BUILDING INVESTORS' CONFIDENCE: WRONG TIME FOR MISSTEPS

THE NIGERIAN ECONOMIC SUMMIT GROUP
RC: 303317

In recent times, Nigeria has experienced low foreign investors' confidence arising from a number of issues ranging from insecurity, foreign exchange scarcity, entrenched capital controls and an unfriendly business environment. In spite of these challenges, Nigerian entrepreneurs have continued to exhibit faith in the economy by investing in the country. This is commendable and all hands should be on deck to ensure that the efforts of both foreign and domestic investors are not frustrated.

The President recently submitted the 2023 Appropriation Bill to the National assembly. This budget which shows a huge deficit, that relies on the country's ability to attract and mobilise both foreign and domestic capital. It is important to note that the Nigerian delegation to the ongoing Annual meetings of the World Bank/International Monetary Fund would be expected to seek some support and attract the much-needed foreign investments into the country. This is in addition to what the Private Sector is doing towards mobilising foreign investments. This therefore re-enforces the need for the Nigerian government to ensure that the signalling to both foreign and domestic investors is not only right but friendly and appropriate to attract investments into the country.

The recent dispute between Kogi State & Dangote Cement Plc & the action taken by the State Government gives the impression that such a commercial dispute cannot be amicably settled using the existing dispute resolution mechanisms. Such action sends inappropriate signals to investors, both domestic & foreign, and could result in an increase in our country risk rating.

Our inability as a Nation to give the right signalling to investors will lead to subdued investment flows and capital flight which has a number of consequences highlighted below:

1. Hamper our ability to sustain the growth and development of the non-oil sector which is expected to reign in needed revenues to finance the 2023 budget and remain so for the next foreseeable future;

2. The expected investment into the oil sector of which the full implementation of the newly passed Petroleum Industry Act is expected to attract, for which the government has taken a number of steps, may be jeopardised;

3. Dwindling foreign exchange earnings through limited capital inflows will lead to continued devaluation of the Naira;

4. Wrong signalling will further lead to the underdevelopment of the financial and capital market with very limited financial instruments and investable assets;

5. The lack of investor confidence also implies that the cost of borrowing for both the government and corporates will increase. Furthermore, the Nigerian government will be under pressure to service its debt and this could either constrain future budget non-debt expenditures or result in more borrowing. Both options would only heighten the risk of a depressed economy with rising unemployment and poverty rates.

Following the constrained fiscal space faced by the Nigerian government, investment in critical sectors is what will drive economic recovery and sustain the growth momentum in the medium term. Investment, both local and foreign direct, is often associated with job creation, technical knowhow, technology, economic growth and the strive towards efficiency.

We recognise the effort of the government towards improving the business environment, nevertheless there is room for improvement. Thus, it is imperative for both the Federal and State governments to work together towards ensuring improved ease of doing business and good governance practices.

There is no better time to build investor's confidence than now. We, therefore, admonish His Excellency, Mr President to ensure that the right signalling and conducive business environment are provided to attract both foreign and domestic investment.

Asue Ighodalo,
for the Board of Directors, NESG