staff – 1990; Deputy Chief of Defence Staff – 1992; and he retired in 1993. He was the founder of the All Farmers Association of Nigeria and is still the Chairman. He was also the founder of Sebore Farms which is currently one of the largest and best organised farms in Nigeria and it is an export processing zone too. He has served Nigeria in various capacities at the Federal level since 1976 and he has played a major role in almost every policy formulation in Nigeria. He is a holder of the Grand Commander of the Order of Niger (GCON) which is the second highest award of the Federal Republic of Nigeria.

5. Policy of Government. Agriculture is the main focus of the Government's economic development. The policy of Government is geared towards attaining economic independence through development of agriculture for food security and the provision of raw material inputs for value addition as it relates to agro - allied industries. To this end, all activities in the State revolve around agriculture and the Government embarked on the setting up of structures to improve the economic environment as well as massive infrastructure development, thus creating investment opportunities for investors.

INVESTMENT OPPORTUNITIES

AGRICULTURE

7. The agricultural potential of Adamawa is barely being tapped. As the Agricultural Sector remains a dominant employer of labour, serious investment is needed across the board to enhance food production for local consumption and for export to other countries, as well as for provision of raw materials for industries. Opportunities exist in the following priority activities:

- a. Crop production to achieve food security and to provide industrial raw materials. Potentials exist for the following crops:
 - Cash crops: Cotton, sugarcane.
 - Cereals: Maize, rice, sorghum, corn, millet, wheat.
 - Root crop: Cassava, yam, ginger, potato, cocoyam.
 - Legumes: Soya beans, groundnuts, cowpeas.
 - Fruits: Mango, banana, oranges, guava, pawpaw, pineapple.
 - Vegetables: Cabbage, green pepper, carrots, lettuce, spice, onions, melons etc.
- b. Large and small ruminant production for meat and dairy.
- c. Poultry production for meat and eggs.
- d. Aquaculture.
- e. Animal feed production.
- f. Land preparation for large scale agriculture.
- g. Provision of raw material for agro – allied industries.
- h. All aspects of direct agricultural production, but in particular, rehabilitation of groundnut, cotton, fish production and forestry.
- i. Investment in processing of agricultural produce, storage facilities and agricultural input supply and distribution.

8. Incentives for the Agricultural Sector. There are various incentives for investing in the Agricultural Sector which include:

- a. Companies in the agro-allied business do not have their capital allowance restricted. It is granted in full i.e. 100%.
- b. The payments of minimum tax by companies that make small or no profits at all do not apply to agro-allied businesses.
- c. Agro-allied plants and equipment enjoy enhanced capital allowances of up to 50%.
- d. Processing of agricultural produce is a pioneer industry; consequently there is 100% tax-free period for 5 years.
- e. All agricultural and agro-industrial machines and equipment enjoy 1% duty.

- f. The Agricultural Credit Guarantee Scheme Fund (ACGSF), administered by the Central Bank of Nigeria, guarantees up to 75% for all loans granted by commercial banks for agricultural production and processing.
- g. The Interest Drawback Program Fund provides a 60% repayment of interest paid by those who borrow from banks under the ACGS, for the purpose of cassava production and processing. To qualify for these repayments, borrowers need to repay their loans on schedule.

9. Investing in agriculture as stated above not only provides for food production for the 140 million Nigerians and for export to other countries, but is also an avenue for provision of raw materials for agro – allied industries. Government taking into consideration the importance of food security and industrialization to its economy has embarked on the provision of energy through partnership with the private sector.

ENERGY

10. There is no state in Nigeria that has stable electricity, despite the desire of the people to develop industries. In this regard, Adamawa State is blessed with an existing dam at Kiri that can easily be converted into a hydro electric dam of 35 MW capacity. The State has already carried out feasibility study on the viability of the dam for hydropower.

11. There are vast opportunities in this Sector with the existence of several industries, such as the Savannah Sugar Company, Benue Cement Company, Afcot Textile Company, Ashaka Cement Company, within and outside the State that will utilize the energy produced. The State also intends to build an industrial park which will also be a market for the energy produced.

12. Adamawa State currently requires about 80 MW of electricity and it is estimated that the Dam could produce up to 35 MW of electricity; it means that there would be a shortfall of 45 MW of electricity. The State intends to create an industrial park to consume any additional electricity and where there is surplus it would sell to neighbouring states. It is for this reason that Government is looking forward to investors and development partners to transform Kiri dam to a hydropower station. In response, the Government of Adamawa State would guarantee any investments/grants based on mutually agreed terms with the investors through a reputable financial body. The State would further grant concessions to any investors in the Kiri Project in the areas of agriculture – especially in the use of its vast arable land of about 42,000 square kilometres – and solid minerals such as gypsum and limestone for use in the cement and related industries.

13. This development would lead to the vast opportunities for transport needs of transporting raw materials and processed products from these industries to other parts of the country, as well as for export. The provision of this infrastructure promises the investor of a ready market to off – take the energy generated. This is an assurance of immediate return on investment.

RAILWAY PROJECT

14. There is an opportunity in the development of a rail line of 1000km to run from Maiduguri to Calabar to serve as a major transport infrastructure. There is also a second opportunity of linking the rail line from Yola to Garoua in Cameroun; and Maiduguri to Ndjamena in Chad. The Railway Project has several advantages amongst which are:

- a. Opening up of commercial activity in the North-eastern part of Nigeria which is a major contributor in agricultural activities in Nigeria, but is still the most poverty stricken.
- b. It gives agricultural, extraction, manufacturing and processing industries – such as Calabar Cement, Dangote Flour and, Benue Cement, Savannah Sugar, Ashaka Cement, Afcot Textile Company etc – access to the markets enroute the Export Free Zone Port of Calabar.
- c. Means of transport for people and cargo.
- d. Establishment of this rail system would leverage the setting up of an inland container terminal which would service the North-eastern region of Nigeria.

15. The Railway Project being the most efficient means of transport for people and cargo is a highly profitable commercial venture. As there is immediate need for the provision of such infrastructure putting into consideration the huge demand of moving agricultural outputs, industrial goods and the vast mineral resources in the State; investment in this Project is backed by policies of the Federal Government of Nigeria to grant waivers and concessions to any investor ready to invest in the railways in Nigeria. Major amongst these incentives is that 20% of the cost of providing these infrastructural facilities, where they do not exist, is tax deductible.

SOLID MINERALS

16. It is a well known fact that the availability of extractable minerals is the major factor in choosing a destination by investors. To this end, the State is willing to partner with major investors in the Agricultural Sector to have access to the vast deposits of gypsum, coal, limestone, clay, barites, uranium etc.

17. **Incentives in the Solid Minerals Sector.** The following incentives are available in the solid minerals sector:

- a. 3 to 5 years tax holiday.
- b. Low income tax of between 20% and 30%.
- c. Deferred royalty payments depending on the magnitude of the investment and the strategic nature of the project.
- d. Possible capitalization of expenditure on exploration and surveys
- e. Extension of infrastructure such as roads and electricity to mining sites.

- f. The holder of a mining lease shall, where qualified, be entitled to depreciation or capital allowance of 75% of the certified true capital expenditure incurred in the year of investment and 50% in subsequent years
- g. Investment allowance of 5%
- h. Exemption from payment of customs & import duties
- i. Expatriate quota & resident permit for approved expatriate personnel
- j. In addition to roll-over relief under the Capital Gains Tax (CGT), companies replacing their plants and machinery are to enjoy a once-and-for-all 95% capital allowance in the first year with 5% retention value until the asset is disposed, 15% will be granted for replacement of an asset.

18. Investing in Cement Production. In 2008, the Nigerian Cement Industry had a market size of N361 billion (US\$2.4 billion), or in aggregate consumption terms, 13.4 million tonnes, of which 46% (6.2 million tonnes) was produced in Nigeria. This leaves a wide gap of 54% in terms of requirements that is usually imported. The increasing demand for good quality housing, which is estimated at around 16 million housing units, as well as development of other infrastructure is also expected to be a key catalyst for further industry sales growth. With vast reserves of gypsum, limestone and clay at the same location in the Guyuk area, investors stand to make huge gains by investing in the Cement Industry in Adamawa State.

19. It is in line with the above resource availability and the wide gap in supply that opportunities exist in the establishment of cement factories, and other industries for the processing of the States mineral resources. The Federal Government to complement the efforts of Adamawa State has in turn made available the following incentives for investing in the Cement Industry:

- a. All forms of restrictions on the importation of gypsum, an important raw material for cement production, has been removed.
- b. A 5% import duty ceiling has been placed on the importation of gypsum until sufficient local production is achieved.
- c. The issuance of cement import licences will be dependent on the guarantee that such licences will be fully utilised within a specific period of time.
- d. To stimulate local mining activities for cement production, the time it takes to obtain exploratory and mining licences from the relevant government agencies has been reduced to 18 and 6 months respectively.
- e. A N500 (US\$3) per tonne levy on cement imports has been imposed to encourage local production.
- f. To further develop local production capacity, a cement institute will be established. The facility will be funded through the N500 per tonne special levy on cement imports.
- g. Tariff incentives for imported spare parts and machinery for cement production has been reinstated.

- h. Government has granted a two to three year duty-free period for the importation of machinery, equipment and spare parts to cover the initial stages of setting-up cement production businesses.

Investing in the Cement Industry has immediate benefits for the investor, as there is a huge shortfall in the annual needs of cement in the Country. The Adamawa State Government has embarked on several other measures in improving the investment climate for investors in this sector as a sign of its commitment to attracting Foreign Direct Investment (FDI) into the cement and other sectors of its economy.

INVESTMENT CLIMATE IMPROVEMENT

20. FDI is the main engine of growth of most economies, as it brings in funds, technology and knowledge. The current Administration in its quest to attract the much needed foreign investment has put a lot of structures and enacted various laws and policies aimed at creating a conducive environment for the inflow of FDI. Amongst the structures established is the Debt Management Office (DMO) and the One Stop Investment Centre (OSIC) to mention a few.

21. The Debt Management Office. The DMO is an Office set up to among other things, maintain a reliable database of all loans taken or guaranteed by Government; prepare and submit to Government all information on debt service requirements; as well as, advise Government on re-structuring and re-financing of all debt obligations etc. It is worthy of note that the current Administration is amongst the first states to set up a DMO in the Country.

22. The One Stop Investment Centre. The establishment of the OSIC in Adamawa State according to universal best practices is an initiative of His Excellency Murtala H. Nyako aimed at bringing together all relevant government agencies to one location. This is to create a coordinated and streamlined Centre that will provide prompt, transparent and efficient services to investors. The services of the OSIC are further aimed at reducing Administrative bottlenecks, reducing the cost of doing business, eliminating dealing with multiple agencies in different locations, eliminating the use of discretion and lack of transparency in granting approvals, licences and permits, and providing the highest quality of service to investors. The Adamawa State OSIC is committed to the following:

- a. Providing business entry within 48 hours.
- b. Providing an electronic payment system to further enhance transparency, speed and convenience.
- c. Being courteous in dealings with clients and treating them with honesty and utmost respect.
- d. Maintaining a zero tolerance for corruption in line with the current Administration's policy.
- e. The OSIC is mandated to also administer various general incentives for the stimulation of private sector investment from within and outside the Country.

23. Companies Income Tax. The Companies Income Tax Act has been amended in order to encourage potential and existing investors and entrepreneurs. The current rate in all sectors, except for petroleum, is 30%.

24. Pioneer Status. The grant of Pioneer Status to an industry is aimed at enabling the industry concerned to make a reasonable level of profit within its formative years. The profit so made is expected to be ploughed back into the business. The grant of tax holiday is for a period of 5 years anywhere in the Country and 7 years in respect of industries located in economically disadvantaged locations.

25. Tax Relief for Research and Development. Industries are expected to engage in Research and Development (R&D) for the improvement of their processes and products. Up to 120% of expenses on R&D are tax deductible, provided that such R&D activities are carried out in Nigeria and are connected with the business from which income or profits is derived. Also, for the purpose of R&D on local raw materials, 140% of expenses are allowed. Where the research is long-term, it will be regarded as a capital expenditure and will be written off against profit. The result of such research could be patented and protected in accordance with internationally accepted Industrial Property Rights.

26. Capital Allowances. The current rates applicable in respect of capital allowances are:

S/N	Qualifying Expenditure	Initial Allowance (%)	Annual Allowance (%)
a.	b.	c.	d.
(1)	Building Expenditure	5	10/annum
(2)	Industrial Building Expenditure	15	10
(3)	Mining	20	0
(4)	Plant excluding furniture & fittings	20	10
(5)	Furniture & fittings	15	10
(6)	Motor vehicle expenditure	25	20
(7)	Plantation equipment expenditure	20	33
(8)	Housing Estate expenditure	20	10
(9)	Ranching & plantation expenditure	25	15
(10)	Research & Development	25	12

25. The amount of capital allowance to be enjoyed in any year of assessment is restricted in Nigeria to 75% of assessable profit in case of manufacturing companies and 66% in case of others, except such companies in agro-allied industries that are not affected by this restriction. If leased assets are used in agro-allied ventures, the full (100%) capital

allowance claimed will be granted. Moreover, where the leased assets are agricultural plants and equipment, there will be an additional investment allowance of 10% on such expenditure.

27. In – Plant Training. This is applicable to industrial establishments that have set up in - plant training facilities. Such industries enjoy a 2% tax concession for a period of 5 years.

28. Investment in Infrastructure. This is a form of incentive granted to industries that provide facilities that ordinarily, should have been provided by Government. Such facilities include access roads, pipe borne water and electricity. 20% of the cost of providing these infrastructural facilities, where they do not exist, is tax deductible.

29. Labour Intensive Mode of Production. Industries with high labour/capital ratio are entitled to tax concessions. These are industries with plants, equipment and machinery, which essentially are operated with minimal automation. Where there is automation, such automation should not be more than one process in the course of production. The rate is graduated in such a way that an industry employing 1,000 persons or more will enjoy 15 % tax concession, while an industry employing 200 will enjoy 7 % and those employing 100 will enjoy 6 % and so on.

30. Local Value Added. 10% tax concession for 5 years. This applies essentially to engineering industries, where some finished imported products serve as inputs. The concession is aimed at encouraging local fabrication rather than the mere assembly of completely knocked down parts.

31. Re – investment Allowance. This incentive is granted to companies engaged in manufacturing which incur qualifying capital expenditure for the purposes of approved expansion, etc. The incentive is in the form of a generalized allowance of capital expenditure incurred by companies for the following:-

- a. Expansion of production capacity
- b. Modernization of production facilities
- c. Diversification into related products

32. Minimum Local Raw Materials Utilization. A tax credit of 20% is granted for 5 years to industries that attain the minimum level of local raw material sourcing and utilization. The minimum levels of local raw materials sourcing and utilization by sectors are: -

- | | | |
|-------------------|---|-----|
| a. Agro-allied | - | 70% |
| b. Engineering | - | 60% |
| c. Chemicals | - | 60% |
| d. Petrochemicals | - | 70% |

33. Legislation on Investment Protection. The Nigerian Investment Promotion Act 16 of 1997 gives protection to all investments in Nigeria against nationalization. Adamawa State has gone a step further to enact a law that guarantees full compensation for any

investment that is vandalized by any community in any way. This implies that the costs of damage caused through vandalism will be deducted at source from the community's subvention and paid to the investor. This does not affect the investor's right to further legal action as guaranteed by law. This is also a first with regards to investment protection and guarantee.

SUPPORT STRUCTURES

34. The government has put in place various structures to support its drive in socio economic development to achieve food security by setting up the following structures:

- a. **Farming Skill Acquisition Centres:** Farming Skill Acquisition Centres are for equipping farmers with up to date knowledge on best practices in the enhancement of food production through agriculture. They are also the hub of all agricultural activities within the community. There are at present 21 of these Centres in the State.
- b. **Vocational and Trade Training Centres:** The Vocational and Trade Training Centres are geared towards the training of technicians in the various fields of electrical engineering, mechanical engineering etc. The Centres are set up in collaboration with a German company and produce certified technicians of German standards. This is aimed at making available qualified technicians for the factories and industries that are being set up in the State by foreign investors. There are at present 5 of these Centres in the State.

35. The above structures provide skilled labour for the investor with regards to the application of latest technology in farming and certified technicians for the servicing/maintenance of industrial equipment and machines. This further goes to reducing the cost of on the job training of staff.

CONCLUSION

36. Adamawa State is strategically located in the North-eastern region of Nigeria, and is endowed with vast arable land, abundant human and natural resources. The current Administration of His Excellency Murtala H. Nyako has embarked on a programme of economic re-engineering geared towards attaining economic independence through agricultural development for food security and provision of raw material inputs for value addition to agro-allied industries.

37. Blessed with abundant resources, the State has huge investment opportunities in agriculture and agro-allied industries; generation of energy from the Kiri dam for the industries within and outside the State; construction of a 1000 km railway infrastructure from Maiduguri to Calabar Port with potential linkage to Cameroun and Chad, for movement of cargo to and from the ports; as well as the processing of a wide variety of solid minerals that include gypsum, barytes, clay, limestone, coal, uranium that can serve as inputs into cement production etc. Investing in the State is backed by investor friendly laws and policies, as well as generous incentives.

38. The State in its quest to attract FDI into its economy has established structures to create a conducive and enabling environment for investment inflow. The structures which include the DMO, OSIC, and support structures of the Farming Skills Acquisition Centres and the Vocational and Trade Training Centres are coordinated to provide efficient, prompt and transparent services to the investor, as well as equip the investor with skilled manpower for running and maintenance of industries. Adamawa State has a committed leadership; the political will and zero tolerance for corruption. We are ready to receive the investor and facilitate the establishment of their investments in the most endowed and profitable destination in Nigeria.

Contact:

Abubakar Yerima
Principal Special Assistant (Commerce & Investment Promotion)
One Stop Investment Centre (OSIC)
Special Projects and Programmes Unit (SPPU)
Office of the Executive Governor
Government House, Yola