# Written evidence submitted by CDC Group (IRN0023)

1. **CDC is the UK's Development Finance Institution (DFI). DFIs invest in private sector businesses, banks, and projects in developing countries to bring about positive economic, social and environmental change.** DFIs take a greater commercial risk on their investments than private sector investors to support businesses or sectors that can have a positive development impact. We're a publicly owned organisation and reinvest the profits made from successful investments into new impactful investments. During 2019, CDC's investments employed over 875,000 people and supported over 2.15 million additional indirect jobs through their supply chains.

2. **CDC is a long-term partner of Nigeria, where we have been investing for over 70 years.** Having opened a regional office in Nigeria in 1948 we made our first investments in the agricultural sector the following year, investing in the West African Fisheries and Cold Store. In 1958 we set up the Development Finance Corporation Ltd in Nigeria, focusing on supporting smaller businesses in the country and continued this work following the independence movement. By 1966, CDC had a portfolio of 44 investee companies in Northern and Eastern Nigeria, spanning various industries, such as textile mills, tanneries, metal works. After a period of absence from the country, CDC returned to investing in Nigeria in the late 1990s, when the country returned to democratic rule.

3. **Today, Nigeria remains an important focus for development finance.** Nigeria's large and rapidly growing population, combined with structural challenges, endemic poverty, and high unemployment, mean that it's a market where our investments can have a tangible impact on many people's livelihoods. Accordingly, we have expanded our local presence and deepened our footprint by opening a Lagos office in 2020, which acts as our West African regional hub.

4. **The private sector has a central role to play in creating sustainable economic transformation, accelerating human development, and improving livelihoods**. Private sector growth relies, however, on an enabling policy and regulatory environment. In Nigeria, challenges around the availability of foreign exchange, poor infrastructure, policy and regulatory uncertainty, and lengthy administrative procedures impact the country's ease of doing business and deter investment. For example, challenges around foreign exchange has limited the ability of some businesses to import raw materials, machinery, or equipment for their operations. Addressing these macro-economic and policy challenges are important factors to drive long-term economic development. As Africa's largest economy, with a strong sense of entrepreneurialism and a large domestic and continental market, it is a unique and exciting market, yet suffers from a lack of investment. For, example Nigeria currently attracts less Foreign Direct Investment than Ghana, a country with a population of 30 million.

5. **In 2019, CDC's portfolio of investments in Nigeria included 101 companies that supported employment for 37,265 people.** In 2020, we made new commitments to Nigerian businesses totalling $100 million, and our total portfolio value of investments in the country is $445.5 million. CDC also has an additional exposure in Nigeria of over $200 million, through our trade finance lines – trade finance being highly significant to the Nigerian economy and to SMEs. DFI investments provide much needed growth capital: creating jobs, raising environmental, social and governance (ESG) standards, and generating taxes for developing countries, to help them transition towards self-reliance. The top sectors for CDC investments are manufacturing (29 per cent) and financial services (20 per cent).

6. Examples of our investments and their impact include:

7. **Enabling lending to critical businesses, especially SMEs, to rebuild from Covid-19.** Nigeria already suffered at attracting investment and liquidity, and this has been exacerbated by the global pandemic. Covid-19 has created severe foreign currency liquidity pressures for banks and businesses as international banks have reduced their risk appetite for lending to countries across Africa. CDC is committed to playing its role in helping Africa bounce back from the pandemic. We have injected systemic liquidity via existing partners and intermediaries to strengthen Nigeria's financial system which will enable lending to businesses powering the Nigerian economy. These facilities allow our partner banks to support supply chains, sustain trade and enable importers to continue operating across the continent. One example of this is our partnership with Stanbic IBTC that will enable lending to businesses in critical sub-sectors of the Nigerian economy and give the bank access to much-needed long-term dollar funding. The facility will notably support companies in the manufacturing, food and agriculture sub-sectors including SMEs.

8. **Boosting connectivity to enable digital access across the country.** Internet penetration in Nigeria currently stands at 46.6 per cent of the population, and while this is growing, there are many challenges faced with accessing the internet, reliable connections for businesses and internet storage. We have made an investment in Liquid Telecom, Africa's largest independent fibre, data, and cloud technology provider, that will support the expansion of its data centre business in key markets including Nigeria. Liquid Telecom's development of data centres will boost economic activity by reducing IT related costs for companies. This will provide a boost to Nigeria's leading tech ecosystem and help narrow the digital divide.

9. **Enabling food security and reducing reliance on imports.** Nigeria suffers from food insecurity. Its population will reach 350 million by 2030, there is limited arable land, and food inflation currently stands at 20 per cent. This has been underscored by the Covid-19 pandemic which has affected food and supply chains and agricultural production. Increasing domestic production of fertiliser, which Nigeria current imports and is heavily dependent on, is critical to solving this challenge. In 2013, CDC began investing in Indorama Eleme Fertilizer and Chemicals Limited (IEFCL) to increase fertilizer manufacturing. The project is allowing Nigeria to become self-sufficient, bringing affordable fertilizers to the market that can boost crop productivity and bring down prices for small holder farmers so they can produce more stable yields. Investment into Indorama has not only helped Nigeria meet its domestic needs for urea fertiliser, but it has shifted the country to become a net exporter as domestic fertiliser sales have grown by 63 per cent in the past twelve months. CDC's most recent investment will also help the plant operate at 28 per cent lower carbon emissions than comparable plants. This is resulting in a reduction of Green House Gas emissions of 70,000 tonnes (CO2) equivalent per year – as much as the annual emissions of 140,000 people.

10. **CDC remains committed to Nigeria's economic development.** CDC's involvement in Nigeria has included engaging with regulators, government agencies and other stakeholders to share our insights and help improve the business environment. For example, we have provided input to the Nigerian Government on infrastructure financing as well as facilitating and encouraging private sector participation. We have also worked for a number of years with the Nigerian pensions regulator and pension funds, providing training and sharing our experiences to encourage them to invest in the private sector including through private equity. Most recently, we have signed a memorandum of understanding (MoU) with Nigeria's Sovereign Investment Authority (NSIA). The strategic investment partnership with NSIA will strengthen our information sharing on prospective projects in Nigeria, and Africa at large, with the ambition to co-invest in critical sectors such as agriculture, infrastructure, and climate-resilience.

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