Promoting Foreign Direct Investment (FDI) in Nigeria: Challenges and Opportunities in the Legal Framework, 2020-2023.

Ibekwe Emmanuel Chidi

Abstract
This paper critically examines the legal framework regulating Foreign Direct Investment (FDI) in Nigeria, highlighting both the opportunities it offers and the significant challenges that hinder its full potential. While Nigeria possesses abundant natural and human resources and has implemented reforms such as the Companies and Allied Matters Act 2020 and the One-Stop Investment Centre (OSIC), legal inconsistencies, regulatory overlaps, insecurity, and weak enforcement continue to deter investors. The study adopts a doctrinal legal research method, drawing on statutory analysis, case law, and policy documents, and supplements this with a comparative approach by examining selected peer economies. It explores domestic and international legal instruments, evaluates institutional mechanisms, and applies comparative insights from other emerging economies like Rwanda, Ghana, South Africa, and Kenya. It finds that despite the presence of investment incentives and treaty protections, the lack of policy stability, fragmented legal regimes, and inefficient dispute resolution mechanisms undermine investor confidence. The paper concludes with practical legal reform recommendations aimed at harmonising laws, enhancing institutional coordination, and ensuring transparent and investor-friendly practices that align with global best practices.

Keywords: ***Foreign Direct Investment, Legal Framework, OSIC, NIPC, BITs, AfCFTA.***

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Introduction

It is often known that FDI is a significant factor in the economic expansion of emerging nations. FDI supports capital inflow, infrastructure development, technology transfer, and job creation in Nigeria, a country abundant in natural and human resources. However, Nigeria has not yet reached its full potential for foreign direct investment, mainly because of legal and administrative obstacles. Even while the nation has drawn foreign direct investment (FDI) in vital industries like banking, telecommunications, and oil and gas, investors' interest has been tempered by uneven legal frameworks, lax enforcement, and insecurity. Nigeria's foreign direct investment (FDI) inflows decreased from \$2.4 billion to \$1.1 billion between 2020 and 2023, indicating a decline in investor confidence in the country's legal and regulatory framework.[1] Poor enforcement of investment rules, regulatory overlaps, corruption, and an unstable legal framework have all been cited as contributing factors to the decline.[2]

The Nigerian government has responded by enacting several reforms. To update fiscal policy and enhance corporate governance, the Companies and Allied Matters Act (CAMA) 2020 and annual Finance Acts were passed.[3] To expedite administrative procedures, the Nigerian Investment Promotion Commission (NIPC) also established the One-Stop Investment Centre (OSIC).[4] Although encouraging, these actions have not significantly stopped the decline in FDI inflows. Attracting and safeguarding foreign investment requires a robust, well-coordinated, and open legal framework. National laws, international agreements, regulatory agencies, and judicial processes make up this framework in Nigeria. However, the way these legal components interact is frequently fragmented, leading to misunderstandings and inefficiencies.[5] Long-term investment is also still discouraged by pervasive insecurity, lax enforcement, and inadequate cooperation among regulatory bodies.[6]

FDI plays a dual role in developing countries. On the one hand, it provides much-needed external capital to economies often constrained by weak domestic savings and underdeveloped financial systems. On the other hand, it creates channels for knowledge transfer, the introduction of new technologies, and the integration of host economies into global value

[1] Ibrahim Apekhade Yusuf, "Furore Over Lull in Foreign Direct Investments," *The Nation*, October 27, 2024, https://thenationonlineng.net/furore-over-lull-in-foreign-direct-investments/ accessed 20 June 2025.
[2] Legal500, 'Understanding FDI Regulations in Nigeria' (2025) https://www.legal500.com accessed 20 June 2025.
[3] I. Mgbakogu, '*Incentivising Foreign Direct Investment in Nigeria: A Legal Critique of Extant Fiscal and Tax Regimes*' (2020) 7(1) Nnamdi Azikiwe University Journal of Commercial & Property Law 1–27.
[4] Nigerian Investment Promotion Commission, Annual Report 2022 (NIPC 2022).
[5] Ogochukwu S Asogwa, 'Determinants of an Enabling Environment for Foreign Direct Investment in Nigeria' (2024) 6(1) *Nigerian Journal of African Studies* https://www.nigerianjournalsonline.com/index.php/NJAS/article/view/4950 accessed 20 June 2025.
[6] Reuters, 'Nigeria Revokes 924 Dormant Mining Titles, Seeks New Investors' (London, 24 April 2024).

chains.[7] Nigeria, as Africa's most populous country and its largest economy by GDP, represents a potentially attractive destination for investors seeking access to both a vast domestic market and a strategic base for West African trade.[8] However, the persistent inability to fully harness these benefits has highlighted the structural weaknesses of its investment climate.

From a theoretical perspective, John Dunning's "eclectic paradigm" offers a valuable lens. According to this model, firms choose to invest abroad when three conditions are met: Ownership advantages (O), Location advantages (L), and Internalisation benefits (I). Nigeria's location advantages, including a large consumer market, abundant natural resources, and regional trade links, are evident. However, weaknesses in governance, legal certainty, and infrastructure have reduced the country's ability to translate these advantages into sustained inflows.[9]

The trajectory of FDI in Nigeria cannot be understood without reference to its economic history. In the colonial and early post-independence period, foreign investment was concentrated in extractive industries, particularly oil, minerals, and cash crops. By the 1970s, the oil boom further entrenched this dependence, crowding out investment in non-oil sectors. Structural Adjustment Programmes of the mid-1980s, introduced under the auspices of the International Monetary Fund and World Bank, sought to liberalise the economy and encourage greater foreign participation. Democratic reforms from 1999 onwards brought a new wave of investment, especially in telecommunications, where the licensing of private operators such as MTN and Airtel transformed connectivity. Nevertheless, the concentration of investment in a narrow range of sectors has limited Nigeria's ability to diversify, leaving the economy vulnerable to oil price shocks and foreign exchange volatility.[10]

While inflows peaked in earlier decades, recent figures demonstrate volatility. According to the United Nations Conference on Trade and Development (UNCTAD), Nigeria attracted only $3.3 billion in FDI in 2022, compared to over $8 billion in 2011. This decline reflects both external shocks, such as global commodity cycles, and domestic challenges, including policy unpredictability, corruption, and weak contract enforcement. Investors cite opaque licensing procedures, multiple taxation regimes, and bureaucratic inefficiency as key obstacles.[11] Security remains a parallel concern. Insurgency in the North-East, piracy in the Niger Delta, and widespread banditry have raised the

[7] Theodore H. Moran, *Foreign Direct Investment and Development: Launching a Second Generation of Policy Research* (Washington, DC: Peterson Institute for International Economics, 2011), 12–15.
[8] World Bank, *Nigeria Country Economic Memorandum* (Washington, DC: World Bank, 2022), 34.
[9] John H. Dunning, "The Eclectic Paradigm of International Production: A Restatement and Some Possible Extensions," *Journal of International Business Studies* 19, no. 1 (1988): 1–31.
[10] IMF, *Nigeria: Selected Issues* (Washington, DC: IMF, 2020), 18–21.
[11] UNCTAD, *World Investment Report of 2023* (New York: United Nations, 2023), 45.

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cost of doing business and heightened risk perceptions. These realities often negate the formal protections offered by law, creating a significant gap between legal assurances and practical realities.

Therefore, this paper assesses Nigeria's FDI legislative system, pointing out its advantages and disadvantages. It makes use of comparative analysis from other developing nations and suggests legislative changes that would make Nigeria a more alluring and safe location for foreign investment.

Foreign Direct Investment in Nigeria

Foreign Direct Investment (FDI) involves a foreign entity acquiring a lasting stake and control in a domestic business, thereby facilitating capital movement across borders. In Nigeria, FDI has always been an important contributor to infrastructure development, technology transfer, employment opportunities, and capital formation. However, Nigeria's FDI inflows have remained volatile and dependent on the extractive sectors. From 2020 to 2023, Nigeria's net FDI inflow dropped markedly from $2.4 billion to $1.1 billion, losing investor interest in the country's business environment.[12] This remains unsustained due to numerous inconsistencies, including regulatory impacts, security issues, macroeconomic unpredictability, and legal haziness.[13]

Historically, the Nigerian economy has relied mainly on foreign concessional financing in order to meet its infrastructural needs and funding gaps. The Structural Reform, alongside the Government's liberalisation efforts focused on FDI, was later supported through the establishment of NIPC and telecommunication liberalisation in the early 2000s.[14]

The FDI profile of Nigeria remains underdeveloped, primarily due to the concentration of these investments in the oil and gas sector. A good example is multinationals Shell, Chevron, and Total, which have significant shares within the country. In contrast, agriculture, digital finance, and manufacturing are strategically important sectors that still receive very low levels of investment considering their high potential value. Such limited diversification drives greater susceptibility to shocks with commodity prices while simultaneously depressing the long-term developmental impact of FDI. With PEBEC came new initiatives aiming at overhauling business regulation for investors, which aimed at trimming down bureaucratic obstacles and fostering more pro-business regulation.

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[12] M Madojemu, 'The Role of Foreign Direct Investment in Economic Growth of Nigeria' (2020) 28(2) *RUDN Journal of Economics* 357–366. ttps://doi.org/10.22363/2313-2329 2020 28 2 357 366 accessed 20 June 2025.

[13] R. Bukola Ajala and C Ikechukwu Ejemezu, 'National Security and Foreign Direct Investment in Nigeria (2005–2022)' (2023) 3(3) *Economit Journal: Scientific Journal of Accountancy, Management and Finance* 122–135 https://doi.org/10.33258/economit.v3i3.963 accessed 20 June 2025.

[14] T Ndzendze, 'Does World Bank's Ease of Doing Business Matter for FDI? Findings from Africa (2023) arXiv preprint https://arxiv.org/abs/2312.01942 accessed 20 June 2025.

While these policies saw some success in temporarily improving Nigeria's Ease of Doing Business ranking prior to its suspension, many foundational issues remained unresolved.[15] Alongside such efforts, collaborations with global development banks like the World Bank were sought to enhance investment across energy and transportation domains, along with financial inclusion for all citizens. A shining example comes from 2024, when Nigeria obtained a $2.25 billion World Bank loan explicitly designated to stabilise the economy using reform programs that would simultaneously boost investor confidence.[16]

However, legal and institutional weaknesses continue to frustrate these efforts. One recurring problem is *opaque licensing procedures.* In many sectors, particularly energy and telecommunications, investors are confronted with overlapping approval requirements from federal and state agencies. This creates scope for delays, rent-seeking behaviour, and regulatory uncertainty.[17] The absence of streamlined, transparent processes means that even when reforms such as the One-Stop Investment Centre were introduced, they have not significantly simplified the investor experience. Another significant barrier is *multiple taxation.* Foreign investors frequently face levies from federal, state, and local authorities, often on the same business activity. For instance, companies report paying company income tax, value-added tax, education tax, and development levies, alongside unofficial demands at the subnational level. This fragmentation increases the cost of doing business and discourages long-term reinvestment.[18]

Land acquisition delays also undermine investment, particularly in agriculture, real estate, and infrastructure. The Land Use Act of 1978 vests land ownership in state governors, requiring their consent before land can be transferred or used for large-scale projects.[19] This has created a bureaucratic bottleneck and fuelled corruption, with approvals often taking months or even years to obtain. Investors view this as a significant disincentive, especially compared to peer countries such as Rwanda and Kenya, where land registration is digitised and far less politicised. Finally, poor enforcement of investment-related contracts continues to erode investor confidence. Although Nigeria is a signatory to international arbitration treaties such as the New York Convention, judicial delays and political interference frequently hinder enforcement. The protracted Process and Industrial Development (P&ID) arbitration case, in which Nigeria faced a $10 billion award, highlighted weaknesses in both

[15] J Famvie and E B Josiah, 'Insurance Firms Business on Foreign Direct Investment in Nigeria' *Advance Journal of Banking, Finance & Investment* 9(2) (2025) 13–25 https://aspjournals.org/ajbi/index.php/ajbfi/article/view/27 accessed 20 June 2025.
[16] C. Chekwa, C. Onwuchekwa, S. Adeyinka, and U. I. Ezirim, 'Macroeconomic Causes of Foreign Direct Investment in Nigeria' (2025) 27(2), 57. *Journal of Applied Business & Economics* https://doi.org/10.33423/jabe.v27i2.7606 accessed 20 June 2025.
[17] World Bank, *Doing Business Report 2020: Nigeria* (Washington, DC: World Bank, 2020), 72.
[18] Chukwuma Charles Soludo, "The Political Economy of Taxation in Nigeria," *Nigerian Journal of Economic Policy* 5, no. 2 (2020): 45–48.
[19] Land Use Act, Cap L5, Laws of the Federation of Nigeria, 2004.

contract governance and enforcement mechanisms.[20] Without stronger judicial capacity and predictable enforcement, foreign investors remain sceptical about the security of their investments. These challenges are fundamentally legal in nature and cannot be resolved through policy reforms alone; they require comprehensive restructuring of Nigeria's investment laws and institutions.

Current Legal Framework Governing FDI in Nigeria

A clear and well-organised legislative framework is essential for attracting and retaining foreign direct investment (FDI). Domestic laws, international agreements, regulatory tools, and institutional procedures make up Nigeria's legal framework that governs foreign direct investment. Investor trust has been damaged by inconsistent execution, despite the extensive plans on paper.

Domestic Legal Instruments

The Nigerian Investment Promotion Commission (NIPC) Act (Cap N117 LFN 2004) is the most important law governing foreign direct investment. It designates the NIPC as the leading organisation in charge of encouraging and enabling investments. The right to repatriate profits, equal treatment for international investors, and protection from expropriation without sufficient compensation are all guaranteed by the Act.[21] However, its impact has been diminished by legal uncertainties and uneven enforcement. The Companies and Allied Matters Act (CAMA) 2020, which updated corporate laws in Nigeria, is another important piece of legislation. The Act made it easier to do business by introducing remote meetings, e-registration, and single-shareholder companies. However, despite these advancements, investor uptake is hampered by implementation delays and inadequate sensitisation. The Finance Acts (2020–2023), which updated tax laws and offered incentives to SMEs and digital businesses, are a good complement to this legislation. Even while they encourage fiscal modernisation, the ongoing changes have made the tax and legal system unpredictable for international investors.[22]

Repatriation of capital and profits through the official window is guaranteed under the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act, provided that the Central Bank of Nigeria (CBN) is registered. However, the usefulness of this legal assurance is diminished by ongoing currency fluctuation and restricted access to FX markets. The Land Use Act of 1978 continues to be a significant obstacle in land purchases. For land acquisition, governor approval is needed, which causes delays in projects and complicates the law, particularly for investors in the agriculture and infrastructure sectors.[23]

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[20] Andrew Ward and Tom Wilson, "Nigeria's $10bn Legal Battle with P&ID," *Financial Times*, September 15, 2020.
[21] Nigerian Investment Promotion Commission Act, Cap N117 LFN 2004.
[22] Corporate Affairs Commission, Annual Activity Report (CAC, 2023).
[23] Foreign Exchange, Monitoring and Miscellaneous Provisions Act, Cap F34 LFN 2004.

Beyond their text, the effectiveness of Nigeria's domestic investment laws is shaped by the degree of certainty and consistency in implementation. While the NIPC Act grants foreign investors legal protection, its provisions often clash with the mandates of other agencies, producing overlapping regulations that delay approvals. In practice, investors have reported that processes designed to be straightforward under the Act become cumbersome once multiple government bodies are involved. This reveals the gap between legislative intent and operational reality, a gap that significantly weakens investor confidence.[24] Similarly, while CAMA 2020 was hailed as a landmark reform, its innovative features have not been uniformly adopted across the federation. Many small and medium enterprises, including foreign-backed start-ups, remain unaware of the simplified procedures. This lack of sensitisation creates uneven benefits, as only firms with access to legal expertise can fully take advantage of the reforms. The persistence of bureaucratic bottlenecks at the state and local levels also raises questions about the central government's capacity to ensure compliance with federal investment laws.[25]

The constant revision of tax legislation through the Finance Acts, though intended to align Nigeria's fiscal framework with global realities, has also generated unpredictability. Multinationals require stability to project long-term costs and revenues, yet frequent adjustments undermine the credibility of Nigeria's tax environment. Investors often compare Nigeria unfavourably with Ghana or Kenya, where tax reforms are more gradual and accompanied by extensive consultation. This volatility has been cited in World Bank surveys as one of the leading deterrents to new investment.[26] In addition, the foreign exchange regime poses a structural constraint that legislation alone cannot resolve. The statutory assurance of profit repatriation becomes hollow in the face of liquidity shortages in the official market. Episodes of delayed foreign exchange access by multinational corporations illustrate how macroeconomic realities can erode the credibility of legal guarantees, reinforcing the perception of Nigeria as a high-risk destination.[27]

International and Regional Legal Commitments

Less than half of the more than 30 bilateral investment treaties (BITs) that Nigeria has signed have been ratified. Usually, these treaties give investors the option to resolve disputes through international arbitration without having to use up all available local remedies.[28] Nigeria has also ratified multilateral frameworks like the African Continental Free Trade Area (AfCFTA) Agreement, TRIMS (WTO), and the ICSID Convention. These pledges give international investors doing business in Nigeria

[24] Nigerian Investment Promotion Commission, *Annual Report of 2022* (Abuja: NIPC, 2023), 18–19.
[25] Okechukwu Igwe, "The Companies and Allied Matters Act 2020: Reform or Rhetoric?" *Nigerian Business Law Review* 4, no. 2 (2021): 45–49.
[26] World Bank, *Doing Business Report 2020: Nigeria* (Washington, DC: World Bank, 2020), 72.
[27] Central Bank of Nigeria, *Foreign Exchange Market Developments Report 2022* (Abuja: CBN, 2022), 21–23.
[28] Land Use Act 1978 (Federal Republic of Nigeria).

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protection and dispute resolution procedures.[29] Nigeria is bound by the ECOWAS Investment Protocol, a regional agreement that seeks to ensure nondiscriminatory treatment among member states and standardise investment rules. Even if these tools provide more legal protection, their application is nevertheless uneven.[30]

A key weakness of Nigeria's treaty practice lies in the gap between signature and ratification. UNCTAD data show that Nigeria has signed over thirty bilateral investment treaties (BITs), yet fewer than fifteen are in force.[31] This creates a dual problem: uncertainty for investors who cannot rely on unratified agreements, and reputational costs for Nigeria, which appears hesitant to commit to the obligations it negotiates fully. Peer countries such as Morocco and Rwanda, by contrast, have been proactive in ratifying and modernising their BITs to incorporate sustainable development clauses and more balanced investor–state dispute settlement mechanisms.[32] Nigeria's participation in the African Continental Free Trade Area (AfCFTA) is also significant. The AfCFTA's Protocol on Investment, adopted in 2023, seeks to harmonise investor protections across the continent while balancing them with host states' right to regulate.[33] For Nigeria, this provides an opportunity to position itself as a regional hub for manufacturing and services. However, analysts note that the country's protectionist trade policies, including periodic border closures, risk undermining AfCFTA's objectives.[34] If Nigeria fails to align its domestic investment regulations with AfCFTA obligations, it could lose competitiveness relative to neighbours like Ghana and Kenya, which have already embedded AfCFTA reforms into national policy.

International arbitration remains a cornerstone of Nigeria's external investment commitments. Nigeria is a contracting state to both the ICSID Convention and the New York Convention, giving foreign investors the right to bypass domestic courts in favour of international forums.[35] However, the credibility of these commitments was tested in the Process & Industrial Development (P&ID) case, where Nigeria initially faced a $10 billion arbitral award. In October 2023, the English High Court set aside the award on grounds of fraud and corruption, but the case nevertheless highlighted deficiencies in Nigeria's contract management

[29] ICSID, Member States and Case Law Digest (ICSID 2023).
[30] ECOWAS Commission, Investment Protocol Guidelines (ECOWAS 2021).
[31] UNCTAD, *International Investment Agreements Navigator: Nigeria* (Geneva: United Nations, 2023).
[32] UNCTAD, *World Investment Report 2022: International Tax Reforms and Sustainable Investment* (Geneva: UNCTAD, 2022), 102–104.
[33] African Union, *Protocol on Investment to the Agreement Establishing the AfCFTA* (Addis Ababa: AU, 2023).
[34] David Luke and Jamie MacLeod, "Implementing the African Continental Free Trade Area: Opportunities and Challenges," *Journal of African Trade* 8, no. 1 (2021): 1–12.
[35] ICSID, *List of Contracting States and Other Signatories of the Convention* (Washington, DC: ICSID, 2022).

and dispute-resolution processes.[36] Investors remain wary that arbitral awards, even when valid, may face political resistance or enforcement delays within Nigeria. Regionally, the ECOWAS Supplementary Act on Investments commits member states to non-discriminatory treatment and common standards.[37] Nevertheless, its potential has been limited by weak enforcement mechanisms. Legal scholars argue that unless the ECOWAS Court of Justice is granted clear jurisdiction over investment disputes, the framework will remain underutilised.[38] Strengthening this regional mechanism could allow Nigeria to anchor its domestic reforms within a binding supranational regime, reassuring investors that protections go beyond the national level.

Institutional Implementation Mechanisms

The Federal Inland Revenue Service (FIRS) is in charge of taxation, the Corporate Affairs Commission (CAC) is in charge of company registration, the NIPC is in charge of investment policy coordination, and the CBN is in charge of FX compliance. Free Trade Zones are governed by the Nigerian Export Processing Zones Authority (NEPZA).[39] Even though these organisations have well-defined goals, inefficiencies are frequently caused by overlapping jurisdictions, sluggish procedures, and a lack of digital integration. To consolidate approvals from 27 agencies under one roof, the NIPC established the One-Stop Investment Centre (OSIC). However, OSIC has not had the desired effect because of inadequate interagency cooperation and a dearth of legally binding service agreements.[40]

The design of Nigeria's institutional structure for investment administration highlights both ambition and fragmentation. The presence of multiple agencies with overlapping mandates has created inefficiencies that deter investors. The Federal Inland Revenue Service (FIRS) and the Corporate Affairs Commission (CAC), for example, often require sequential approvals, leading to unnecessary duplication. The Central Bank of Nigeria (CBN) and the Nigerian Investment Promotion Commission (NIPC) similarly issue guidelines that occasionally conflict, leaving investors uncertain about which body takes precedence. Such overlap is at the heart of Nigeria's institutional challenges, since predictability and speed are critical to foreign direct investment decisions.[41] The One-Stop Investment Centre (OSIC) was intended as a solution, bringing representatives of 27 agencies together to streamline approvals. In theory, this should have replicated best practices from Rwanda's Development Board or Singapore's Economic Development

[36] High Court of Justice (Commercial Court), *Federal Republic of Nigeria v. Process & Industrial Developments Limited* [2023] EWHC 2638 (Comm), para 55.

[37] ECOWAS Commission, *Supplementary Act A/SA.3/12/08 Adopting Community Rules on Investment and the Common Investment Market* (Abuja: ECOWAS, 2008).

[38] Olabisi D. Akinkugbe, "The ECOWAS Court and Investment Protection: Mapping the Terrain," *African Journal of International and Comparative Law* 29, (2021): 351–373.

[39] African Union, AfCFTA Agreement and Protocols (African Union, 2021), Art 4.

[40] S Eniekezimene and others, 'Foreign Direct Investment and Economic Growth in Nigeria: A Revisit' (2024) Asian Journal of Probability & Statistics 19(1) 45–59.

[41] World Bank, *Doing Business 2020: Nigeria* (Washington, DC: 2020), 72–74.

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Board, where single-window models dramatically reduced processing times. In practice, however, OSIC has not eliminated bottlenecks. Investors still report that staff seconded to the Centre often lack the authority to make binding decisions, forcing companies to revert to the parent agencies. This undermines the very purpose of consolidation and has limited OSIC to an advisory rather than decisive role.

The Nigerian Export Processing Zones Authority (NEPZA), which oversees free trade and special economic zones, illustrates another institutional weakness. Zones in Calabar and Kano were established to attract export-oriented investment. Nevertheless, inadequate infrastructure, customs delays, and weak linkages to domestic supply chains have prevented them from realising their potential. Investors frequently contrast these zones with those in Ethiopia or Kenya, where more transparent governance and stronger incentives have driven manufacturing growth. Recent government efforts to improve institutional performance include initiatives by the Presidential Enabling Business Environment Council (PEBEC), which issued executive orders on transparency and timelines for regulatory approvals. While these measures improved Nigeria's position in the World Bank's Ease of Doing Business ranking between 2017 and 2020, their impact has since stalled, partly due to the absence of legally binding enforcement mechanisms. Without statutory authority compelling agencies to comply with service timelines, reforms remain vulnerable to reversal.[42] Ultimately, the Nigerian case underscores that institutional reforms must go beyond establishing agencies or passing legislation. Effective coordination, genuine digital integration, and transparent chains of accountability are required if Nigeria's institutions are to match the efficiency levels that global investors increasingly demand.

Opportunities in the Existing Legal Framework

Even with significant flaws, Nigeria's legal system nevertheless offers good chances to draw in foreign direct investment (FDI), primarily through regional integration, institutional reforms, and current investment incentives. When properly executed, these components can be powerful instruments for re-establishing the nation as one of sub-Saharan Africa's leading FDI destinations. The variety of legislative investment incentives that are available represents one significant opportunity. Foreign investors can take advantage of pioneer status incentives (three to five-year tax breaks), capital allowances, exemptions from machinery import tariffs, and duty-free operations in designated zones under the NIPC Act and Industrial Development (Income Tax Relief) Act.[43] Additionally, sector-specific advantages in manufacturing, ICT, agriculture, and energy are detailed in the NIPC's yearly "Investment Incentives Compendium".[44] If

[42] U.S. Department of State, *2024 Investment Climate Statement: Nigeria* (Washington, DC: State Department, 2024), 14–16.
[43] Transparency International, Corruption Perceptions Index 2023: Nigeria Country Report (2024).
[44] Agbeyangi et al., 'Nigeria's ICT & Economic Sustainability in the Digital Age' (January 2024) arXiv preprint https://arxiv.org/abs/2401.04521 accessed 20 June 2025.

properly implemented and protected by law, these structures can play a significant role in drawing in long-term capital inflows.

Reforms that make conducting business easier still have promise. Measures including electronic filing systems, virtual board meetings, and single-member company registration were established by the Companies and Allied Matters Act 2020, and they all lower compliance obstacles for international businesses.[45] Although there are still issues with subnational implementation, the Presidential Enabling Business Environment Council (PEBEC) has helped to streamline investor entrance procedures through specific presidential orders and administrative directives.[46] The NIPC oversees Nigeria's One-Stop Investment Centre (OSIC), which was created to offer convenient access to more than two dozen regulatory bodies, such as the Central Bank of Nigeria (CBN), the Federal Inland Revenue Service (FIRS), and the Corporate Affairs Commission (CAC). Despite being underutilised, OSIC is nevertheless a valuable legal tool that may significantly lessen investor onboarding friction if it is operationalised adequately with enforceable timetables and digital integration.[47]

Section 25 of the NIPC Act's legal protection against expropriation is still a powerful legal tool. It guarantees international investors that their assets will only be taken in the national interest and that they will receive prompt, fair compensation.[48] This clause significantly reduces investors' risk in long-gestation industries when paired with Nigeria's ratification of international treaties that provide arbitration outside of national courts. Nigeria has opened up regional business potential by ratifying the African Continental Free Trade Area (AfCFTA) Agreement. A common legal and business framework for more than 50 African nations is provided under the AfCFTA. This means that investors in Nigeria will have access to a larger, tariff-free market as well as standardised trade and investment laws.[49] The opportunities are fewer.

Challenges in the Legal Framework for FDI in Nigeria

Nigeria's legislative system encourages foreign direct investment (FDI), yet it also has structural flaws that deter long-term investment. These difficulties include conflicting rules, sluggish bureaucracy, corruption, unclear laws, and lax enforcement. The fragmentation and inconsistency of regulations are among the most enduring issues. Conflicting mandates frequently govern the operations of several agencies, leading to inefficiencies and policy overlap. For instance, state governments have significant authority under the Land Use Act, especially regarding land transfer and distribution, which puts national initiatives at odds with the

[45] Rwanda Development Board, Investor Guidebook (RDB 2023).
[46] UNCTAD, 'Rwanda Investment Policy Review' (2021) UNCTAD Reports.
[47] Ghana Investment Promotion Centre, GIPC Act, 2013 (Act 865).
[48] A Fronzetti Colladon and others, 'A Big Data Approach to Sub-national FDI Determinants in Africa' (March 2024) arXiv preprint https://arxiv.org/abs/2403.10589 accessed 20 June 2025.
[49] Protection of Investment Act 2015 (South Africa).

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Nigerian Investment Promotion Commission (NIPC), which encourages investment.[50] Investors must navigate rules from various sector-specific organisations, including the NIPC, CAC, FIRS, SON, and others, which often have conflicting deadlines or protocols.

The judicial system is made even more complex by bureaucracy and corruption. Permit, tax clearance, and operational approval procedures remain cumbersome and unclear, despite the implementation of reforms such as the One-Stop Investment Centre (OSIC). Particularly at state-level agencies, "facilitation payments" are still reported.[51] With a score of 24 out of 100, Nigeria was ranked 145th out of 180 countries in Transparency International's 2023 Corruption Perceptions Index, exposing institutional flaws that deter people from following even well-written laws.[52] Unpredictability in law and policy is another significant worry. Investors must modify long-term plans to account for the yearly regulatory changes brought about by the regular enactment of annual Finance Acts, each of which introduces significant modifications to tax laws. Furthermore, Nigeria's reputation as a trustworthy location for investment is still being harmed by abrupt executive measures like border closures, export prohibitions, or regulatory reversals.[53]

The ineffectiveness of the legal system also hinders the enforcement of contracts and the settlement of disputes. Nigeria is a party to both ICSID and the New York Convention, but local court procedures are nonetheless expensive and time-consuming. Even when foreign arbitral rulings are obtained, execution through Nigerian courts may be delayed or blocked by procedural obstacles and suspected political intervention, even though many investors prefer arbitration.[54] Finally, investor confidence faces existential challenges from instability and a weak rule of law. Particularly in the North and oil-producing areas, widespread violence, kidnapping, and vandalism deter investment and impair the ability of the government to safeguard assets. Particularly impacted are investors in the energy, logistics, and agriculture industries. Legal safeguards under national statutes are frequently rendered useless in practice due to these security issues.[55]

Comparative Insights from Other Emerging Economies

Effective legal tactics that have attracted foreign direct investment (FDI) can be identified by comparing economies with their peers. Nations like Rwanda, Ghana, South Africa, and Kenya serve as examples of how institutional reform, internet access, and legal certainty boost investor confidence and make emerging markets more competitive. Rwanda is

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[50] Joseph Eshanokpe, "Path to Economic Growth, by Experts," *The Nation*, Feb 10, 2025.
[51] Nigerian Investment Promotion Commission, Investment Guide (NIPC 2023).
[52] Presidential Enabling Business Environment Council, Executive Order 001 Implementation Report (PEBEC 2023).
[53] Nigerian Investment Promotion Commission Act, Cap N117 LFN 2004, s 25.
[54] ICSID, Case Law Digest and Enforcement Statistics (ICSID 2023).
[55] Associated Press, 'Nigeria Security Crisis Poses Threat to Investments' (Washington, March 2024).

notable for its clear legal system and efficient investment processes. Business registration, licensing, and tax identification can be completed quickly with the Rwanda Development Board's (RDB) single-window clearance procedure, usually in less than 24 hours.[56] Additionally, Rwanda's Investment Code offers tax breaks depending on capital expenditure, export potential, and employment creation, and investor trust is increased by its effective commercial courts and transparent land tenure regulations.[57]

The Ghana Investment Promotion Centre (GIPC) Act of 2013, which distinctly delineates rights about equity participation, dividend repatriation, and dispute resolution, provides a solid legal environment in Ghana.[58] Unlike Nigeria, where many Bilateral Investment Treaties (BITs) are still unratified, Ghana has ratified and implemented several BITs. Ghana also places a high priority on treating foreign investors fairly, which increases its appeal to capital inflow.[59]

With its statutory safeguards and constitutional guarantees, South Africa places a strong emphasis on legal certainty. The government's commitment to due process and contract enforcement is reaffirmed by the Protection of Investment Act of 2015.[60] When it comes to upholding international arbitral rulings, South Africa's judiciary is renowned for its independence and dependability, something Nigeria still faces difficulties with. Kenya has embraced legal digitalisation, making it possible to verify land titles, comply with tax laws, and register businesses online. These innovations decrease administrative delays and corruption.[61] Kenya's Investment Promotion Act offers legal incentives like tax deductions and duty-free importation of capital goods. Legislative clarity also supports Kenya's Special Economic Zones and Public-Private Partnership regulations, which have attracted international investment in energy and infrastructure.[62]

Each of these nations has something to teach Nigeria: South Africa emphasises the need for independent courts and a robust rule of law; Rwanda and Ghana show the value of administrative simplicity and legal clarity; and Kenya demonstrates how digital legal systems may enhance the investor experience. These models demonstrate how FDI inflows can be quantified when legal frameworks are brought into line with international best practices.

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[56] Rwanda Development Board, Investor Guidebook (RDB 2023) 6–7.
[57] UNCTAD, 'Rwanda Investment Policy Review' (2021) 23–25.
[58] Ghana Investment Promotion Centre, GIPC Act, 2013 (Act 865), s 19.
[59] UNCTAD, Investment Policy Hub – Ghana BITs (UNCTAD 2023) https://investmentpolicy.unctad.org accessed 20 June 2025.
[60] Protection of Investment Act 2015 (South Africa) ss 4–7.
[61] Kenya Investment Authority, Annual Report 2023 (KenInvest, 2023).
[62] African Development Bank, Kenya: Public-Private Partnership Legal Framework Assessment (AfDB, 2022).

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Recommendations for Reform

Comprehensive institutional and legislative reforms are required to increase Nigeria's attractiveness as a location for foreign direct investment (FDI). These proposals focus on the most urgent legislative impediments and implementation gaps and were developed through an examination of Nigeria's current framework and comparative learning from peer economies.

i. Harmonisation and Reform of the Law

Nigeria's laws about investments need to be reviewed and harmonised immediately. All statutory provisions about foreign direct investment, taxation, business law, land acquisition, and arbitration should be consolidated into a single, investor-friendly legal framework. To strengthen investor safeguards and define institutional functions, the Nigerian Investment Promotion Commission (NIPC) Act ought to be modified. In a similar vein, the Land Use Act should be amended to remove administrative barriers to land access, especially for projects involving industry and agriculture.

ii. Improving Coordination Among Institutions

A coordinated, technologically advanced environment is required for regulatory agencies to function. Legal authority should be granted to the One-Stop Investment Centre (OSIC) so that it can function as a single-window platform with legally binding deadlines. The NIPC should appoint a special "FDI Ombudsman" to resolve conflicts and hold-ups between investors and regulatory bodies. Duplication and inefficiencies would be decreased if organisations like CAC, FIRS, CBN, and NEPZA had clear service-level agreements.

iii. Improving Arbitration Enforcement and Judicial Efficiency

To guarantee prompt and unbiased settlement of business disputes, Nigeria's judiciary needs to be reinforced. More funding and training should be provided to specialised commercial courts. For contracts involving foreign direct investment, arbitration should be encouraged as the default method, and international arbitral rulings should be enforced quickly without excessive judicial intervention. Investor trust will be strengthened by the more uniform application of international agreements like the New York Convention.

iv. Maintaining Policy Stability and Transparency

Legislative review and stakeholder consultation should be applied to all policy changes regarding investments in order to address legal uncertainty. Clear timetables and transition periods should be a part of reforms, particularly those about taxes. The government should set up a centralised online platform to provide investors with up-to-date information on all laws, rules, and administrative directives.

v. Offering Guarantees of Legal Security in High-Risk Areas

Nigeria's internal security issues, particularly in rural and conflict-prone areas, call for the government to implement laws that would protect investment in those areas. These could include insurance-backed investment frameworks, risk-sharing provisions in Public-Private Partnership (PPP) contracts, and security assurances for activities conducted in Special Economic Zones. It is essential to acknowledge security as a legal and business issue to encourage fair FDI distribution throughout the nation.

vi. Quickening the Ratification and Modernisation of Treaties

Ratification and domestication of Nigeria's Bilateral Investment Treaties (BITs) must be its top priorities. While preserving fundamental investor rights like equitable treatment and access to international arbitration, these treaties must be updated to incorporate clauses for sustainable development. To ensure that treaty responsibilities remain in line with Nigeria's changing economic objectives, a formal review process ought to be established.

Nigeria's investment climate and legal credibility in the international FDI arena can be significantly enhanced by implementing these proposals with institutional commitment and political determination.

Conclusion

Nigeria has considerable potential to attract foreign direct investment (FDI) due to its geostrategic location and population. Nevertheless, the nation's regulatory environment is still tainted by policy inconsistencies, bureaucratic ineffectiveness, and lax enforcement, even with several legislative measures and institutional frameworks designed to promote foreign investment. Nevertheless, these flaws reduce long-term capital inflow and undermine investor confidence. To promote a prosperous investment climate, comparative experiences from nations such as Rwanda, Ghana, South Africa, and Kenya emphasise the significance of legislative clarity, policy stability, judicial independence, and efficient treaty implementation. Nigeria needs to commit to extensive, systemic legislative transformation to re-establish itself as a top destination for foreign direct investment. In addition to being crucial for drawing in foreign direct investment, a transparent, predictable, and investor-friendly legislative framework is also necessary for attaining equitable and long-term economic growth.

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