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THEORETICAL REVIEW OF THE REGULATORY FRAMEWORK FOR FOREIGN DIRECT INVESTMENT IN NIGERIA

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ABSTRACTS

This paper tries to answer the question whether and to what extent initiatives in improving regulatory frameworks and trade-related infrastructures caused or contributed to increase FDI in Nigeria. Thus, Nigerian government has at various times enacts policies that permit and encourage foreign investments in Nigeria by non-nationals. This paper critically examines the extent these various policies have been successful in attracting foreign investors to Nigeria. Data and information from library, internet, journals and text books were used for its methodology. However, finding shows that successive reforms to improve Nigeria's business climate have not encouraged foreign investors, nor yield much success. It recommends that Nigeria government should vigorously pursue the ongoing privatization of the downstream sector of its oil industry. The privatization of the downstream sector will help to integrate the oil sector into the economy. The integration of the oil sector into the economy will boost its potential to contribute to economic growth and subsequently improve the investment environment and thereby enhance FDI inflows to Nigeria.

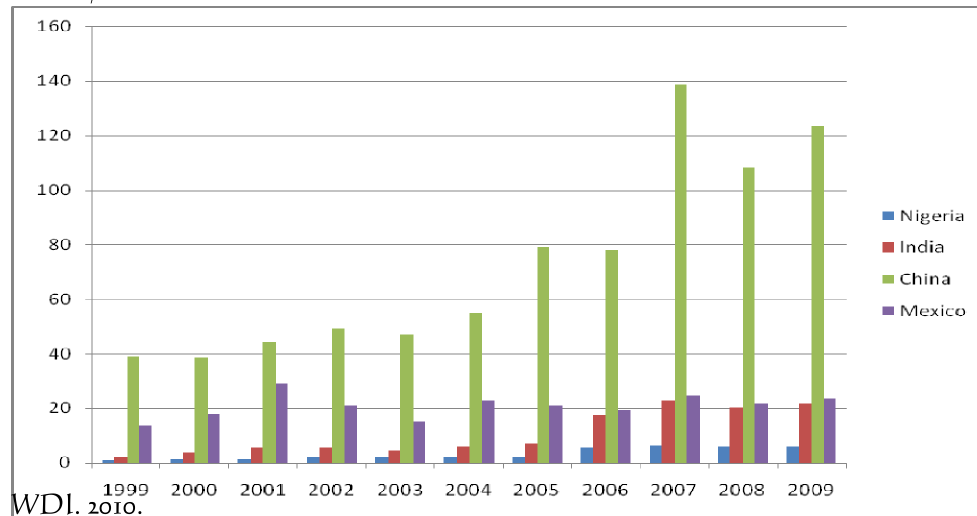
Keywords: FDI, Regulatory framework, Government policy, Nigeria.

INTRODUCTION

Foreign Direct Investment (FDI) is perceived as an important factor to stimulate economic growth in many of the world's poorest nations (Ajide and Adeniyi 2010). The Millennium Development Goals (MDGs), United Nations (UN) consider FDI as a means for the poor nations to alleviate poverty. The rising importance attached to FDI is partly due to the expected decline in the role of development assistance and the resulting search for alternative sources of foreign capital. However, Nigeria, which is relatively developed and rich, has attracted considerably less FDI compared to many of its neighbors. Figure 1, below, shows that Nigeria receives an average of US$ 1.44 billion FDI between 1999 and 2003. Comparatively, India, China and Mexico received, on average, US$ 4.2 billion, US$ 43.6 billion and US$ 19.4 billion respectively during the same period. In addition, between 2004 and 2008 Nigeria average FDI inflow is US$ 4.24 billion whereas India, China and Mexico received, on average, US$ 14.6 billion, US$ 91.76 billion and US$ 21.96 respectively during the same period. Furthermore, Nigeria receives less than 30%, 6% and 27% in 2008 and 28%, 5% and 25% in 2009 of total FDI flows to India, China and Mexico respectively (WDI 2010). From figure 1, it is evident that Nigeria has not been able to attract much FDI compared to other developing nations such as India, China and Mexico. It is noteworthy that, for the most part, studies on FDI in Nigeria concentrate more on the empirical linkages between FDI and economic growth (Oseghale and Amonkhienan, 1987; Odozi, 1995; Oyinlola, 1995; Adelegan, 2000; Akinlo, 2004; Ayanwale, 2007; Ajide and Adeniyi, 2010; Olokoyo, 2018, Oriola, 2018). The underlined results were mostly either partial or inconclusive. In addition, studies on FDI in Nigeria are not exhaustive per se. Most studies about the

regulatory frameworks for FDI in Nigeria failed to include the pre-independent era in their analysis (Chibuike, 2016; Michael Orimobi, 2017; Emmanuel, 2017). As a result, this paper try to answer the question whether and to what extent initiatives in improving regulatory frameworks and trade-related infrastructures caused or contributed to increase FDI in Nigeria.

Figure 1: Inward FDI to Nigeria, India, China and Mexico, 1999 – 2009. (in billion dollars)



WDI. 2010.

Consequently, the main objectives of this study are: to critically examine changes in government regime and FDI policies from the colonial era till date (1950-2017) and suggest what might constitute reasonable policy development for foreign investments in Nigeria.

Historical Background: Changes in Government Regime and FDI Policy Objectives

The Nigerian economy became integrated into the world economy towards the end of 19th century when the British government then in power in Nigeria established a conducive environment for capital accumulation. Hence, the consolidation of British merchants` economic interest became relatively easy. Similarly, the large size of Nigerian market initially attracted the British merchants into the mineral and agricultural sectors which they exported to their country, the United Kingdom (UK). The emergence of manufacturing companies in Nigeria did not happen until the 1950s. Investment in the manufacturing sector resulted from the mounting pressures of the emerging political class as well as the increasing competition from merchants of different European countries. These developments forced the colonial administration to encourage the infant firms of British origin to invest in Nigeria by granting them generous incentive packages. Consequently, economic power became concentrated in the hands of the British foreign investors while highly discouraging trading and agent licensing arrangements as well as stringent marketing regulations were imposed on indigenous firms.

Nevertheless, the main concern of the emerging political class in the immediate post-independence era (1960s) was to open Nigerian economy to external capital and to allow modern technology to flow in. This open door policy coincided with the ambition of the multinational corporations (MNCs) to enter into the Nigerian market. As this desire to industrialize became mutually beneficial to both the economy and the MNCs, a higher degree of protection was accorded to foreign investors in the nation`s economic policy. Consequently, the Industrial Development (income Tax Relief) Acts 1958 became effective as it provided relief for foreign companies operating in Nigeria by granting pioneer status. The pioneer status qualified the British companies for tax holidays of a maximum of five years from the commencement day of their operation. This tax holidays was also extended to their shareholders, hence, their accrued dividends were not taxed. In addition, the status allowed an accelerated depreciation rate on the capital assets of the British companies. As a result, they were able to amortize their assets within a short time.

More than 25% of registered companies in Nigeria in 1956 were foreign owned and this figure had increased to 70% in 1963 (Ohiorhenuan 1990). Most FDI in Nigeria during this period was from Europe (the UK especially) and Middle East. Thus, economic powers, which the Nigerians assumed to have been withdrawn at independence, were concentrated in the hands of foreign investors. Consequently, there were fears that FDI could have acquired some degree of neo-colonialist connotations. Hence, Nigerian was encouraged to occupy prominent positions in the ownership, control and management of factors of production within its territory so that its independence could be meaningful. It follows that, the Nigerian first National Development Plan (1962-1968) was designed to overcome the risk of over-dependence on foreign trade, remove foreign dominance in the Nigeria economy and broaden its economic base (Okigbo, 1989). Consequently, legislation with the aim of economic nationalism and state-led growth was adopted. As a result the Immigration Acts of 1963 was promulgated to impose some restrictions in the employment of foreigners in Nigeria's work force. This immigration Act provides that upon entry into Nigeria, foreign business men must receive "Business Permit" from the Minister of Internal Affairs in addition to "Approved Status" and permit to employ a specified number of expatriate staff. In line with the policy of greater Nigerianisation of the economy and because of the hostilities towards Nigeria by some foreigners during the civil war, the Second National Development Plan (1970-1974, p.289) spelt out that "Economic nationalism is directed at the progressive elimination of foreign dominance in the national economy, not merely in terms of nominal financial ownership, but really in terms of the level of managerial and technological control." Hence, from these policy statements as well as other developments within the Nigerian economy, the government of Nigeria felt that Nigerian involvement in the decision making of the productive sectors, particularly industrial sector, is crucial for the survival of the country's political and economic independence. In addition, the government assumed that the industrial aspiration of the economy will be easier to pursue only if the senior management cadre as well as the ownership structure of the companies in Nigeria at that time were occupied by Nigerians.

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Restrictions were then imposed on the activities of foreign investors. This era, which was referred to as the indigenisation era, came with three statutes namely: the Nigerian Enterprises Promotion Decree 1972, the Nigerian Enterprises Promotion Decree 1977; and the Nigerian Enterprises Promotion (Issue of Non-Voting Equity Shares) Decree 1987 (NEPD). The statutes classified all enterprises into three schedules. Enterprises in schedule 1 are exclusively reserved for Nigerians while foreigners could invest as much as 40% in the equities of enterprises in schedule II, and up to 60% in Schedule III, particularly those enterprises with high level of technological sophistication. Biersteker (1987) describes the result of these Acts as one of the most comprehensive joint venture schemes in Africa and in the developing world. Originally, the indigenization policy was meant to promote Nigerians participation in their economy by the transfer of foreign assets to Nigerians. In addition, the policy was intended to push foreign holdings into intermediate and capital goods, and to reduce foreign concentration in consumer non-durable goods (Ogbuagu, 1983). However, some of the foreign investors affected by this policy reacted by issuing shares on the Nigerian stock market (e.g. The United Africa Company, Metal Box Ltd, Dunlop and Lever Brothers) while others like IBM, Citigroup and Chase Manhattan Bank divested during this period. As a result, management performance of many of the businesses affected in schedule 1 fell drastically as the Nigerians that took over from the foreigners lacked the required technical capabilities to sustain these companies. However, these restrictions were relaxed from 1989. Although, the Industrial Coordination Committee (IDCC) was established in 1988 to coordinate the approval of applications for business permits, incentive and expatriate quotas to foreign investors in Nigeria. Nevertheless, the major amendment to the NEPD was introduced in 1989. Consequently, a single group of 40 business activities were reserved solely for nationals unless if the value of the firm exceeded US$2.7 million. In addition, foreign investors were allowed to hold up to 40 per cent of shares in banking, oil production, insurance and mining. Thereby, many sectors of the Nigerian economy were partially re-opened to FDI.

Finally, in 1995, the Nigerian Enterprises (repeal) Act abolished restrictions on the percentage of shares foreigners can hold in Nigerian companies. In addition, the Nigerian Investment Promotion Commission (NIPC) Act established the Nigerian Enterprises Promotion Commission to succeed the IDCC. Consequently, the NIPC became the agency in charge of promoting and facilitating foreign investment in Nigeria. The NIPC Act is Nigeria`s investment law and governs the entry of FDI. The Act allows 100 per cent ownership of firms in all the sectors apart from the petroleum sector and in a short negative list. Investment in the petroleum sector is limited to the existing joint ventures or new production-sharing agreement. The short negative list refers to investment in industries considered crucial to national security. This short list is reserved to the Federal Government of Nigeria. The list includes the production of arms and ammunition, narcotic drugs and psychotropic substance and military, paramilitary disciplined services uniforms. Under this system, no investment approval is needed. However, foreign companies are required to register with the NIPC to be covered by the treatment and protection clauses of the act (i.e. sections 17 and 27). Most of the standard provisions relating to the treatment and protection of foreign investment are contained in the NIPC Act. Furthermore, Nigeria has signed a number of bilateral investment

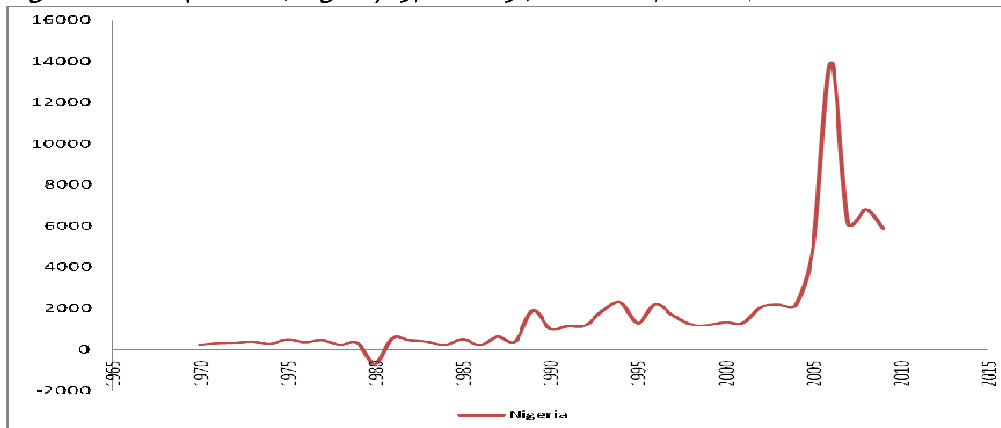
treaties (BITs) that contained all the usual provisions on treatment and protection. Nevertheless, the Foreign Investment Advisory Services (FIAS) recommended the elimination of the NIPC business permit process. Consequently, the One-Stop-Shop Investment Centre (OSIC) was opened in March 2006 within the NIPC premises. As a result, the steps necessary to obtain a business permit has reduced from nine to three and business permits are issued within 10 minutes (NIPC, 2009).

In recent time, the Central Bank of Nigeria (CBN) tried to motivate foreign investors by imposing capital controls in order to uphold a safe reserve level that is needed to encourage both foreign and local investors and introduced floating exchange rate system. In addition, CBN keeps interest rates high to attract long-term capital investment (CBN report, 2017). Federal Government of Nigeria (FGN) also signed some International Investment Treaty (IIT) in 2016. IITs and Bilateral Investment Treaties (BITs) are important tool in encouraging inward investments. All in all, higher rate of return of FDI relative to loans, and its high import content caused it to have a significant negative balance of payments effect which could only be offset if there were regulations to create enough counter-balancing positive effects. Consequently, the policy objectives are attempts by the Nigerian government to attract FDI based on the need to maximize the potential benefits while also minimizing the negative effects of the operations imposed on the country. The efficiency of the aforementioned policies will dictate the extent Nigeria would be able to attract and retain FDI. Hence, there is a need to evaluate these policies to determine what policy is best for attracting FDI inflow to Nigeria.

Trends of FDI in Nigeria

Inward FDI to Nigeria have been substantially influenced by the various FGN's policies on FDI and the development of the oil sector and world oil price. Flows of FDI to Nigeria stood at US$286 million in 1971, when it first joined the Organization for the Petroleum Exporting Countries (OPEC). By 1975 it has increased to US$470 million. Figure 1 shows how FDI inflows reacted negatively to the indigenization policies of the FGN in the `70s. Figure 1 illustrates how FDI inflows fell in the immediate aftermath of the Second Indigenization Decree, which caused many MNCs to divest. The result was a net outflow of US$739 million in 1980. As a result, Nigeria National Petroleum Corporation (NNPC) reduced its share in Shell Nigeria and other oil companies in 1989 from 80 to 60 per cent (NIPC, 2009). This merger and acquisition had a net positive effect on the FDI inflow in 1989. As a result of this transaction FDI inflow to Nigeria rose to US$1.884 billion. Thereafter, FDI inflows to Nigeria have never decreased below US$ 1 billion per year. Equally, although restrictions on the entry of non-oil FDI continued until 1988, these restrictions were partially reversed in 1989 and finally lifted in 1995. FDI inflows to Nigeria jumped to over US$2 billion in 2002 and got to a pick at approximately US$14 billion in 2006 before it considerably dropped to US$6.1 billion in 2007. The drop after 2007 might be due to the negative effects of activities of militants in the Niger Delta region, which has resulted into kidnapping and attacks on oil wells.

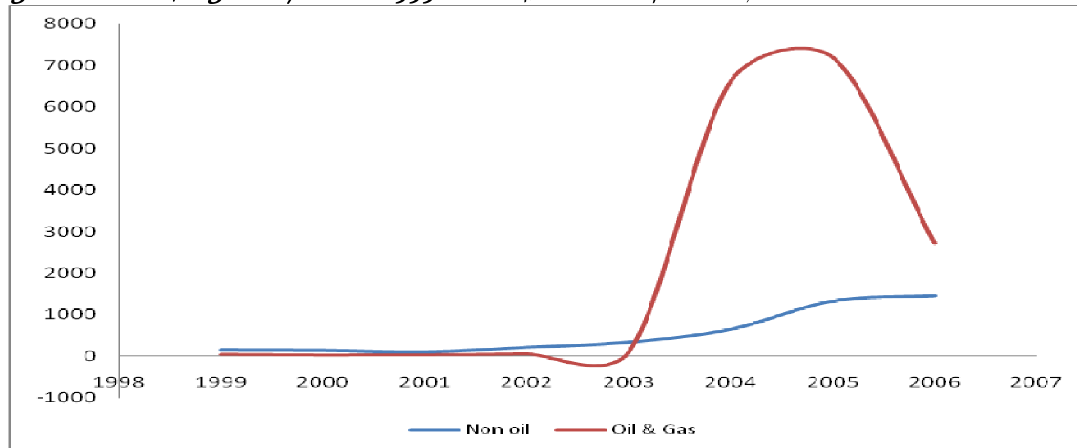
Figure 1 FDI Inflows to Nigeria, 1970 – 2009 *(Millions of dollars)*



Source: UNCTAD FDI/TNC database

Other explanations for the increase in FDI flows might be the recently improved macroeconomic environment and the reforms to the business environment. Among these are the establishment of the Economic and Financial Crime Commission (EFCC) to investigate and charge corrupt people and money laundry.

Figure 2 FDI in Nigeria by Sector 1999 – 2006 *(Millions of dollars)*

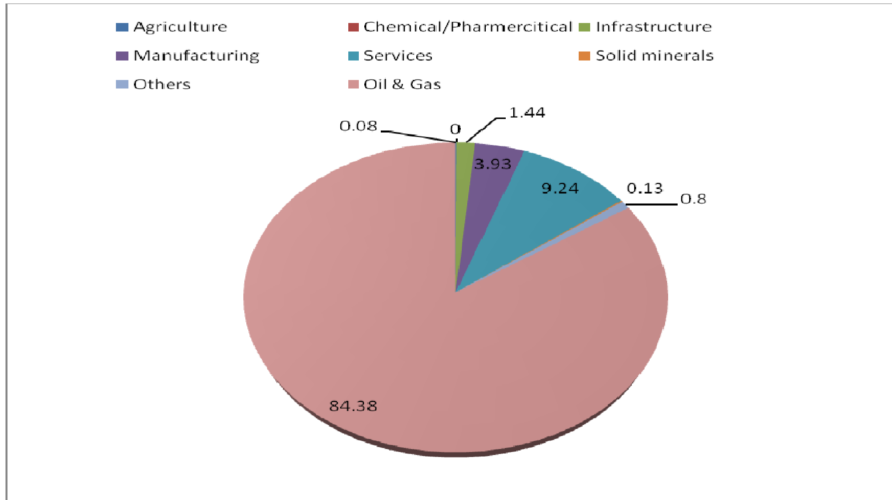


Source: Nigerian Investment Promotion Commission database

Although, FDI to non-oil sector seems to be rising from US$153.17 million in 1999 to US$1.456 billion in 2006 in figure 2, FDI inflows to Nigeria exhibits strong correlation with the level of world oil prices. Though, figure 1 indicates a rise in FDI inflows since early 2000s this coincides with the period of global rise in oil prices. Figures 3 and 4 indicate that the structure of Nigeria FDI by sector is gradually changing. The dominant position of the oil and gas sector dropped from 84.38 per cent in 2005 to 65.04 per cent in 2006. The reduced influence of oil and gas in attracting FDI to Nigeria was due to the increase in FDI inflow to infrastructure, 1.44 per cent in 2005 to 29.25 per cent

in 2006. Agriculture industry lost its second position in attracting FDI in 2005 and trail behind other industries with the exception of solid minerals.

Figure 3 FDI in Nigeria by Sector 2005 *(Millions of dollars)*



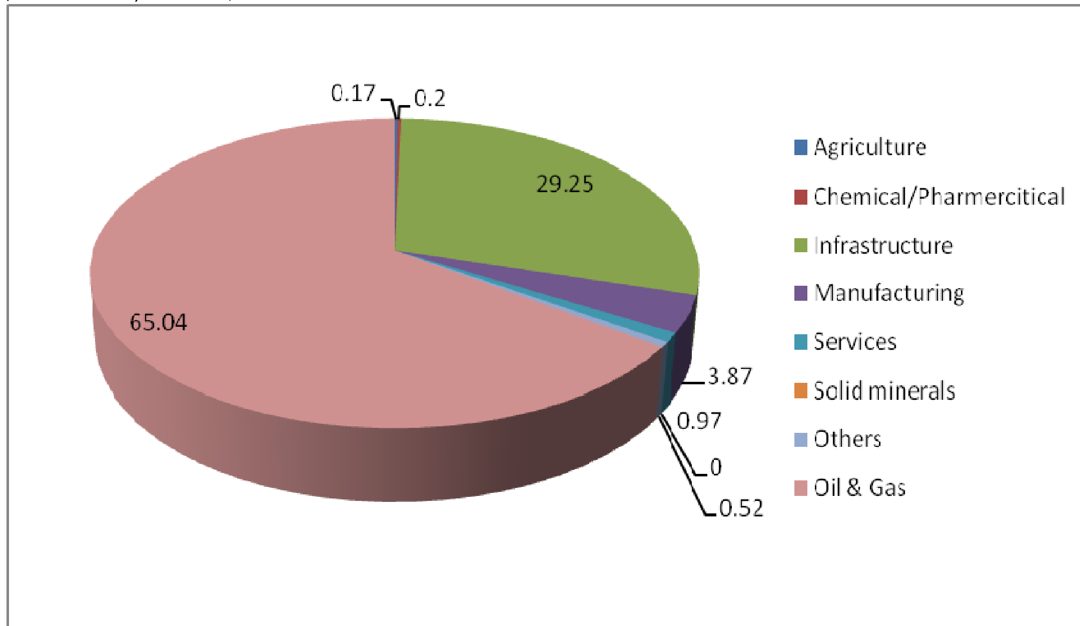
Source: Nigerian Investment Promotion Commission database

Figure 5 indicates that America and Europe top the list of the largest foreign investors in Nigeria. One noticeable feature of the countries of origin of FDI to Nigeria is the correlation with the prominence of the oil industry in its FDI. Major foreign oil companies like Chevron, Texaco, ExxonMobil, Shell, Total and ENI are from the United States of America and Europe. However, in 2004 Chines companies signed agreement with the Nigeria Petroleum Corporation for the exploration of new oil fields and construction of new refineries (NIPC, 2009).

Most significant trends of the last decade is the increase in FDI from South Africa to Nigeria. More than 20 South African companies currently invest in Nigeria (UNCTAD, 2009). The largest Telecommunications Company in Nigeria, MTN, is from South Africa.

Figure 4 FDI in Nigeria by Sector 2006

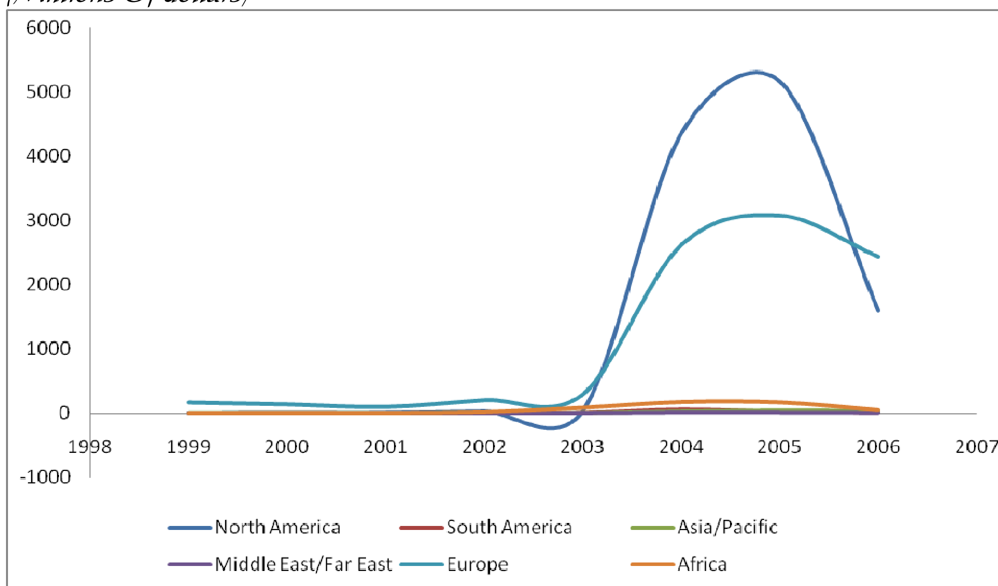
(Millions of dollars)



Source: Nigerian Investment Promotion Commission database

Figure 5 FDI in Nigeria by Origin 1999 – 2006

(Millions Of dollars)



Source: Nigerian Investment Promotion Commission database

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Table 1. Comparative Performance of Nigeria in Terms of FDI. (1971 – 2007)
(Dollars and percentage)

	ABSOLUTE PERFORMANCE											RELATIVE PERFORMANCE											
Country name	FDI inflows (Millions $)					FDI stock (million $)	Per capita (dollars)					FDI INFLOWS PER $1000 GDP					As per cent of GFCF (%)					FDI Stock Per capita (dollars)	FDI Stock % GDP
	1971-1980	1981-1990	1991-1995	1996-2000	2001-2007	2007	1971-1980	1981-1990	1991-1995	1996-2000	2001-2007	1971-1980	1981-1990	1991-1995	1996-2000	2001-2007	1971-1980	1981-1990	1991-1995	1996-2000	2001-2007	2007	2007
Nigeria	225	608	1543	1506	5572	62791	4	7.4	15.6	13.5	39.5	13	21.8	32.3	29.4	47.7	5.5	17.1	35.7	43.9	51.4	424.0	41.5
South Africa	58	7	377	1517	2984	93474	2.7	0.4	9.2	34.4	63.0	3	0	2.6	10.7	16.9	1.2	-0.1	1.7	6.6	10.6	1924.3	34.3
Egypt	226	878	729	980	4364	50503	5.3	17.3	12.3	15.1	58.9	12.5	25.9	13.1	10.8	39.0	4.4	5.6	7.9	6.1	21.3	668.9	39.6
Angola	6	96	379	1011	847	12207	0.9	10.7	33.1	75.4	60.1	2	18	41.3	150.1	93.9	-	10.3	18.9	57.7	71.9	717.0	19.9
Sudan	3	3	22	246	1776	13828	0.2	0.1	0.8	7.7	48.4	0.4	0.3	1.7	23.9	71.8	0.4	0.2	1.7	16.3	34.8	358.6	30
Equatorial Guinea	0	3	30	191	1373	10745	-0.1	7.6	78.5	447.8	2814.3	-0.4	24.1	202.4	420	301.3	-	14.4	36.9	44	67	21172.5	102.5
Indonesia	453	418	2342	843	2664	58955	3.4	2.4	12.2	4.5	11.5	17.2	4.4	12.8	0.5	6.7	9.8	1.7	4.7	-1.1	2.5	254.5	13.6
ECOWAS	439	870	1900	2378	6756	81267	3.9	5.4	9.8	10.9	25	12.3	13.9	22.5	25.6	37.9	5.1	8.1	19	22.7	22.1	287.1	32.7
ECOWAS Excluding Nigeria	213	262	357	872	1184	18476	3.7	3.3	3.8	8.1	9.3	11.9	8	9.3	21.4	19.8	7.5	5.6	6.4	12.6	11.4	136.9	22.7
Cote d` Ivoire	50	45	118	325	285	5702	7	4.2	8.3	20.4	15.6	10.9	5.1	11.3	27.1	18.5	4.8	4	11.7	19.7	19.1	296	27.9
Ghana	17	9	101	133	294	3634	1.6	0.6	5.9	7	-	5.9	1.8	17.3	20.3	26.5	4	1.1	8.1	9.2	10.2	154.8	24.5
Africa excluding Nigeria	812	1798	3373	8203	22776	330638	2.2	3.7	5.7	12.4	29.5	5.1	5	7.3	15.7	29.5	2.4	2.1	4.1	8.6	14.6	405.2	30
Developing countries & territories	6825	24058	7804	202362	295606	4246739	3.1	6.5	18.1	43	57.1	6.3	8.6	16	32.1	30.7	2.6	3.4	6.4	13.2	11.9	792.5	29.8

Source: UNCTAD, FDI/TNC Database, Globstats

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Table 1 indicates that between 1971 and the mid-1990s, Nigeria was the major recipient of FDI in Africa. During this period Nigeria received over 30 per cent of total FDI to Africa. The Nigerian oil sector might have accounted for this large attractiveness. However, in 2007 Nigeria could only attract 16 per cent of all FDI inflows to the continent. This reduction in Nigeria`s attractiveness was due to the emergence of other oil rich countries such as Angola and Sudan in attracting FDI. In addition, other large African countries like Egypt and South Africa were doing well in attracting FDI to various sectors of their economies. Nigeria`s underperformance in attracting FDI within the continent of Africa is more evident after the second half of the 1990s. Table 1 shows that between 1971 and 1995, per capita FDI is higher in Nigeria than any other African countries except Angola and Equatorial Guinea. Afterwards, South Africa, Egypt and Cote d` Ivoire began to catch up and even exceeded Nigeria in per capita FDI inflows. This is a clear indication that Nigeria is not benefiting much from the increasing non-oil FDI to Africa.

Nigeria continues to lead the table within the Economic Community of West African Countries (ECOWAS) group. In the 70s, table 1 indicates that Nigeria attracted over 50 per cent of total FDI inflow to the ECOWAS region. This figure rose to over 70 per cent in 2000s. This dominant position could be explained by the less restrictive conditions for oil FDI and the increasing foreign interest for the sector. In terms of absolute FDI stocks, Nigeria remains in the second position after South Africa in the African region with US$ 62.8 billion and US$ 93.4 billion respectively. However, given its population, Nigerian relative underperformance is evident in per capita terms. In 2007, Nigeria stock of US$ 424 is equal to the African average of US$ 405. Nevertheless, this is less than the per capita FDI stock of Angola and Equatorial Guinea (other oil producing countries) and other large countries in Africa like South Africa and Egypt which amounted to US$ 717, US$ 21172.5, US$ 1924.3 and US$ 668.9 respectively (table 1). In spite of all these, FDI has contributed positively to Nigeria capital accumulation. Table 1 shows that in the period between 2001 and 2007 FDI accounted for over 50 per cent of the gross fixed capita formation (GFCF). This is higher than the average of 15 per cent and 12 per cent for Africa and developing countries group respectively.

Recent Development in Nigerian Economy and Investment Environment

Despite the huge resource base, Nigeria has not been able to attract a high level of FDI commensurate with its economic potentials (see table 1). In its assessment of the Nigerian investment environment, UNCTAD, (2009) identify; inadequate infrastructure, Corruption, unstable regulatory and institutional environment, crime and other security issues as major obstacles to economic growth and FDI inflows to the country. Consequently, various governments in Nigeria since 1999 have articulated various reform policies for revitalizing the Nigeria economy and the promotion of FDI inflows to the country. For instance, from 1989 to 1994 government spending in the power sector averaged about US$6million but this has increased to US$450million in 2004 (UNCTAD, 2008).

In addition, Bala, (2003) reports that Nigerian government is promoting Independent (private) Power Producer (IPP) to augment its efforts at expanding electricity generation and distribution. The Nigeria Communications Commission (NCC) licensed 12 fixed wireless operators with 363,284 installed capacity and 120771 subscribers in 2002. NCC has also licensed 2 mobile operators (GSM) with a combined installed capacity of 1.2million lines and over 1million subscribers (UNCTAD, 2008). This number increased to 5 in 2008 (National Bureau of Statistics, Nigeria 2014). Similarly, the Nigerian government has begun the rehabilitation of roads by making single lane inter-state highways into dual carriages. Abuja and Lagos international airports have been rehabilitated/improved to make entry and departure from the country a more pleasant experience than it was before 1999 period. Rehabilitation of the rail line has commenced with new lines added to link up various parts of the country (UNCTAD, 2017).

Furthermore, Nigerian government has instituted the Universal Basic Education Program to give equal educational opportunities to all citizens of the country (Bureau of Africa Affairs, 2008). Consequently, the educational sector has been liberalized with private sector involvement encouraged at all levels of the educational structure. The aim of making the sector more competitive is to develop an entrepreneurial class that is innovative, competitive and technology driven. Also, anti-corruption and other Offences Act of 2000 was enacted to establish the Independent Corrupt Practices and Other Related Offences Commission (ICPC). ICPC has powers to investigate and prosecute those suspected of corrupt practices. In addition, Economic and Financial Crimes Commission (EFCC) Establishment act (2004) was enacted. This Act mandates the EFCC to combat financial and economic crimes. The Commission is empowered to prevent, investigate, prosecute and penalize economic and financial crimes. EFCC is charged with the responsibility of enforcing the provisions of other laws and regulations relating to economic and financial crimes in Nigeria. Similarly, in 2009 Nigerian government granted amnesty to the militants in the Niger Delta to reduce the unrest in the region. Between 2015 till date, under the present regime in Nigeria, the monetary policy of the Central Bank of Nigeria has been to maintain high interest rates. This strategy ought to boost yields on investments and increase foreign currency liquidity, thereby, attract FDI.

Nonetheless, not much has been achieved in attracting foreign investors to Nigeria because of political switch in the middle of oil price crash in 2015, which slowed down policy responses. As a result, Nigeria has not been able to attract much FDI. For instance, Nigeria GDP growth dropped from an average of 6 percent till 2014, to less than 3 percent in 2015. In addition, inflation in Nigeria rises from a single digit in 2014 to over 18 percent in 2015. The negative implication of the fall in GDP growth and rise in the rate of inflation, coupled with the economic recession going on in Nigeria, has made the Central Bank of Nigeria's monetary policies under President Buhari largely unsuccessful in attracting foreign investors. No to mention are the issues of Herdsmen/farmers clashes and different stories of killings going on by bandits in different parts of Nigeria. FDI flow to Nigeria plunged from $9.64 billion in 2015 to 5.12 billion in 2016, 46 percent drop (National Bureau of

Statistics, 2017). Thus, FDI in Nigeria increased by $959.52 million in the fourth quarter of 2017. It averages $1309.61 million from 2007 until 2017, reaching an all-time high of $3084.90 million in the fourth quarter of 2012 and a record low of $501.83 million in the fourth quarter of 2015 (tradingeconomics.com. CBN, 2018). UNCTAD reports that Nigeria's FDI dropped 34 percent from $4.7 billion in 2014 to $3.1 billion in 2015. In addition, Nigeria attracts a total of $246.2 million FDI in the first quarter of the year 2018. This represents a sharp drop compared to $378.41 million in the fourth quarter of 2017 (National Bureau of Statistics, 2018).

CONCLUSION AND POLICY IMPLICATION

This study examine the extent government reform policies have influenced FDI inflow to Nigeria. The Nigerian government, knowing the huge roles and importance of FDI in the economy, has at various times enacted policies that permit and encourage foreign investments in Nigeria by non-nationals. However, findings shows that successive reforms to improve Nigeria's business climate have not encouraged foreign investors, nor yield much success (Oriola, 2018). World Bank record reveals that Nigeria currently ranks 169th out of 190 countries (WDI, 2016). This shows how difficult it is for foreign investors to do business in Nigeria. In addition, there is extremely inadequate infrastructure and growing security concerns. Report from the Cable news reveals that the United States Commission on International Religious Freedom (USCIRF) has designated Nigeria as a 'country of particular concern' (CPC) following the recent spate of killings. All these negative reports affect FDI inflow. The findings of this paper has the following policy implications: The world attention is being shifted to environmental degradation and climate change, the world is gradually moving away from oil as an energy source to other more sustainable and environmentally-friendly sources. Consequently, Nigeria need to find an alternative foreign investment option as they have in oil and telecommunication sectors. In other words, Nigerian government should embark on economic policy reforms that will exploit the gains from oil FDI. This gain from the oil FDI should be made to impact positively on the trade related infrastructural development. Nigerian government should pursue vigorously the ongoing privatization of the downstream sector of its oil industry. The privatization of the downstream sector will help to integrate the oil sector into the economy. The integration of the oil sector into the economy will boost its potential to contribute to economic growth and subsequently improve the investment environment and thereby enhance FDI inflows to Nigeria. Nigerian government can also improve its investments environment by conscious provision of necessary infrastructure and thereby lower the cost of doing business. In addition, FGN's poor reputation for obedience to court judgment is another reason for low inward FDI and this must change.

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