



Market Entry Strategies: Leveraging Strategic Partnerships and Licensing Frameworks Between Foreign Investors and Local Players

Introduction

Nigeria remains one of Africa's most dynamic economies. With a population exceeding 200 million, a fast-growing middle class, and a rapidly expanding digital economy, it has become an attractive hub for both local entrepreneurs and foreign investors.

Recent official statements indicate \$21 billion in capital importation in the first 10 months of 2025,¹ demonstrating that investors continue to see opportunities in the Nigerian market despite several macroeconomic challenges.

\$20 billion

Shell Plc planned investment, targeted at the Bonga Southwest

In addition, foreign multinationals have also continued to double down in Nigeria. For example, Shell Plc announced its plans to make a \$20 billion investment, targeting the Bonga Southwest deep water project,² underscoring long-term investor confidence in the country's prospects. Traditionally, foreign participation in Nigeria is contingent upon the incorporation of the foreign company as a local entity under Nigerian laws. In practice, companies with foreign participation are typically required to meet minimum share capital of ₦100,000,000 to support Business Permit and Expatriate Quota applications, in addition to

Nigerian Investment Promotion Commission registration and any sector-specific licensing. Beyond incorporation, compliance also extends to securing the necessary sector-specific licenses and permits in accordance with the regulatory standards of the relevant industry. However, in recent years, partnership and licensing agreements have emerged as alternative pathways, allowing foreign investors to leverage Nigeria's thriving market without necessarily incorporating a local entity. This article explores these alternative pathways, their benefits, and compliance considerations to be assessed by foreign investors and local players before adopting same.

¹ Foreign investment into Nigeria soar to \$21b in 2025. [Link](#). Accessed 28 February 2026.

² Nigeria, Shell tout progress on potential \$20 billion Bonga South West oilfield. [Link](#). Accessed 3 March 2026.

Overview of Foreign Direct Investments in Nigeria

Foreign direct investments (FDIs), which are long-term investments by foreign entities to establish or expand significant operations in Nigeria, remain a critical driver of Nigeria's economy. Unlike portfolio investments, which involve capital inflows without establishing physical presence in Nigeria, FDIs present deeper penetration into the Nigerian market, typically through setting up subsidiaries, employing local agents or initiating large-scale projects.

In Nigeria, FDIs have long served as a catalyst for development, particularly across the agriculture, energy, manufacturing, and infrastructure sectors. Recent years have witnessed renewed interest from global investors who continue to see Nigeria as a prime investment hub in Africa.

In February 2025, Saudi Arabia's SALIC International Investment Company, which already holds a 35.43% interest in Olam Agri holdings, acquired an additional 44.58% stake of its agribusiness for \$1.78bn, bringing its total shareholding of Olam Agri to 80.01%,³ a transaction expected to deepen value chains in agriculture and livestock while enhancing food security across the region.

In 2025, Nigeria's corporate landscape also saw various acquisitions, particularly, in consumer goods, tech, and financial services. Key activities included UACN's acquisition of CHI Limited to strengthen its food portfolio,⁴ and First Ally Capital acquisition of a 60% stake in Mines.io Nigeria, a FinTech company focused on leveraging artificial intelligence and machine learning to provide credit solutions to financially underserved communities.⁵ These headline investments underscore the scale of opportunities available within Nigeria and demonstrate the willingness of major international players to anchor long-term operations in the country.

Yet, despite these major commitments, foreign exchange (FX) fluctuations, stringent regulatory requirements, and the lengthy process for securing relevant licenses and approvals due to regulatory bottlenecks have fueled the growth of alternative models, particularly contractual partnerships and licensing agreements. These alternative pathways now allow foreign investors to access the Nigerian market while avoiding the overhead of establishing a local entity.

60% Stake

First Ally Capital
acquisition of
Mines.io

44.58% Stake

SALIC International
Investment Company
additional stake of its
agribusiness

³ Saudi Arabia to buy control of Olam's agribusiness for \$1.8 billion; shares jump. [Link](#). [Accessed 3 March 2026]

⁴ UAC deposits N19.2 billion for acquisition of CHI Limited. [Link](#). [Accessed 3 March 2026]

⁵ First Ally Capital acquires majority stake in fintech company. [Link](#). [Accessed 3 March 2026]

Partnerships and Licensing as Strategic Alternatives

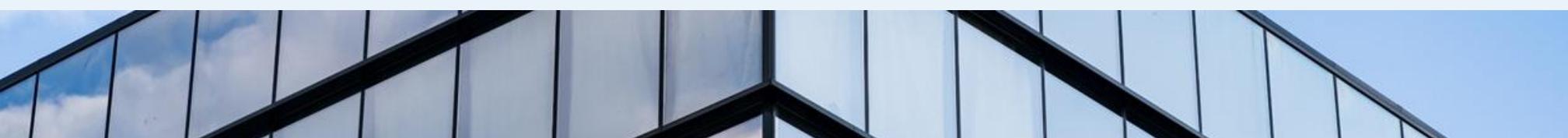
Partnership agreements serve as a strategic tool for foreign investors and local players to collaborate in Nigeria's evolving market. These arrangements are typically structured through contractual agreements that govern the provision of services, access to infrastructure, or distribution of products. A widely adopted model is the contractual joint venture agreement, where a foreign entity and a local partner work together on a specific project or business activity without incorporating a new legal entity. This approach enables parties to pool resources, share risks, and leverage complementary expertise while maintaining independent corporate identities. A good scenario is where a foreign entity may partner with a local partner already licensed by the Central Bank of Nigeria to leverage its payment processing infrastructure.

Other forms of partnership agreements include Payment Processing Agreements, which allow foreign entities to access Nigeria's payment ecosystem through collaboration with local licensees, distribution agreements, where local

partners distribute or market foreign products under agreed terms and even technical services agreements, which enable knowledge transfer, system deployment, or specialised expertise for projects. These models provide flexible entry points for foreign investors while strengthening the capacity and competitiveness of local partners.

Licensing, on the other hand, refers to the grant of rights by a foreign entity to a local partner to use its brand, technology, proprietary processes, distribute its products or other assets under specified terms and conditions. These terms often cover the scope of use, exclusivity, duration, royalty payments, and performance benchmarks. For example, a global fast-moving consumer goods company may license a Nigerian manufacturing company to produce and distribute its branded products locally. The Nigerian partner pays royalties on sales, complies with regulations, and ensures product quality under the licensor's supervision.

These agreements offer various benefits. They are legally binding, with each party's obligations, rights, revenue-sharing models, and dispute resolution mechanisms set out in the contract. Furthermore, adopting these agreements offers foreign investors a cost-efficient path into Nigeria. These models reduce the heavy upfront financial burden of incorporation while providing regulatory flexibility by leveraging the licenses and compliance frameworks of established local partners. Beyond efficiency, partnering with local partners also provides access to local networks, cultural knowledge and consumer behaviour patterns since the local partners are usually attuned to local realities. Together, these advantages create a more sustainable and competitive approach to doing business in Nigeria.



Practical Compliance Considerations for Adopting Partnerships and Licensing Frameworks

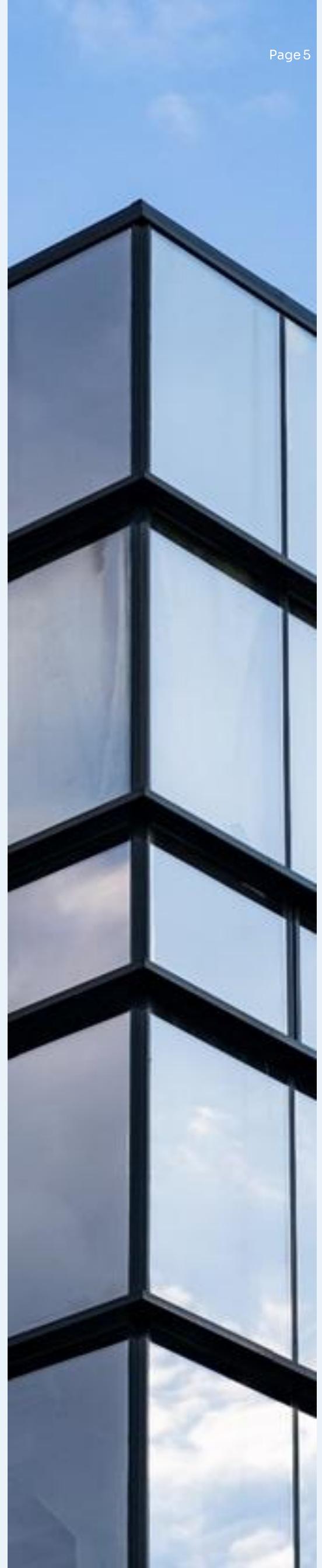
While partnerships and licensing agreements create valuable opportunities for local and foreign entities, their effectiveness depends on how well both parties navigate compliance obligations. These obligations cut across multiple regulatory frameworks and commercial realities, often creating potential friction points if not carefully addressed in the contractual structure. To mitigate risks and ensure enforceability, agreements must proactively account for key compliance areas such as:

1. Data Protection and Cross-Border Transactions

The exchange of information between local and foreign entities often involves personal data or commercially sensitive information. This immediately raises questions around the adequacy of privacy safeguards, the legality of the cross-border transfer, and the obligations of both parties under the Nigeria Data Protection Act, 2023 and the data protection framework of their home country. Where agreements involve the processing of customer data, issues such as lawful bases for processing, consent requirements, and security standards become central to compliance.

2. Regulatory Approvals and Permits

In Nigeria, many industries require operators to hold licenses or approvals before carrying on business. The compliance burden in partnership and licensing models, therefore, extends to verifying that the local partner to be engaged is duly licensed, maintains all valid permits and that the agreement is not in breach of any sector-specific regulation. Agreements structured without regard to these requirements risk attracting regulatory intervention or being rendered unenforceable.



3. Risk Management and Due Diligence:

Compliance also demands a close look at the capability of the parties involved. Questions around the financial stability of local partners, their history of regulatory compliance, and the integrity of their operations are central considerations. Similarly, local partners need to verify the foreign party's legitimacy and authorisation in its home jurisdiction. Where due diligence is neglected, parties expose themselves to severe operational and reputational risks.

4. Competition and Antitrust Rules:

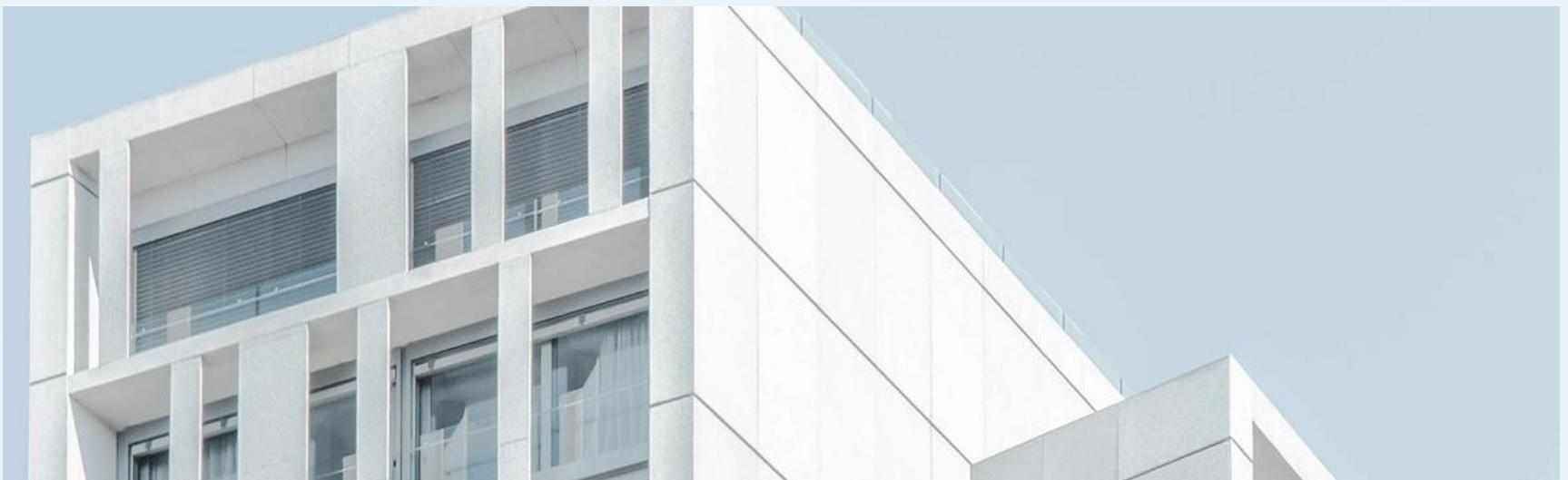
Compliance issues can also arise under competition laws. The Federal Competition and Consumer Protection Commission has the power to scrutinize agreements that appear to limit competition, distort pricing, or restrict consumer choice. Thus, provisions within partnership or licensing agreements that inadvertently create monopolistic effects may attract regulatory scrutiny.

Recommendations for Adopting Partnership and Licensing Agreements

Parties seeking to enter into partnership and licensing agreements must approach such transactions with precision and well-defined safeguards. One key recommendation is the strengthening of data protection frameworks. Agreements should not only acknowledge the sensitive nature of personal data but also incorporate technical and security measures for data protection that align with domestic laws and international standards. This involves drafting clear data processing agreements that spell out the obligations of both parties, anticipating the challenges of cross-border transfers and conducting data transfer impact assessments, and ensuring that privacy standards are not compromised.

Additionally, verify the regulatory standing of the intended local partner. Foreign investors must confirm that local partners hold the necessary sector-specific licenses and approvals, while local entities should equally validate the credentials of their foreign counterparts. Incorporating warranties and indemnities tied to regulatory compliance in these agreements is an effective way to safeguard against exposure.

It is also essential for both parties to conduct thorough due diligence at the initial stage of the transaction. This extends to the entity's corporate governance structure, financial audit, and its regulatory and compliance track record. Beyond protecting both parties against hidden risks, this process ensures that the collaboration is built on credibility and mutual trust. Furthermore, given the complexity of Nigeria's regulatory landscape, the engagement of experienced local counsel is indispensable. Nigeria's regulatory landscape is dynamic, and legal advisors can provide the guidance needed to structure enforceable agreements in line with commercial realities.



Conclusion

Nigeria's market is vast
and brimming with
opportunities.



While traditional FDIs remain important, partnership and licensing agreements now offer a nimble, cost-effective way for foreign entities to tap into Nigeria's market without the complexities of establishing a local entity.

However, these benefits can only be sustained where parties properly navigate compliance obligations. With the careful assessment and adoption of the practical compliance considerations and recommendations

discussed above, parties can build agreements that are both compliant and commercially rewarding, providing a sustainable foundation for long-term growth in Nigeria's evolving business landscape.

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We are a team always guided by our professional ethics. Also, honesty and transparency have been our watchwords in practice.

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We have developed a clear vision for anticipating our clients' business needs and surpassing their expectations, and we do this with an uncompromising commitment to Client service and legal excellence.

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