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The ways to improve investment climate in Nigeria

Abstract: The article is dedicated to the investment climate of Nigeria. Investment climate the author defines as a «set of current political , socio-cultural, economic, financial and legal conditions that determine the quality of business infrastructure , the efficiency of investment and degree of possible risks when investing capital». Nowadays, Nigeria is pursuing the economic policies aimed at formation of the market environment, private business, improvement of investment climate in the state. The author describes top three problematic factors for doing business in Nigeria: access to financing, inadequate supply of infrastructure and corruption, access to a consistent power supply and other infrastructure that constrains development. In an attempt to address this situation, the Nigerian Federal Government has included infrastructure as part of its national development priorities and policies.

Keywords: Investment climate in Nigeria, stable overall economic and political situation, a well-developed infrastructure to ensure effective investment process; state investment policy and the degree of state support for foreign investments; formation of the market environment.

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The investment climate is a political, social and economic situation in the country which from the point of view of potential investors (state and private) is profitable, and they invest the capitals in its economy to promote their effective use if the state thus gives a guarantee of safe and free repatriation of profit.

Most researchers consider the investment climate as a set of conditions (factors) that affect the willingness of investors to carry out investments .

According to the World Bank «the investment climate» is a collection specific to each location factors determining the ability of companies and provides them with incentives to invest productively , create jobs, and expand its activities» Unfortunately, this definition does not specify what these might be factors [1].

Financial and Credit Encyclopedic Dictionary gives a more specific definition of investment climate as a «set of current political , socio-cultural, economic, financial and legal conditions that determine the quality of business infrastructure , the efficiency of investment and degree of possible risks when investing capital» [2]

There's a standard minimum requirements that allows to define a favorable investment climate:

- stable overall economic and political situation;
- perfect legal framework;
- a well-developed infrastructure to ensure effective investment process;
- state investment policy and the degree of state support for foreign investment.

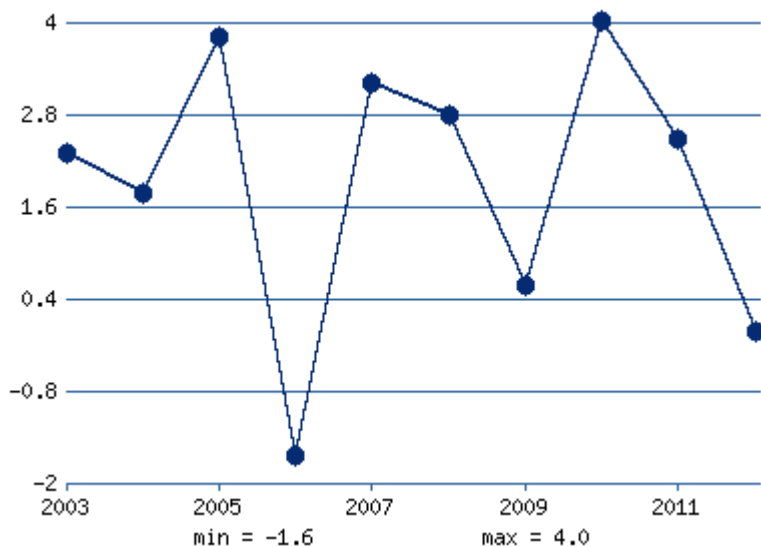
Investment climate reflects the trends affecting all participants of the investment process. Use of the term «investment climate» is possible only by relation to a particular sphere of investments, but not for a particular investment object. Investment climate is the interval estimate instead of moment. This is investment attractiveness of the country in the dynamics.

The states of the African continent, including Nigeria, already started pursuing the economic policies aimed at formation of the market environment, private business, improvement of investment climate their states.

Nigerian government is developing policies designed to attract private business investment. It's constructing a holistic legal regime for these investments. Its main objectives are reducing risk factors, legal protection of investors against expropriation of their property, easing the tax burden and in some cases the long-term fiscal stability, as well as guarantees repatriation of capital and export revenues for investments in the home country.

Taking into account the number of inhabitants and the numerous resources Nigeria is considered as the main market on the continent that attracts trading partners in Europe, America, Asia and Africa. Its subsoil is rich in oil and gas, coal, tin, gold, limestone, lignite, zinc and other natural resources. Among agricultural products - cocoa, groundnuts, rubber, cotton, coffee, palm oil, timber, beans, yams, ginger. Nigeria was earlier an exporter of agricultural products, but now imports food.

In some years, the favorable economic situation industrial growth in Nigeria exceed was 3% a year (Pic.1). A decline in industrial production was due to the crisis in the global economy and oil exports.



year	data
2003	2.3
2004	1.8
2005	3.8
2006	-1.6
2007	3.2
2008	2.8
2009	0.6
2010	4.0
2011	2.5
2012	0.0

Pic. 1. The growth rate of industrial production Nigeria %. Source - *CIA World Factbook*

The top three problematic factors for doing business in Nigeria are: access to financing, inadequate supply of infrastructure and corruption. It is estimated that 100,000 barrels of oil are stolen every day from pipelines, ports, and storage tanks with the connivance of government officials. Moreover, access to a consistent power supply and other infrastructure has constrained development. In an attempt to address this situation, the Nigerian Federal Government has included infrastructure as part of its national development priorities and policies.

To reaffirm its commitment to market-led economy, the government puts appropriate incentives to encourage and promote private investments.

The Nigerian Investment Promotion Commission (**NIPC**) was established under the NIPC Act of 1995 as a successor to the Industrial Development Coordination Committee (**IDCC**). The **NIPC** law repealed the IDCC Decree N0 36 of 1989 as well as the Nigerian Enterprise Promotion Decree of 1989. **NIPC** was established to take-over the responsibilities of approvals among other investment promotion functions handled by the erstwhile IDCC.

The major objective of government for establishing NIPC is to adequately address those problems that foreign investors associate with the Nigerian Indigenisation Decree of 1977. The decree restricted or even denied foreign equity participation in some category of business activities in the country. The NIPC Act removed these barriers thereby opening the economy to full foreign participation except in those enterprises concerned with the production of arms and other prohibitive items.

Moreover, foreign investors can own 100% of the equity of any enterprise in the country. Also, foreign firms or individuals are now permitted by law to purchase the shares of a domestic firms. It also provided the guarantees against nationalization or expropriation. Investors are guaranteed unhindered transferability of capital, profits and dividends.

Under the law, NIPC is given full powers to encourage, promote and co-ordinate all investments in the Nigerian economy.

The role of NIPC as a one-stop agency implies that it should serve as the only co-ordinating and approving center for the establishment of businesses with foreign involvement in the country. Some Administrative Agencies, Ministries and Departments of Government are however, also performing this function.

Its current organizational form is focused on becoming an effective investor-service organization and championing improvements in the investment climate in Nigeria as well as building an effective system of zonal offices in the six geo-political zones of the country. This focus will lay the foundation for future efforts to bring new investors to Nigeria.

The government in every possible way encourages arrival of foreign investors, offering them huge resources which else need to be developed. Nigeria is one of the markets largest in Africa, an exit to all West African region. It has a rather stable internal political situation; favorable investment and customs climate; the developed credit banking system; labor; rather developed services sector.

Domestic market of the country represents considerable opportunities for foreign investors and import of goods through participation of Nigeria in ECOWAS (Economic community of the countries of the Western Africa) where free movement of the capital and labor is entered, and also cancellation of customs and license barriers is provided.

Implementing the policy of industrialization, the government accepted the plan of restructuring of economy the first National Implementation Plan (NIP) of the Vision 20:2020. The Transformation Agenda, moreover, aims to deepen the effects of government programs and policies and provides a sense of direction. The agenda is based on a set of priority policies and programs which, when implemented, would transform the Nigerian economy to meet the future needs of the people.

It gains already recognition of the world community, and the government intends to consolidate achieved success a way:

- a) diversifications and economy deregulations;
- b) ensuring availability of foreign currency through operations in the international exchange market;
- c) liberalizations of investment and customs climate.

The recently elected government has developed a short term strategy entitled the Transformation Agenda, to run from 2011 until 2015. The Transformation Agenda has the goal of turning the country around by the end of 2015. This will be accomplished by focusing on a long-term perspective for development in the country and by implementing and maintaining the 3 Cs (continuity, consistency and commitment) in government policies and programmes.

Nigeria entered system of economic incentives for investments into the production sphere (tax privileges for capital investments, for the profits, the accelerated depreciation of buildings and the equipment, possibility of repatriation of the capital and the income, export stimulation), creates structure for support of investors (the system of numerous commercial, trade, national development banks as a source of the relevant funds of support of large, medium and small business is created).

The volume of the direct foreign investments received by Nigeria in 2012 is 7,1 bln. US dollars. In the same 2012 China received 253,47 bln. US dollars, Russia-50,6 bln.US dollars, South Africa 4,6 bln. US dollars. These figures testify that scales of the direct foreign investments received by Nigeria, certainly, are small, however they tell nothing neither about investment needs of the country, nor about its potential.

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Способы улучшения инвестиционного климата в Нигерии

Аннотация: статья посвящена инвестиционному климату Нигерии. Инвестиционный климат автор определяет как “набор текущих политических, социокультурных, экономических, финансовых и юридических условий, которые определяют качество деловой инфраструктуры, эффективность инвестиций и степень возможных рисков, инвестирования капитала. В настоящее время Нигерия преследует принципы экономической политики, нацеленные на формирование рыночной среды, частного предпринимательства, улучшения инвестиционного климата в государстве. Автор описывает основные проблемы ведения бизнеса в Нигерии: отсутствие доступа к финансированию, недостаточность развития инфраструктуры и коррупция, ограниченный доступ к последовательному электроснабжению и другой инфраструктуре. В попытке разрешить ситуацию нигерийское Федеральное правительство развивает инвестиционную инфраструктуру как один из национальных приоритетов.

Ключевые слова: инвестиционный климат в Нигерии, стабильная экономическая и политической ситуация, хорошо развитая инфраструктура, гарантирующая эффективный инвестиционный процесс; государственная инвестиционная политика и степень государственной поддержки для иностранных инвестиций; формирование рыночной среды.

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