

# FINAL REPORT



## EFFECTS OF CYBERCRIME ON FOREIGN DIRECT INVESTMENT AND NATIONAL DEVELOPMENT



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## EXECUTIVE SUMMARY

### Introduction - The Objective of the Study

Nigeria as part of the nations classified under developing countries has benefited immensely from Foreign Direct Investments since the middle 1990's. It goes without saying that the country's economy in recent times have had advancements in Information and Communications Technology which can be seen in every facet of its industries. This growth has also attracted innumerable crimes which has directly and otherwise affected the influx of Foreign Direct Investments, especially in the form of Cyber crime.

Taking an in- depth analysis of the said subject matter, it is apt and of utmost interest to pose some questions that will enable us shed additional light for posterity sake. Has the increase in cyber crimes reduced the rate of Foreign Direct Investments? Is there a direct correlation between cybercrime and the reduction in FDI in Nigeria particularly in recent times? Can we say that the negative impact of cyber crime has in-turn decelerated National Development? This project is underpinned on the conceptual analysis of cybercrimes' adverse effect on FDIs. It goes further to establish a nexus between cybercrime and technological advancement with a view to contextualise the answers in lieu of the objectives, and appraise the situation:

1. To comprehend how cybercrime is affecting and to what extent it has affected foreign direct investments in Nigeria
2. To study the factors or determinants that play vital roles in attracting FDI inflow in Nigeria and other African economies
3. To get acquainted with the current policy framework for foreign direct investment in Nigeria in the wake of cybercrime
4. To analyze what strategies Nigeria and African countries should follow to attract higher Foreign Direct Investments in future in the wake of cybercrime.

### Methodology

This is a four (4) years study from 2013 to 2016, while also making reference to previous years' data and statistics to align with the present-day situation. Information on Foreign Direct Investments into Nigeria was collected directly from the Central Bank of Nigeria, National Bureau of Statistics, registered banks in Nigeria as well as desktop research. The monetary values obtained from this information was

aggregated for each year so as to plot a trend for Foreign Direct Investments into the country. The information obtained cut across the following:

1. Capital Importation by Country;
2. Capital Importation by Nature of Business;
3. Capital Importation by Location of Business;
4. Capital Importation by Type of Investments;
5. Inflow of Foreign Direct Investments by Sector.

Data was analysed quantitatively using excel to plot trend charts.

## **Results**

The results showed undulating trends which can be as a result of many changes affecting Nigeria's economy including environmental, political and economic effects. Other drops in equity by FDI can also be as a result of cyber attacks.

It can thus be deduced that the inflow of Foreign Direct Investments to Nigeria has been relatively low even with the emergence of the cashless policy and electronic banking for business transactions in the country. This low value can be due to cyber attacks that have succeeded in deterring Foreign Investors from either continuing business in the country or floating one.

## **Conclusion**

The issue of cybercrime and its antagonistic impact on the Nigerian economy is alarming and has increasingly become disheartening. To this extent, the government must become proactive and focused in the continuous fight to curb the menace and mitigate its effect on the citizenry.

For Nigeria to serve as a fertile ground for economic breakthrough, it must be built in a crime free society. But an ideal economy is virtually impossible. As technology upsurges, so also is cyber-crime rate on the rise. Cyber criminals will always keep at pace with any technological advancement. It is true that technology gives rise to cyber-crime, we could live with it or we can do something momentous about it.

Nigerian economy needs major private sector investments in almost all facets of the economy that can industrialize it as a whole. Therefore, Nigeria's foreign investment policies should gear towards attracting and encouraging inflow of foreign capital investments through stable economic programmes.

## CHAPTER ONE

### 1.1. OVERVIEW OF CYBER CRIME AND FOREIGN DIRECT INVESTMENT IN NIGERIA

#### 1.1.1. Cyber Crime

The internet has become an invaluable tool for governments, businesses, military, associations and individuals. Cyberspace is constantly evolving, so too is the threat of cyber crime on national security, prosperity and quality of life of the citizenry and the world as a global village. Just like governments of all sovereign nations, the government of Nigeria is committed to protecting Nigerians from the threat of cybercrime.

Cybercrime is generally defined as a criminal offence involving a computer as the object of the crime (hacking, phishing, spamming), or as the tool used to commit a material component of the offence (child pornography, hate crimes, computer fraud). Criminals can also use computers for communication and data storage.

The internet's rapid diffusion and digitations of economic activities have led to the emergence of new breed of criminals. In recent years, economic, political and social impacts of these cyber criminals' activities have received considerable attention. Individuals, businesses and government rightfully worry about their systems, network and IT infrastructure.

Considering the pattern of cybercrime, it is apparent that many underlying assumptions are flawed, unrealistic and implausible to explain with this novel form of criminality. The empirical record regarding cybercrime patterns and strategy to avoid and fight the crimes run counter to the functioning of the cyber world.

There are various ways to gain access to information in cyberspace. Attackers can exploit vulnerabilities in software and hardware. They can exploit security vulnerabilities by tricking people into opening infected emails or visiting corrupt websites that infect their computers with malicious software. They can take advantage of people who fail to follow basic cyber security practices, such as changing their passwords frequently, updating their antivirus protection on a regular basis, and using only protected wireless networks. At the turn of the 21st century, Nigerian internet penetration levels took a running jump. Whereas the number used to be less than 5% in 2002 – 2003, it stood at over 40% by the end of

2015 and the growth is only poised to accelerate. The advent of mobile telephones on the Nigerian market played a major role and continues to be a key driver in economic advancement.

The VSAT deployments that were once the only source of dependable internet connectivity has since been rendered quaint and antediluvian, compared to the untapped capacity of the undersea broadband cable that have been brought to the coast of Nigeria since 2009. As time wears on, competition and market forces continue to act on the industry, constantly nudging quality up and costs down for the average consumer.

However, the rise of the internet in Nigeria has come with an unintended consequence – global notoriety as a haven of cybercrime. Back in the 90s, fraud in the Nigerian society was popularly called 419 in reference to the criminal code that framed the criminal justice system in Nigeria. At the time, persons who were arrested in connection to that law were labelled '419'. Enforcement and a ponderous criminal justice system meant that the rampant practice of 419 was already a constant source of grief. Then along came the internet, shortly after which a number of tech-savvy cons successfully “exported” the 419 concept. While the popular 419 reference has since been extended to include cyber criminals, in Nigeria the name “Yahoo-Yahoo” is the most familiar informal usage that is employed to speak of people who perpetrate scams online.

### **1.1.2. Foreign Direct Investments (FDIs)**

Foreign Direct Investments (FDIs) is an investment made by a company or entity based in one country, into a company or entity based in another country. FDIs differ substantially from indirect investments such as portfolio flows, wherein overseas institutions invest in equities listed on a nation's stock exchange. Entities making direct investments typically have a significant degree of influence and control over the company into which the investment is made. Open economies with skilled workforces and good growth prospects tend to attract larger amounts of foreign direct investments than closed highly regulated economies.

An investing company may make its overseas investment in a number of ways - either by setting up a subsidiary or associate company in the foreign country, by acquiring shares of an overseas company, or through a merger or joint venture.

The accepted threshold for a foreign direct investment relationship, as defined by the Organization for Cooperation and Economic Development (OCD) is 10%. That is, the foreign investor must own at least 10% or more of the voting stock or ordinary shares of the investee company. An example of foreign direct investment would be an American company taking a majority stake in a company in Nigeria.

Another example would be a South African company setting up a joint venture to develop a mineral deposit in Nigeria.

The growth and development of Africa and indeed Nigeria's economy depends largely on foreign direct investments, which has been described as the major carrier for the transfer of new scientific knowledge and related technological innovations. The need to step up Nigeria's industrialization process and growth, calls for more technology spill over through foreign investments.

Nigeria is one of the economies with great demand for goods and services and has attracted some FDI over the past and recent years.

Over the past three years, the flow of investment into the country has been declining due to issues in the economy, which have made Nigeria not to be the "darling" of foreign investors anymore.

The Nigerian economy recorded a total decline of \$11.68bn (N2.3tn) in investment inflow in the last three years. Since 2013, the country has been experiencing persistent decline in the value of direct and portfolio investments. For instance, figures obtained by the National Bureau of Statistics stated that as of 2013, the country had a total investment inflow of \$21.32bn (N4.2tn).

This figure, according to an analysis of the report, declined to \$20.72bn (N4.08tn) and \$9.64bn (N1.89tn) in the 2014 and 2015 fiscal periods respectively. Cumulatively, between January 2013 and December 2015, the country recorded total investment inflow of \$51.7bn (N10.18tn).

It shows that all the three major components of investment such as Foreign Direct Investment, portfolio investment and other investments all recorded a huge decline within the three-year period. For instance, in terms of FDI inflow, it showed that the economy attracted the sum of \$1.28bn in 2013. The inflow rose to \$2.27bn in 2014 before dropping again to \$1.44bn in 2015.

A further breakdown of the FDI inflow, which is made up of equity investments and other capital, showed that investments in equities accounted for a huge chunk of the capital brought into the country. It attracted the sum of \$1.25bn, \$2.26bn and \$1.44bn in the 2013, 2014 and 2015 fiscal periods.

In terms of portfolio investment, which is made up of equity, bonds and money market instruments, it shows that the sum of \$17.37bn was invested in 2013. The figure dropped to \$14.92bn and \$6.01bn in 2014 and 2015, respectively.

This also indicates that from the \$17.37bn portfolio investment in 2013, investment in equities with \$15.12bn accounted for the highest amount; while investment in bonds with \$1.21bn and money market instruments with \$1.04bn followed.

For 2014, the sum of \$11.45bn was invested in shares, while the bond market attracted \$2.44bn and \$1.03bn in 2014 and 2015 respectively. For the 2015 fiscal period, the country recorded \$4.66m investment in equities, while \$776.28m and \$571.59m were invested in bond and money market instruments in that order.

In the final quarter of 2015, portfolio investment reverted to being the latest component of imported capital, accounting for 61.18 per cent. This large change relative to the third quarter emphasizes the volatile nature of capital inflows. Within portfolio investments, equity accounted for 83.16 percent, slightly less than in the third quarter. This was mainly due to a quarterly decline of 9.98 per cent in equity and a quarterly increase of 47.12 per cent in the value of money market instruments.

The NBS attributed the decline in investment to the harsh economic climate in the country. For instance, the removal of Nigeria from the JPMorgan Bond Index in 2014 affected the level of investors' confidence in the economy. While the country had between 2012 and 2014 experienced high increase in the level of investment inflows owing to its inclusion in the JPMorgan Bond Index, such could not be achieved in 2015.

Nigeria was removed from the index in 2014 due to what was described as the lack of liquidity in the market for foreign investors as a result of scarcity of foreign exchange. The level of capital imported between 2012 and 2014 was markedly higher than in the preceding years.

This may have been a result of external factors, such as the inclusion of Nigeria in the JPMorgan EM Bond index, and globally low interest rates, triggering a search for higher yields from investors over this period. The drop in 2015 may be partly a result of these factors unwinding, as well as the tougher economic environment in Nigeria resulting from the effect the lower oil price has had on export earnings.

Furthermore, the widely-anticipated decision to raise interest rates in the United States may have played a part in the drop of capital inflows. <http://investadvocate.com.ng/2016/03/07/investment-inflow-nigeria-drops-n2-3tn/>

Nigeria's most important sources of FDI have traditionally been the home countries of the oil majors. The USA, present in Nigeria's oil sector through Chevron Texaco and Exxon Mobil had investment stock of over USD3.4 billion in Nigeria. The UK, one of the host countries of Shell, is another key FDI partner. The question that comes to mind is, do these FDIs actually contribute to economic growth in Nigeria? If FDI actually contributes to growth, then the sustainability of FDI is a worthwhile activity and a way of achieving its sustainability is by identifying the factors contributing to its growth with a view to ensuring its enhancement. Again, most studies on FDI and growth are cross-country studies. However, FDI and growth debates are country specific. Earlier studies (for instance, Otepola, 2002; Oyejide, 2005; Akinlo; 2004) examines only the importance of FDI on growth and the channels through which it may be benefiting the economy. This study however examines the contributions of FDI to growth. In addition, analyze the endogeneity case using the causality test. It also empirically investigates the determinants of FDI flow in Nigeria.

According to THE FDI REPORT 2016 Global Greenfield investment trends, Nigeria emerged as Africa's second biggest destination for FDIs in Africa in 2015.

Policymakers believe that FDIs produce positive effects on host economies. Some of these benefits are in the form of externalities and the adoption of foreign technology. Externalities here can be in the form of licensing agreements, imitation, employee training and the introduction of new processes by the foreign firms (Alfaro, 2006). According to Tang, Selvanathan and Selvanathan (2008), multinational enterprises (MNEs) diffuse technology and management know-how to domestic firms. When FDI is undertaken in high risk areas or new industries, economic rents are created accruing to old technologies and traditional management styles. These are highly beneficial to the recipient economy. In addition, FDIs help in bridging the capital shortage gap and complement domestic investments especially when it flows to high risk areas of new firms where domestic resources are limited.

The favourable economic environment has made some countries in Sub-Saharan Africa increasingly attractive as destinations for private capital inflows. However, the bulk of FDI is still focused on a few countries and targeted mainly at extractive industries, particularly the petroleum sector, based on evidence from cross border mergers-and-acquisition related inflows, an important fraction of gross FDI inflows. But deposit outflows from some oil exporters notably Nigeria, Libya, and Russia displayed some of the highest correlations, while for others including Saudi Arabia and other Middle Eastern oil exporters, the correlations were only modest. Nigeria, Libya and Russia also accounted for one-half of all deposit outflows from oil- exporting countries, and in each of these countries, deposit outflows accounted for one-half or more of total gross capital outflows. These huge capital outflows are linked mainly to extractive FDI and calls to question the ability of FDI to drive growth effectively in these countries.

## **1.2. CYBER CRIME AND GLOBAL ECONOMIC GROWTH**

Cybercrime and espionage cost the global economy upwards of 500bn annually and are the main contributors for dragging down economic growth across the world.

A study by the security firm McAfee and the Centre for Strategic and International Studies (CSIC) also revealed that the US, the world's largest economy loses about \$100bn (€76bn, £65bn) from cyber crimes and espionage, including loss of key business data and intellectual property. In the US, the malicious activities are also resulting in the loss of as many as 500,000 jobs in connection with the loss of intellectual property and sensitive business information.

The report showed that extracting value from the computers of unsuspecting companies and

government agencies is a big business for perpetrators. These losses could just be the cost of doing business or they could be a major new risk for companies and nations as these illicit acquisitions damage global economic competitiveness and undermine technological advantage.

The report adds that costs are expected to rise further as the size and intensity of hacking continue to grow.

In a press release on cybercrimes, financial and geographic growth shows no slowdown during the Global Economic Crisis by Symantec one of the world's largest software companies, its Internet Security Threat report revealed continued growth in both the volume and sophistication of cybercrime attacks. Notable trends highlighted in this year's report showed the following:

- **An increase in the number of targeted threats focused on enterprises:** Given the potential for monetary gain from compromised corporate intellectual property (IP), cybercriminals have turned their attention toward enterprises. The report found that attackers are leveraging the abundance of personal information openly available on social networking sites to synthesize socially engineered attacks on key individuals within targeted companies.
- **Attack toolkits make cybercrime easier than ever:** Cybercrime attack toolkits have lowered the bar to entry for new cybercriminals, making it easy for unskilled attackers to compromise computers and steal information. One such toolkit called Zeus (Zbot), which can be purchased for as little as \$700, automates the process of creating customized malware capable of stealing personal information. Using kits like Zeus, attackers created literally millions of new malicious code variants in an effort to evade detection by security software.
- **Web-based attacks continued to grow unabated:** Today's attackers leverage on social engineering techniques to lure unsuspecting users to malicious websites. These websites then attack the victim's Web browser and vulnerable plug-ins normally used to view video or document files. Dramatic growth in the number of Web-based attacks targeted at PDF viewers; this accounted for 49 percent of observed Web-based attacks.
- **Malicious activity takes root in emerging countries:** The report saw firm signs that malicious activity is now taking root in countries with an emerging broadband infrastructure, such as Brazil, India, Poland, Vietnam and Russia. These countries moved up the rankings as a source and target of malicious activity by cybercriminals. The findings from the report suggest that government crackdowns in developed countries have led cybercriminals to launch their attacks from the developing world, where they are less likely to be prosecuted.

### **1.3. JUSTIFICATION FOR THE RESEARCH**

The cost of cyber crime to any nation is enormous and can completely ruin the country's economy if the proper security strategies are not put in place. Foreign Investments into that economy can begin to dwindle. Several governments of the world are continuously carrying out research to improve their cybercrime attacks counter-measures. The Nigerian Government set up the cybercrime committee which formed the Nigerian Cybercrime Working Group (NCWG), so as to accelerate the implementation of its Cybercrime research efforts, the Nigerian National Assembly has also passed the Cybercrime Bill into law.

The impact to society has become unsustainable, considering the global economic crisis. It's necessary to work together to avoid the costs the global community suffers, which we can no longer sustain. The risk of business collapse is concrete, due to the high cost for enterprises in mitigating counter measures, and the damage caused by countless attacks.

Cyber crime is the fastest growing crime in the world at large (Interpol, 2013) with millions of people being affected every day. The financial losses accruing from cybercrime fraud is doubling every year (Florence Tushabe, 2013). Yet, less than half of the cybercrime instances are reported to the authorities. This means that the situation is worse than it seems to be.

This research hereby tends to show Foreign Direct Investments and National Economic Development trends in Nigeria and how it's has been affected by Cybercrime.

### **1.4. LIMITATIONS TO THE RESEARCH**

None was defined during this research.

### **1.5. SCOPE OF THE RESEARCH**

The scope of this report was not restricted to the effects of cyber crimes on Foreign Direct Investments and National Development. To present a holistic view of the topic, the types of cyber crime, cyber terrorism and the Nigeria economy and how to combat cyber crimes are included in the report.

The research was carried out in Nigeria and spanned across 4 years from 2013 to 2016 and covered the following

- Foreign Investments/Capital Importation by countries into Nigeria;

- Foreign Investments by Nature of Businesses;
- Foreign Investments by Location of Business in Nigeria;
- Foreign Investments by type of Investments.

Data was obtained directly from Central Bank of Nigeria, National Statistics Bureau and other Nigerian Banks on their Foreign Direct Investments.

## CHAPTER TWO

### 2.1 BACKGROUND TO THE STUDY / SCOPE OF STUDY

#### 2.1.1 The Impact of Cyber Terrorism on Foreign Direct Investments and National Development

The devastating effects of cyber terrorism on a country's economy cannot be over emphasized. While countries like the USA and Britain have recorded billions of dollars and pounds respectively in losses to Cybercrime, Nigerian is not an exception. In 2016, the Federal Government said the estimated annual cost of cybercrime to Nigeria is 0.08 per cent of the country's Gross Domestic Products (GDP), which represents about N127 billion.

These hard-hitting effects of cybercrime goes beyond the banking industry. Other damaging effects include loss of intellectual property, direct financial loss from cybercrime, loss of sensitive business information (such as negotiating strategies), stock market manipulation, service disruptions, reputational damage to hacked companies, reduced trust online, military security problems and Internet stalking and harassment. All of these effects can either encourage foreign investors affected by these effects to pull out their investments from the country and also deter new investors from coming in.

#### 2.1.2 The Impact of Cybercrime in Other Jurisdictions

Recent studies published on the evolution of principal cyber threats in the security landscape presents concerning scenarios, characterized by the constant growth of cyber-criminal activities.

Even though the level of awareness of cyber threats has increased, and law enforcement acts globally to combat them, illegal profits have reached amazing figures. The impact to society has become unsustainable, considering the global economic crisis. The risk of business collapse is concrete, due to the high cost for enterprises in mitigating counter measures, and the damage caused by countless attacks.

In this section, we'll quantify the economic impact of cybercrime between 2013 till 2016, by highlighting the main trends in the criminal ecosystem that concerns the security community globally.

#### Current Scenario

Principal security firms which observe and analyze the incidents that occurred to their clients have provided estimates of the annual loss suffered by enterprises. Dozens of billion dollars are eroding their profits. If we extend the effects of cybercrime to government circles, public industry and the entire population, it's easy to assume that the amount of damage reaches several hundred billion dollars.

In many cases, that estimate can be misleading. That's because there are still too many companies that fail to quantify the losses related to cybercrime. In some cases, they totally ignore that they're victims of attacks. The majority of estimates relied on a survey, and loss estimates are based on raw assumptions about the magnitude and effect of cyber-attacks to provide an economic evaluation.

Cyber-criminal activities are increasing by incidence in a scenario made worse by the economic crisis. We also face tightened spending by the private sector, and reduced financial liquidity.

Nearly 80% of cybercrime acts are estimated to originate in some form of organized activity. The diffusion of the model of fraud-as-service and the diversification of the offerings of the underground market is also attracting new actors with modest skills. Cybercrime is becoming a business opportunity open to everybody driven by profit and personal gain.

Cybercrime continues to improve its techniques and the way it organizes and targets victims. Security experts have developed the following list of the top cybercrime trends it expects to see evolve:

- As the world goes mobile, cybercrime will follow;
- The privatization of banking, Trojans and other malware;
- Hacktivism and the ever-targeted enterprise;
- Account takeover and increased use of manually-assisted cyber attacks;
- Cybercriminals will leverage Big Data principles to increase the effectiveness of attacks.

Cybercrime activities are globally diffused, financially-driven acts. Such computer-related fraud is prevalent, and makes up around one third of acts around the world.

Another conspicuous portion of cybercrime acts are represented by computer *content*, including child pornography, content related to terrorism offenses, and piracy. Another significant portion of crime relates to acts against confidentiality, integrity and accessibility of computer systems. That includes illegal access to a computer system, which accounts for another one third of all acts.

It is clear that cybercrime is influenced by national laws and by the pressure and efficiency of local law enforcement.

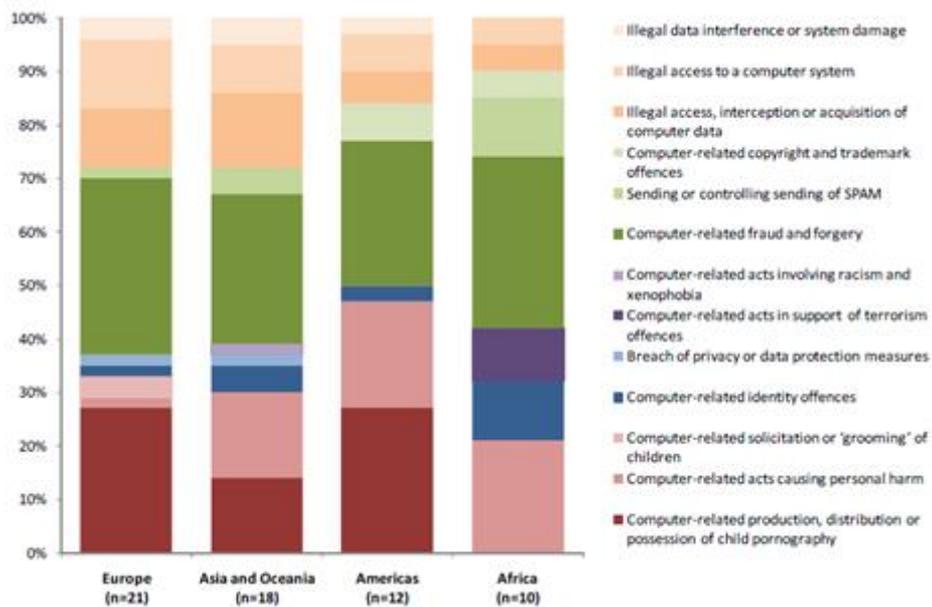


Fig. 1. Most common cybercrime acts encountered by national police (UNODC)

When assessing the effect of cybercrime, it's necessary to evaluate a series of factors:

- The loss of intellectual property and sensitive data;
- Opportunity costs, including service and employment disruptions;
- Damage to the brand image and company reputation;
- Penalties and compensatory payments to customers (for inconvenience or consequential loss), or contractual compensation (for delays, etc.);
- Cost of countermeasures and insurance;
- Cost of mitigation strategies and recovery from cyber attacks;
- The loss of trade and competitiveness;
- Distortion of trade;
- Job loss.

Putting Malicious Cyber Activity in Context			
CRIMINAL ACTION	ESTIMATED COST	PERCENT OF GDP	SOURCE
<b>GLOBAL</b>			
Piracy	\$1 billion to \$16 billion	0.008% to 0.02%	IMB
Drug Trafficking	\$600 billion	5%	UNODC
<b>Global cyber activity</b>	<b>\$300 billion to \$1 trillion</b>	<b>0.4% to 1.4%</b>	<b>Various</b>
<b>US ONLY</b>			
Car Crashes	\$99 billion to \$168 billion	0.7% to 1.2%	CDC, AAA
Pilferage	\$70 billion to \$280 billion	0.5% to 2%	NRF
<b>US- cyber activity</b>	<b>\$24 billion to \$120 billion</b>	<b>0.2% to 0.8%</b>	<b>Various</b>

Fig. 2. Estimated cost of cybercrime (TrendMicro)

## Cybercrime Statistics

To better understand the effect of cybercrime on a global scale, we decided to introduce the results announced by the last study of Ponemon Institute. The study, titled the Cost of Cyber Crime Study, provides an estimation of the economic impact of cybercrime. It reveals that the cost of cybercrime in 2013 escalated 78 percent, while the time necessary to resolve problems has increased by nearly 130 percent in four years. Meanwhile, the average cost to resolve a single attack totalled more than \$1 million.

The frequency and cost of the cyber-attacks increased in the last 12 months. The average annualized cost of cybercrime incurred by a benchmark sample of US organizations was \$11.56 million. That's nearly 78% more than the cost estimated in the first analysis conducted four years ago.

In spite of improvements in defense mechanisms and the increased level of awareness of cyber threats the cybercrime ecosystem is able to adopt even more sophisticated cyber-attack techniques. The cybercrime industry has shown great spirit, and the adaptive capacity to respond quickly to countermeasures has been taken by the police.

### *Key findings include:*

- *The average annualized cost of cybercrime incurred per organization was \$11.56 million, with a range of \$1.3 million to \$58 million. This is an increase of 26 percent, or \$2.6 million, over the average cost reported in 2015;*
- *Organizations in defense, financial services and energy and utilities suffered the highest cybercrime costs;*
- *Data theft caused major costs, 43 percent of the total external costs, business disruption or lost productivity accounts for 36% of external costs. While the data theft decreased by 2% in the last year, business disruption increased by 18%;*
- *Organizations experienced an average of 122 successful attacks per week, up from 102 attacks per week in 2015;*
- *The average time to resolve a cyber-attack was 32 days, with an average cost incurred during this period of \$1,035,769, or \$32,469 per day—a 55 percent increase over last year's estimated average cost of \$591,780 for a 24-day period;*
- *Denial-of-service, web-based attacks and insiders account for more than 55% of overall annual cybercrime costs per organization;*
- *Smaller organizations incur a significantly higher per-capita cost than larger organizations;*
- *Recovery and detection are the costliest internal activities.*

The study also remarked the necessity to adopt defense mechanisms and to build security culture. The security researchers involved in the study found that the organization that deployed systems, such as

security information and event management (SIEM), and big data analytics, could help to mitigate the effect of cyber-attacks, reducing the cost suffered by enterprises.

*“Organizations using security intelligence technologies were more efficient in detecting and containing cyber-attacks, experiencing an average cost savings of nearly \$4 million per year, and a 21 percent return on investment (ROI) over other technology categories.”*

In the last report issued by ENISA, titled Threat Landscape Midyear 2015, the organization confirmed the results of the Ponemon Institute. The McAfee security firm estimated that cybercrime and cyber espionage are costing the US economy \$100 billion per year, and the global impact is nearly \$300 billion annually. Considering that the World Bank estimated that global GDP was about \$70,000 billion, the overall impact of cybercrime is 0.04 percent of global income, an amazing figure!

Another concerning side effect of cybercrime activity is the loss of 508,000 jobs in the USA alone. That’s mainly caused by theft of intellectual property, which wiped out the technological gap of U.S. companies against Asian competitors.

*“Using figures from the Commerce Department on the ratio of exports to US jobs, we arrived at a high-end estimate of 508,000 US jobs potentially lost from cyberespionage. As with other estimates in the report, however, the raw numbers might tell just part of the story. If a good portion of these jobs were high-end manufacturing jobs that moved overseas because of intellectual property losses, the effects could be more wide ranging.”*

The cost of malicious cyber activity is mainly related to the theft of intellectual property and the loss of financial assets. To estimate the overall impact, the CSIS employed economists, intellectual property experts and security researchers who used real-world analogies, like figures for car crashes, piracy, pilferage and drugs, to build a model.

Cyber criminals are improving ways to be non-traceable and to be more resistant in their malicious structures to take down operations by law enforcement. Hackers are improving their infrastructure, for example adopting peer-to-peer protocols, or hiding command and control infrastructures in anonymizing environments, such as the Tor Network.

What’s the end user impact of cybercrime? What’s the perception of the risks related to principal cyber threats? The Symantec security firm has just released the 2015 Norton Report, the annual research study which examines the consumers’ online behaviors, the dangers and financial cost of cybercrime.

Also, their data confirms the concerning results of other analysis. Cyber-criminal activities and related profit are in constant growth, the cost per cybercrime victim is up 50 percent, and the global price tag of consumer cybercrime is \$113 billion annually. That’s a result of the concerns security analysts consider. It also effects the actual global economic scenario and the difficulties faced by enterprises.

This data was reported in the Norton Report, a document considered one of the world’s *“largest consumer cybercrime studies, based on self-reported experiences of more than 13,000 adults across 24*

countries, aimed at understanding how cybercrime affects consumers, and how the adoption and evolution of new technologies impacts consumers' security."

The Norton Report also states that the number of online adults who have experienced cybercrime has decreased, while the average cost per victim has risen.

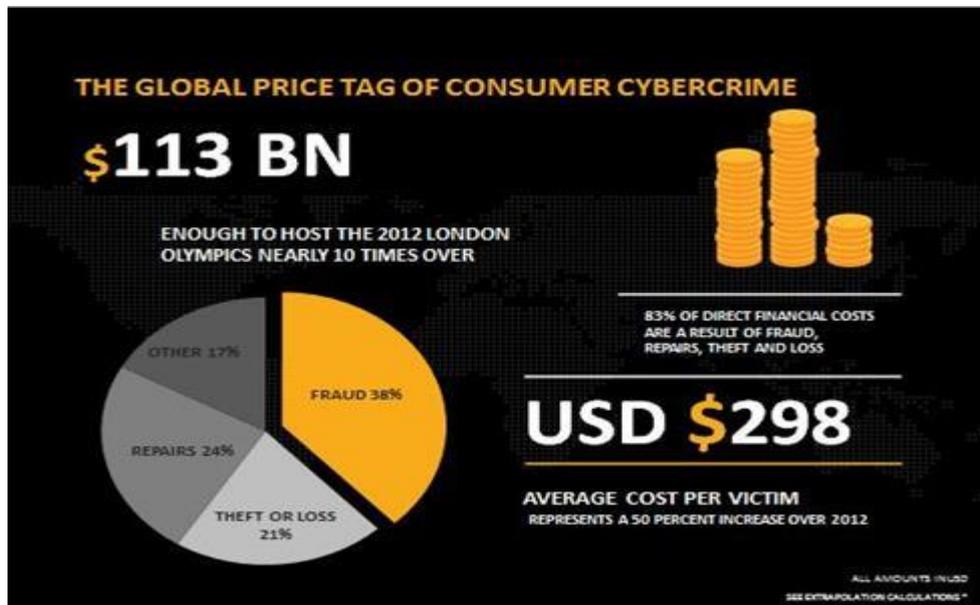


Fig. 3. Global Price tag of consumer cybercrime (Norton Report)

Symantec experts have also analyzed the incidence of cybercrime in different countries around the world. As expected, it concludes that cyber crime has no boundaries, its action is globally distributed, although substantial differences are related to the local law framework and to the real effort of the authorities. The difference in the impact of cybercrime is also influenced by many other factors, including the penetration level of technology, perceived corruption, and the adoption of defense mechanisms. The study revealed that the annual number of victims has been estimated at 378 Million. The countries where the greatest percent of the population are victims are Russia (85%), China (77%), and South Africa (73%). The greatest cost of consumer cybercrime is reported in the USA (\$38 billion), Europe (\$13 billion) and China (\$37 billion.)

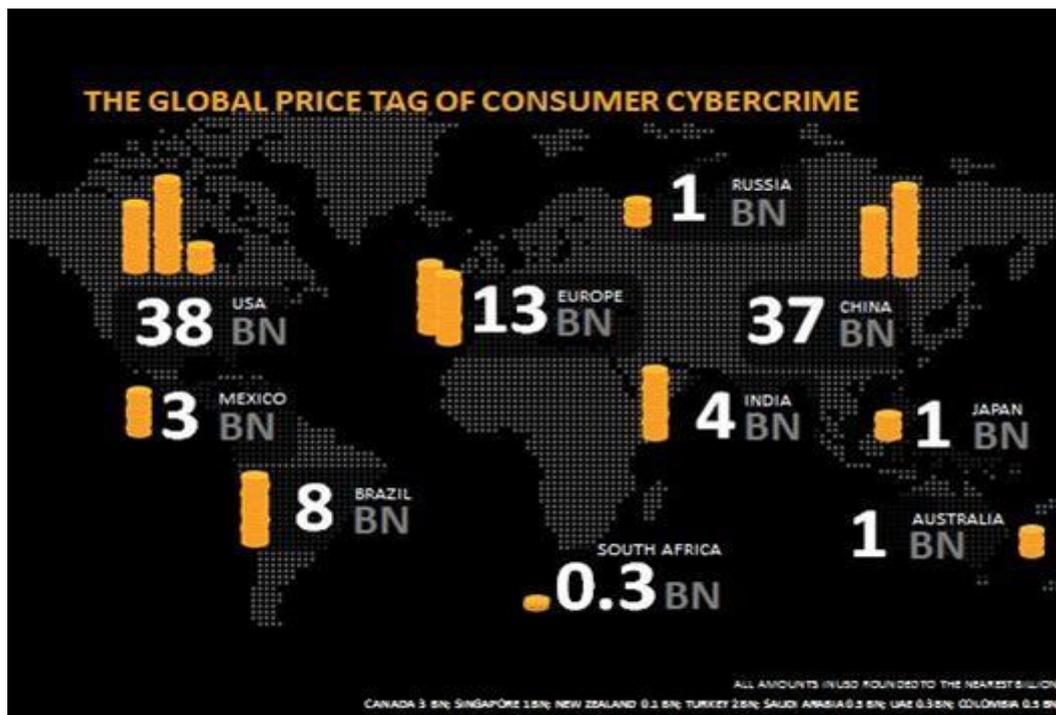


Fig. 4. Global price tag of consumer cybercrime (Symantec)

Technologies that are affecting the IT sector the most are related to mobile and the social media. Both areas are growing at an impressive rate, attracting a growing number of users. Cyber criminals are looking at platforms as vectors for online frauds with increased interest. The number of crimes based on mobile devices and social media is exploding.

The Norton Report states that the lack of efficient authentication mechanisms and defense mechanisms is the primary cause of incidents for mobile users. Almost half don't use basic precautions and a third were victims of illegal activities last year. What's very concerning is that, given the awareness level of users regarding cyber threats, only a small portion of mobile users (26%) have installed security software and 57% aren't aware of existence of security solutions for mobile environments. These numbers explain why mobile technology is so attractive for cybercrime. In the majority of cases, the systems are totally exposed to cyber threats due to bad habits and risky behaviour.

The greatest challenge for the mobile sector is the promiscuous usage of users. 49% use personal mobile devices in the workforce, with serious repercussions on the overall security of businesses and enterprises. Consider that 36% revealed that say their company has no policy to regulate that matter.



Fig. 5. Cybercrime and cloud storage habits (Symantec)

### Cybercrime in UK – case study

To contextualize the effect of cybercrime, it’s interesting to consider the data available for a country like the United Kingdom. It’s one of the nations with the highest technological penetration levels. The data published in a recent study conducted by cyber security experts at the University of Kent is more shocking. Over 9 million adults in Britain have had online accounts hacked, and 8% of the UK citizens are revealed to have been victims of cybercrime. 2.3% of the population reported losing more than £10,000 to online fraudsters.



Fig. 6. UK netizens losses (infosecinstitute.com/2013)

The main crime suffered by UK online users is the hacking of their web services accounts. Those include online banking, email, and social media. In nearly 33% of the cases, the offense was repeated.

The UK government documented in an official report that the overall cost of cybercrime economy was £27 billion a year. Identity theft was most common crime, accounting for £1.7 billion. That was followed by online scams, with £1.4 billion. Cybercrime in the UK was most insidious for organizations, private businesses and government offices, suffering high levels of cyber espionage and intellectual property theft.

Social media is a primary target for emerging cybercrime in the UK. Malicious code is used by criminal gangs to exploit social networks for banking fraud or for phishing campaigns. A new trend has emerged

in recent months. The same malicious code is used by criminals to hack victims' accounts, for the creation of bogus social network 'likes' that could be used to generate buzz for a company or individual. Fake "likes" were sold by lots of 1,000 per unit, underground. RSA estimated that 1,000 Instagram "followers" could be bought for \$15 (£9.50), and 1,000 Instagram "likes" cost \$30 (£19). These are more profitable for sales. Consider, when selling credit card numbers, they're sold for \$6 (£3.80) for a lot of 1,000 numbers.

## **Project 2020**

What will the cybercrime landscape look like in 2020? It's difficult to predict the evolution of such a complex ecosystem. Technologies evolve at impressive speed, and with them, opportunities for cybercrime.

The European Cybercrime Centre (EC3) at Europol, and the International Cyber Security Protection Alliance (ICSPA) presented in a study titled Project 2020: Scenarios for the Future of Cybercrime – White Paper for Decision Makers, an overall predictable scenario of cybercrime in 2020. They evaluated a scenario under three different perspectives, from an individual, company and government point of view. The document proposed worst-case scenarios, highlighting:

- Increased abuse for cloud infrastructures. Cyber criminals will increase the use of cloud technology to launch DDOS attacks, or host botnets. Underground market offerings will mature to support cyber gangs in the organization of sophisticated cyber-attacks;
- It will be very difficult to distinguish between legal and illegal activity;
- Data protection is already a challenge in relation to the internet. The future reality of large scale Radio Frequency Identification (RFID) deployment, global sensor proliferation, aggregation of data and highly personalized, augmented services will require the legal frameworks for privacy and security to further adapt;
- Increased need for identity protection due the enlargement of individuals' online experiences;
- Regarding privacy; as governments establish more privacy laws, the risk of incompatibility between countries increases, creating more roadblocks for responding to cybercrime;
- The heterogeneous legal framework will allow criminals to choose optimal target countries for illegal activities, and the best sources to engage attacks;
- A lack of unity in internet governance means a lack of unity in cyber security. Regardless of the precise number of governance authorities operating in 2020, there'll need to be broad consensus on standards, to ensure interoperability of emerging internet mediated technologies, including augmented reality and "the Internet of Things";
- A consolidation of user encryption management to avoid surveillance activities operated by governments could give cyber criminals an advantage;

- Threats will continue to blur the distinction between cyber and physical attacks (such as human implants, SCADA systems, etc.) Virtual reality technologies may lead to psychological attacks;
- Conventional thinking of protected and absolute control of intellectual property may lead to conditional control, as some governments may become dovish in responding to the increasingly prevalent (legal and illegal) access to IP. (However unlikely governments are to shift traditional thinking, they may enact policies that move with the punches of an increasing risk of IP theft, rather than put up a fight.);
- Data protection tools and laws will have to meet the increasing accessibility and proliferation of data;

The principal threats related to cybercrime activities could be grouped into the following categories:

- Intrusion for monetary or other benefits;
- Interception for espionage;
- Manipulation of information or networks;
- Data destruction;
- Misuse of processing power;
- Counterfeit items;
- Evasion tools and techniques;

In the nearest future, almost all these cyber menaces will continue to concern authorities. The principal losses will be attributable to cyber espionage and sabotage activities. Nigeria will be most impacted by cybercrime. That's why it's necessary that cyber strategies of the country include a series of mitigation countermeasures for principal cyber threats. Critical infrastructure and defense systems will represent privileged targets for cyber criminals and state sponsored hackers. The two categories of attackers will be difficult to distinguish in chaotic cyberspace. (<http://resources.infosecinstitute.com/2013-impact-cybercrime/>)

### **2.1.3 The Impact of Foreign Direct Investment on The Nigerian Economy:**

The underdeveloped nature of the Nigerian economy that essentially hindered the pace of her economic development has necessitated the demand for FDI into the country. Aremu (1997), noted that Nigeria as one of the developing countries of the world, has adopted a number of measures aimed at accelerating growth and development in the domestic economy, one of which is attracting FDI into the country.

FDIs are often seen as an important catalyst for economic growth in the developing countries because it affects economic growth by stimulating domestic investment, increase in capital formation and also, facilitating the technology transfer in the host countries.

FDI has emerged as the most important source of external resource flows to developing countries over the years and has become a significant part of capital formation in these countries, though their share in the global distribution of FDI continued to remain small or even declining. The role of FDI has been widely recognized as a growth-enhancing factor in the developing countries. Falki (2009), speaking on the effects and advantages of FDI to the host economy, noted that the effects of FDI on the host economy are normally believed to be: increase in employment, augmenting the productivity, boost in exports and amplified pace of transfer of technology.

The potential advantages of the FDI to the host economy are: it facilitates the utilization and exploitation of local raw materials, introduces modern techniques of management and marketing, eases the access to new technologies, foreign inflows can be used for financing current account deficits, finance inflows from FDI do not generate repayment of principal or interests (as opposed to external debt) and increases the stock of human capital via on-the-job training. The realization of the importance of FDI had informed the radical and pragmatic economic reforms introduced since the mid-1980s by the Nigerian government. The reforms were designed to increase the attractiveness of Nigeria's investment opportunities and foster the growing confidence in the economy so as to encourage foreign investors to invest in the economy.

According to Umah (2007), the reforms resulted in the adoption of liberal and market-oriented economic policies, the stimulation of increased private sector participation and elimination of bureaucratic obstacles which hinders private sector investments and long-term profitable business operations in Nigeria. This for instance, is to encourage the existence of foreign Multinational and other private investors in some strategic sectors of the Nigeria economy like the oil industry, banking industry, communication industry, and others. The government of Nigeria has taken a number of measures necessary to woo foreign investors into Nigeria since the enthronement of democracy in 1999. These measures include the repeal of laws that are inimical to foreign investment growth, promulgation of investment laws, various over sea trips for image laundry by previous and present President among others.

The Nigerian government instituted various institutions, policies and laws aimed at encouraging foreign direct investment. For instance, the Nigeria Investment Promotion Commission (NIPC) was established through Decree No 16 of 1995. The Law provides for a foreign investor to set up a business with 100% ownership which must be registered with the Corporate Affairs Commission (CAC) in accordance with the provisions of the Companies and Allied Matters Decree of 1990. The registration is finalized with the NIPC. To ensure adequate protection, the NIPC Decree guarantees foreign investments against Nationalization and expropriation by the government. The NIPC Decree repealed the Industrial

Development Coordination Committee (IDCC) Decree No 36 of 1988 and the Nigeria Enterprise Promotion Decree (NEPD) of 1972 as amended in 1977 and 1989 which, hitherto, reserved for Nigerians the ownership of certain business. The operation of the Autonomous Foreign Exchange Market (AFEM) as provided for in the decree liberalized the FEM operation.

The Decree replaced the Exchange Control Act No 16 of 1962 in its entirety. FDI is attracted to serve as a means of augmenting Nigeria's domestic resources in order to effectively carryout her development programmes and raise the standard of living of her people. Privatization was also adopted, among other measures, to encourage foreign investments in Nigeria. This involved transfer of state-owned enterprise (manufacturing, agricultural production, public utility services such as telecommunication, transportation, electricity and water supply) companies that are completely or partly owned by or managed by private individuals or companies. Qualified foreign firms were given open arms to take over most of these establishments to enhance efficiency. This is because such foreign firms are reported to possess the managerial acumen and technical prowess needed to resuscitate and sustain the weak industries in Nigeria.

There is divergence of opinions with regards to the impact of FDI on the economy of Nigeria. While some analysts believe that FDI is what is needed to bring about the much-needed economic prosperity in Africa in general and Nigeria in particular, others are of the view that FDIs negatively impact the economy of Nigeria. This was the view held prior to the 1970s; the result was a hostile attitude towards multi-national companies and their direct investments in many countries. The host countries wanted to protect domestic industries.

However, the consensus now is that FDI is a catalyst for growth as it provides the much-needed capital for investment, increases competition in the host country industries and aids local firms to become more productive by adopting more efficient technologies or by investing in human and/or physical capital. FDIs contribute to growth in a substantial manner because it is more stable than other forms of capital flows (Ajayi, 2006).

FDIs can impact economic growth by complementing domestic savings in the process of capital accumulation. Secondly the technology transfer to the host countries through FDIs leads to increase in factor productivity and efficiency in the utilization of resources, which ultimately results to economic growth. FDI also lead to increase in exports due to increase in capacity and competitiveness in domestic production.

The confusion as to why or not FDIs are beneficial to the host countries is well documented by Okon J. Umoh, Augustine O. Jacob and Chuku A. Chuku in their research paper titled "Foreign Direct Investment

and Economic Growth in Nigeria: An Analysis of the Endogenous Effects” and published in the Current Research Journal of Economic Theory 4(3): 53-66, 2012, Maxwell Scientific Organization, 2012. Their findings are as follows.

- There is a consensus in literature that FDI increases growth through productivity and efficiency gains by local firms. The empirical evidence is not unanimous, however, available evidence for developed countries seems to support the idea that the productivity of domestic firms is positively related to the presence of foreign firms (Globerman, 1979; Imbriani and Reganati, 1997).
- The results for developing countries are not so clear, with some finding positive spillovers (Blomstrom and Sjöholm, 1999; Kokko, 1994) and others such as Aitken *et al.* (1997) reporting limited evidence. Still others find no evidence of positive short-run spillover from foreign firms. Some of the reasons adduced for these mixed results are that the envisaged forward and backward linkages may not necessarily be there (Aitken *et al.*, 1997) and that arguments of MNEs encouraging increased productivity due to competition may not be true in practice (Ayanwale, 2007). Other reasons include the fact that MNEs tend to locate in high productivity industries and therefore could force less productive firms to exit (Smarzynska, 2002). Caves (1996), also postulate the crowding out of domestic firms and possible contraction in total industry size and/or employment. However, crowding out is a rarer event and the benefit of FDI tends to be prevalent (Cotton and Ramachandran, 2001).
- The role of FDI in export promotion remains controversial and depends crucially on the motive for such investment (World Bank, 2009). The consensus in the literature appears to be that FDI spillovers depend on the host country’s capacity to absorb the foreign technology and the type of investment climate (Obwona, 2004).

Several researchers, Aluko (1961), Brown (1962) and Obina (1983) carried out Nigeria-specific studies on the impact of FDI on economic growth in Nigeria. The general conclusion by these authors is that “there is a positive linkage between FDI and economic growth in Nigeria”. Oseghale and Amonkhienan (1987) found that FDI is positively correlated with GDP, concluding that “greater inflows of FDI will spell a better economic performance for the country”. Ayanwale and Bamire (2001) assessed the influence of FDI on firm level productivity in Nigeria and reported positive spillover of foreign firms on domestic firm productivity.

However, there are those who say that most researchers on the impact of FDI on Nigeria economic growth fail to control the fact that most FDI inflow into Nigeria is in the extractive industries thereby

introducing a bias (weakness) into their work. In response to this criticism, Akinlo (2004) specifically control for the oil, - non-oil FDI dichotomy in Nigeria. He investigated the impact of foreign direct investment (FDI) on economic growth in Nigeria, using an error correction model (ECM). He found that:

- Both private capital and lagged foreign capital have small and not a statistically significant effect on economic growth.
- Extractive FDI might not be growth enhancing as much as manufacturing FDI.

#### **2.1.4 Effects of Cyber Crime on The Inflow of Foreign Direct Investment**

The cost of cybercrime to a society can be both qualitative and non-qualitative. There are the financial losses to individuals and organizations (figures rarely made public), as well as the sizable expense of security software and personnel to protect against possible digital incursions. Then there is the damage to brand image should a country be the unfortunate victim of online crimes.

##### **a) Reduces the competitive edge of organizations**

Cyber crimes over the years have cost a lot of havoc to individuals, private and public business organization within and outside the country, causing a lot of financial and physical damage. Due to cyber crimes, there has being a global loss of billions of dollars annually. Cyber crimes may threaten a nation's security and financial health. Sensitive company information can be stolen and sold to a competitor company; this will automatically reduce the competitive strength of the company.

##### **b) Time wastage and slows financial growth**

A lot of time is required by It professionals to constantly stay ahead of cyber criminals. Nations spend huge amount of money to fortify their information systems and ward off any attack by cyber criminals. These resources could have been channelled into others more productive sectors of the business or nation.

##### **c) Loss of revenue**

Loss of revenue can be caused through identity theft, unauthorized access to important information like trade secrets and through scams in which the victims willingly pay for undelivered services. Recent statistics show that cyber crime fraud is over \$559 million annually. Furthermore, research has shown that companies hit by cyber crime attacks lose revenue through a decline in stock prices by between 1 – 10%.

Some revenue losses are indirect, for example, there is no structure for monitoring Internet businesses. This leads to loss of revenue through missed taxes, piracy and intellectual property infringement. Other financial losses are caused by denial of service attacks (DoS). For example, in 2000, yahoo was hit by a

DoS attack which caused their website not to be accessed for only 2 hours. Since yahoo received 50 million viewings per hour then, this attack is estimated to have cost them over \$500,000 through missed revenue.

**d) Reduced Productivity**

There is an unquantifiable loss through reduced productivity especially when people find themselves spending more time preventing, trouble shooting or protecting themselves from the effects of cyber crime, rather than engaging in more productive activities. Sometimes people are psychologically affected when the Internet is used as an avenue for social vendetta, cyber terrorism and cyber war fare. Due to the measures that many companies must implement to counteract cyber crime, there is often a negative effect on employees' productivity. This is because, due to security measures, employees must enter more passwords and perform other time consuming acts in order to do their jobs. Every second wasted performing these tasks are seconds not spent working in a productive manner.

**e) Damaged reputation**

High level of cyber crime in a country brings that country's name into disrepute within the international community. Nigeria is viewed by some countries in a negative manner when it comes to cyber crime.

**f) Unemployment**

The Issue of cybercrime and its impact on the Nigerian economy in relations to FDI inflow has increasingly become worrisome and has seen an increase in the unemployment rating of the country, where FDIs and their parent companies flee the country and in some instances cut their staff strength due to cyber attacks that has led to fall in profit.

**2.1.5 Impact on National Development**

The reduction in the inflow of FDI occasioned by the high occurrence of cyber crime will have a negative impact on national development. This is due to the loss of investments that are supposed to be engine room for the development in the country. The employment that would have been created by those investments will never be realised and the domino negative effects of such lost investments continue down the economic chain.

The growth of foreign direct investment had been adversely affected as some immigration departments of countries in Europe and America have issued warnings to their citizens who wish to visit Nigeria to set up businesses to be aware of the porous cyber space in the country. Not only did cyber insecurity in the

country affects foreign direct investment, it also affects business confidence as many companies lost confidence in establishing businesses in the country, while some others have closed shops and relocated to other countries.

## **2.2 GLOBAL TRENDS IN FDI AND THE DIVERGENT PERFORMANCE**

Global FDI flows increased by 25% in 2015, to USD 1 730 billion. The Figure below shows global FDI flows from till 2015 and includes a focus for recent quarters Q1 2014-Q4 2015 and half year trends. The measure was constructed using FDI statistics on a directional basis whenever available, supplemented by measures on an asset/liability basis when needed. Aside from the 3% drop observed in 2014, global FDI flows have been on an upward trend.

FDI flows peaked in the first quarter of 2015 due to inward FDI flows to the United States hitting a record-level (at USD 200 billion) and due to Hong Kong, China's net incurrence of FDI liabilities of USD 71 billion. Global FDI flows fluctuated during the last three quarters of 2015 but remained above USD 350 billion in each quarter. FDI flows increased by 15% in Q3 2015 and decreased by 17% in Q4 2015, representing an overall decrease of 12% in the second half of 2015 compared to the first half of the year. However, the level recorded in the second half of 2015 remained stable compared to the second half of 2014.

Nevertheless, some of the increase in global FDI flows in 2015 is the result of financial and corporate restructuring rather than productive investment. For example, the global increase was largely due to FDI inflows to the United States hitting record levels in 2015, which were not just driven by the country's improved economic performance but also by cross-border M&As designed to reduce companies' US tax obligations. In addition, record levels of FDI inflows to Hong-Kong, China, Switzerland and Ireland as well as record levels of outflows from the Netherlands (excluding flows from resident SPEs), Switzerland and Ireland also played a large role in the global increase. While companies in these countries were involved in cross-border M&As, corporate and financial restructurings can also impact FDI flows for these countries because they are common destinations for redomiciled companies, and they often play a large role in intragroup lending. In addition, for the first time since the financial crisis, inflows to the OECD and the non-OECD G20 countries diverged: inflows to the OECD surged but those to the non-OECD G20 dropped.

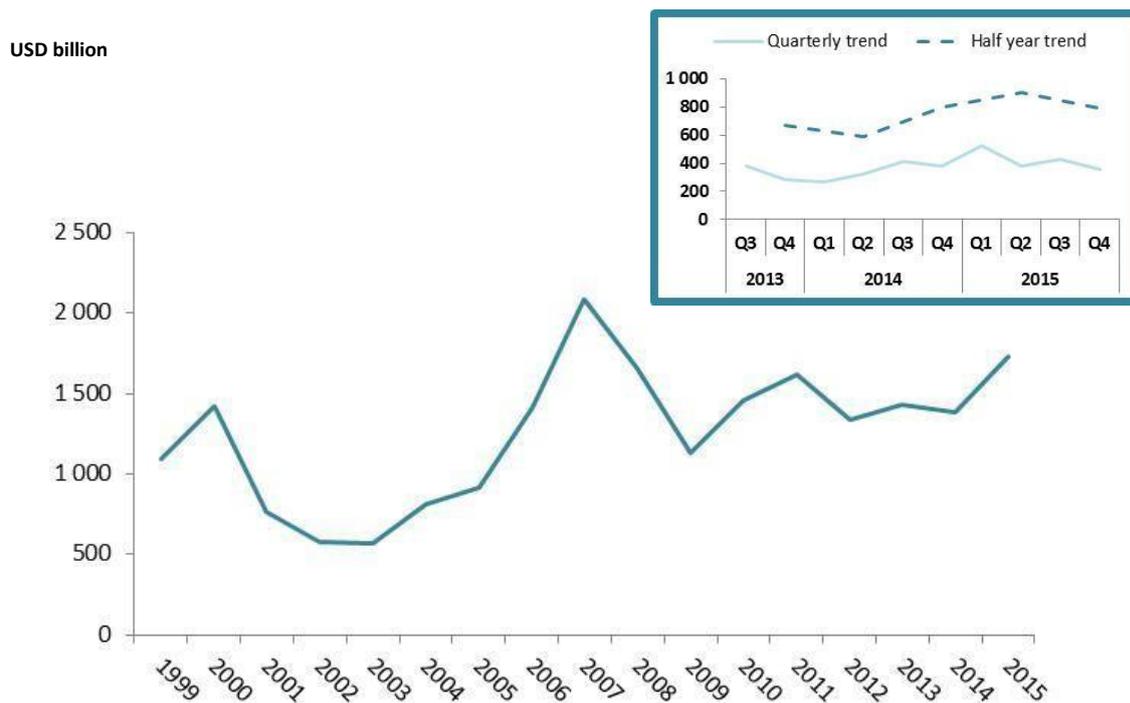


Figure 7: Global FDI flows from 1999 to 2015 (USD billion) Source: OECD International Direct Investment Statistics database

### FDI flows by region

In 2015, FDI flows into the OECD area increased by 86% compared to 2014, from USD 572 billion to USD 1 063 billion, and FDI outflows were up 35% from USD 875 billion to USD 1183 billion. FDI inflows to the OECD area accounted for 58% of global FDI inflows, compared to 41% in 2014 and 49% in 2013. FDI inflows received by the United States in the first quarter largely accounted for the increased share of the OECD area. OECD FDI outflows accounted for 73% of global FDI outflows, higher than in 2014 (64%) but comparable to 2013. FDI flows into EU countries increased by 54% (from USD 282 billion to USD 434 billion) and outflows increased by 75% (from USD 290 billion to USD 508 billion); however, these levels remain below levels reached before the financial crisis. FDI inflows to the G20 as a whole increased by 26% from USD 808 billion to USD1020 billion while FDI outflows from the G20, at USD 871 billion, remained stable. However, the situation varies across G20 OECD and non-OECD sub-groups: FDI flows to OECD G20 economies increased by 81% but were partly offset by a 13% drop in FDI inflows received by the non-OECD G20 economies. FDI outflows from OECD-G20 economies decreased by 3% while FDI outflows from the non-OECD G20 economies increased by 4%.

The record levels of FDI flows the United States received in the first quarter of 2015 made it the largest recipient of FDI inflows worldwide in 2015, followed by China (the largest recipient of FDI worldwide in 2010-2014), Switzerland and Ireland (due to record levels of FDI inflows for both countries in 2015). The United States remained by far the largest source of FDI worldwide, followed by China, Japan, Switzerland, the Netherlands (excluding investments from Special Purpose Entities) and Ireland.

## FDI inflows by region

OECD FDI inflows almost doubled in 2015 (to USD 1 063 billion) compared to 2014, reaching their highest level since the beginning of the financial crisis. However, they remain 19% below their peak level in 2007 (at USD 1 316 billion). They increased by 55% in the first half of the year (to USD 571 billion) from the second half of 2014 and then dropped by 14% (to USD 492 billion) in the second half of the year.

The increase in the first half of the year was largely due to record levels of FDI inflows into the United States in the first quarter of 2015 (to USD 200 billion) due to some large cross-border deals. In the second half of the year FDI inflows to the United States dropped to USD 95 billion. FDI inflows into the OECD as a whole dropped but remained high, largely due to Ireland and Switzerland recording significant FDI inflows and net incurrence of liabilities respectively in the last quarter of 2015 (to USD 72 billion and USD 65 billion respectively). Overall in 2015, the largest OECD recipients of FDI inflows were therefore the United States (USD 385 billion), Switzerland (USD 121 billion) and Ireland (USD 101 billion). FDI inflows received by other major OECD recipients increased in 2015: FDI flows received by the Netherlands increased by 39% (from USD 52 billion to USD 73 billion excluding flows in resident Special Purpose Entities), they nearly tripled in France (from USD 15 billion to USD 43 billion), they recovered from net disinvestments in Germany (from USD -7 billion to USD 13 billion). In contrast, FDI flows dropped by 17% in Canada (from USD 59 billion to USD 49 billion), by 33% in Spain (from USD 33 billion to USD 22 billion), by 44% in Australia (from USD 40 billion to USD 22 billion) and by 25% in the United Kingdom (from USD 52 billion to USD 40 billion).

FDI financial flows consist of three components: equity capital, reinvestment of earnings, and intercompany debt. For the 20 economies that reported detail by FDI components for 2015, accounting for 72% of total OECD FDI inflows: total equity inflows more than tripled compared to 2014 and intercompany debt flows recovered from net disinvestments representing respectively 68% and 9% of total flows received by those economies, while reinvestment of earnings decreased by 13%, accounting for 23% of the total. The increase in equity capital was due to its role in the large M&A deals in the first half of 2015. However, the situation varies across countries. The increase of FDI equity flows was largely due to equity transactions in the United States which reached USD 225 billion and to a lesser extent to equity transactions in the Netherlands (USD 61 billion), in France (USD 37 billion), and in Ireland (USD 40 billion). Intercompany debt inflows were boosted by increases in the United States (USD 82 billion) but also in Germany and Ireland where debt inflows were up. Reinvestment of earnings fell, driven by decreases in the United States (from USD 50 billion to USD 43 billion). In Switzerland, the second largest OECD recipient of FDI flows in 2015, net incurrence of equity and debt liabilities both rose to USD 53 billion.

In the non-OECD G20 countries, FDI inflows in 2015 increased by 30% in India compared to 2014 (from USD 34 billion to USD 44 billion) but declined elsewhere: by 69% in South Africa (to USD 1.8 billion), by 29% in Indonesia (to USD 16 billion), by 23% in Brazil (to USD 75 billion) and by 7% in China (to USD 250 billion). FDI flows to Russia reached particularly low levels in 2015 (they dropped by 63% to USD 11 billion), largely due to a drop in reinvested earnings (from USD 21 billion to USD 11 billion). FDI inflows in Saudi Arabia were USD 5.9 billion in the first three quarters of 2015, slightly below their level a year earlier. [www.oecd.org/investment/statistics.htm](http://www.oecd.org/investment/statistics.htm).

### **2.2.1 The Need to Promote FDIs In Africa (Asian Case study)**

#### *1. Why promote Asian FDI in Africa?*

The recent increase in Asian FDI flows to Africa suggests a departure from earlier behaviour of Asian Trans-National Corporations (TNC) and implicitly confirms Africa's potential for Asian investors. Increasing investment from Asia could bring benefits to both regions. Asian countries have shown a higher propensity to save than other regions, and prospects for continuing high rates of income growth are good. Furthermore, in many Asian countries savings exceed investments, implying abundant surplus savings available for investment, including abroad, some of which could go to Africa. In exchange, Africa offers a wealth of natural resources, while its largely under-served markets provide investment opportunities for Asian firms.

Increasing FDI flows also promote trade by opening and expanding market opportunities. Governments in both Asia and Africa should therefore consider working to facilitate such investments.

#### *2. Policies to enhance Asian FDI in Africa*

Increasing Asian FDI in Africa requires, first and foremost, efforts by the enterprises themselves. Ultimately, the success of firms in establishing a stronger position in the region depends on the firms recognizing the opportunities that exist and on their elaborating strategies that allow them to tap these opportunities. Such strategies should also enable them to participate constructively in Africa's development. While action by governments cannot be a substitute for initiatives by Asian firms, public policies and institutional measures also have a very important role to play in creating a favourable legal and regulatory framework for capital flows between Asia and Africa.

In Africa, efforts need to focus on addressing fundamental economic and social problems as well as regulatory and other obstacles to investment. In Asia, the environment for investment abroad is becoming increasingly favourable as regulatory regimes become more liberalized, and governments take greater initiatives to promote outward FDI.

*(a) Policies in Africa*

African governments have taken a number of steps towards improving their image and offering increased incentives and institutional support to foreign firms investing in their countries. Investment promotion agencies (IPAs) in African countries provide information and initial contacts as well as other initial support. With the possible exception of large TNCs, firms, in particular SMEs, typically do not have sufficient information about investment opportunities in Africa, and contacts with domestic companies in the region are fairly limited. IPA programmes can thus be particularly valuable, as they help firms evaluate prospects for FDI.

The steady liberalization of investment regimes in Africa has contributed to increased FDI flows to African countries. Additional efforts are under way to further liberalize investment regimes, reduce market distortions, simplify procedures and disseminate information about progress made and investment opportunities available. National efforts to improve the investment climate of African economies could further benefit from regional arrangements, such as the Southern African Development Community (SADC), that increase the regional market size as well as the predictability, stability and transparency of the environment for investment in Africa. Efforts should also be considered to coordinate, and thus limit, excessive competition when providing incentives for FDI.

Failure to move rapidly on economic and social policies important for sustained development, and a weak emphasis on capacity building, have hampered the ability of many countries in the region to attract FDI, in particular in manufacturing. International market-access measures and initiatives targeting African countries (such as the United States' African Growth and Opportunity Act) generally have not been very successful, thus far, in increasing FDI. In order to realize the potential for increased FDI and to derive greater benefits from it, African countries in general need to develop stronger industrial and technological capabilities. The need for international support to Africa's development has been stressed in several recent initiatives.

For example, UNCTAD undertakes in-depth Investment Policy Reviews (IPRs) to help improve national FDI regimes. The Commission for Africa (established by the United Kingdom) released a report recommending a substantial increase in aid to Africa. The report also supports an Investment Climate Facility for Africa under the New Economic Partnership for Africa's Development (NEPAD) initiative and the creation of a fund that would provide insurance to foreign investors in post-conflict countries in Africa.

*(b) Policies in developing Asia*

Asian FDI in Africa has been growing, but needs to be further nurtured, especially since most Asian firms have little or no experience in investing abroad. Again, governments have a role to play. There is a trend towards liberalization of outward FDI from developing Asian economies (as part of a broader, market-based, outward-oriented development strategy). More recently, as the economies have recovered from the effects of the crisis, this trend has accelerated. The process needs to take into account national development objectives, among various considerations and constraints. Where these constraints involve balance-of-payments effects of outward FDI, there are a number of ways to deal with them, including the application of approval procedures and various criteria.

Besides liberalization of capital outflows for FDI, a number of Asian governments have begun to assist their outward investors, but much more can be done in this respect. The principal areas of assistance are education, training and orientation programmes; provision of information services; providing contacts and promoting partnerships; and financial assistance. For example, Korean Trade Organization assists Korean firms in investing abroad, including Africa; Malaysian South-South Cooperation Berhad promotes bilateral trade and investment by serving as a platform and link between Malaysian firms and other developing country, including African, firms.

*(c) Towards joint action*

Asian and African governments could benefit from further cooperation or joint action in a number of areas. This applies for instance in the area of bilateral investment treaties agreements (BITs) or for the promotion and protection of FDI and double taxation treaties (DTTs), the most important elements in the international framework for FDI at present. As at recently, all 53 African countries had concluded at least one BIT, and in total they had concluded 775 BITs. However, only 36 African countries had concluded with countries in South, East and South-East Asia totalling 90. In the case of DTTs, 45 African countries had concluded 491 treaties by the beginning of 2015. However, only 19 countries had such treaties with developing South, East and South-East Asian economies totalling 50; 10 of which were between Mauritius alone and the Asian economies.

At the national level, efforts to increase FDI flows from Asia to Africa could also benefit from active and practical cooperation between institutions in both these regions. Although limited in its regional coverage, the establishment of the Indian Ocean Rim Association for Regional Cooperation points to growing interest in promoting trade and investment among participating countries in developing Asia and Africa. The declaration on a New Asian-African Strategic Partnership adopted in the Asian-African Summit emphasizes the need to promote economic cooperation including investment. There are also several government initiatives to promote cooperation in China, India and other Asian countries. At the

firm level, actions to strengthen the relationship between Asian investors and domestic firms in Africa could contribute to increasing the benefits from FDI in host African economies. Governments in both continents can help forge and strengthen such linkages.

## CHAPTER THREE

### 3.1 INCIDENCES OF CYBER CRIME IN NIGERIA

The instances reported here ranges from fake lotteries to the biggest internet scams. Elekwe, a chubby-faced 28-year-old man made a fortune through the scam after two years of joblessness despite having diploma in computer science. He was lured to Lagos from Umuahia by the chief of a fraud gang in a business center. He has three sleek cars and two houses from his exploits.

Four Nigerians suspected to be operating a “419” scam on the internet to dupe unsuspecting foreign investors in Ghana were arrested by security agencies. Their activities are believed to have led to the loss of several millions of foreign currencies by prospective investors.

Two young men were recently arrested after making an online purchase of two laptops advertised by a woman on her website under false claims. They were arrested at the point of delivery by government officials.

Mike Amadi was sentenced to 16 years’ imprisonment for setting up a website that offered juicy but phony procurement contracts. The man impersonated the EFCC Chairman, but he was caught by an undercover agent posing as an Italian businessman.

The biggest international scam of all was committed by Amaka Anajemba who was sentenced to 2½ years in prison. She was equally ordered to return \$25.5 million of the \$242 million she helped to steal from a Brazilian bank.

A recent internet scam case was reported on the Sunday PUNCH newspaper of July 16, 2006 involving a 24-year-old Yekini Labaika of Osun State origin in Nigeria and a 42-years-old nurse of American origin by name Thumbelina Henshaw in search of a Muslim lover to marry. The young man deceived the victim by claiming to be an American Muslim by the name, Phillip Williams, working with an oil company in Nigeria and he promised to marry her. He devised dubious means to swindle \$16,200 and lots of valuable materials from the victim. The scammer later was sentenced to a total of 19½ years having been found guilty of eight-counts against him.

Incidences like these are on the increase. Several young men unabated are still carrying out these illegal acts successfully, ripping off credulous **individuals and organizations**. Recently, a report indicated that Nigeria is losing about \$80 million yearly to software piracy. The report was the finding of a study conducted by Institute of Digital Communication, a market research and forecasting firm based in South Africa, on behalf of Business Software Alliance of South Africa.

The American National Fraud Information Centre reported Nigerian money offers as the fastest growing online scam, up to 90%. The Centre also ranked Nigerian cyber-crime impact per capita as being exceptionally high. Those involved are between 18-25 years mostly resident in the urban centers.

The internet has helped in modernizing fraudulent practices among the youths. Online fraud is seen as the popularly accepted means of economic sustenance by the youths involved. The corruption of the political leadership has enhanced the growth of internet crime subculture. The value placed on wealth accumulation has been a major factor in the involvement of youths in online fraud.

### **3.2 COMBATING CYBER CRIME**

The increasing use of the Internet has also led to an increase in cybercrime. The FBI and other law enforcement agencies in Canada, Europe, Asia and Africa spend countless hours fighting cybercrime each day, but everyone can help combat cybercrimes. Learning the different types of cyber-crimes and ways that can help combat these crimes is an important step in helping to catch these cyber criminals and keep them from continuing to commit cybercrimes against others. Cybercrime cannot be easily and completely eliminated, but can be minimized. However, collaborative efforts of individuals, corporate organization and government could go a long way to reduce it to a minimal level. Firms should secure their network information. The followings are ways to combat cyber crime.

- 1.** Laws to enforce property rights work only when property owners take reasonable steps to protect their property in the first place. As one observer, has noted, if homeowners fail to buy Locks for their front doors, should towns solve the problem by passing more laws or hiring more Police? Even where laws are adequate, firms' dependent on the network must make their own Network, Information and computer systems secure. And where enforceable laws are months or years away, as in most countries like Nigeria, this responsibility is even more significant.

- 2.** Governments should ensure that their laws apply to cybercrimes. African countries are bedevilled by various socio-economic problems such as poverty, AIDS, fuel crisis, political and ethnic instability and other related crimes. This limits their strength to effectively combat cyber crime. Nevertheless, it is important that Nigeria as a nation take measures to ensure that its penal and procedural laws are adequate to meet the challenges posed by cybercrimes. The Government must ensure laws are formulated and strictly adhered to.

- 3.** Individuals should observe simple rules. Individuals on their part should ensure proper anti-malware protection on their computer systems, they should be encouraged to avoid pirated software, never to share their Personal Identification Number (PIN), bank account, email access code to unknown

persons, never disclose any confidential information to anybody as none of these networks were designed to be ultimately secure. Ignore any e-mail requiring any financial information. All ill intended spam must be reported immediately to the appropriate authorities. Telecommunication Regulatory Agencies should enhance security on internet service providers' server in order to detect and trace cybercriminals. This will create job opportunities for the unemployed youths, thereby reducing the cybercrime menace.

The success in harnessing cyberspace will help Nigerians achieve unprecedented personal productivity and prosperity. The Government must take immediate steps to protect cyberspace from becoming a criminal haven. Cyber criminals must be denied the anonymity they are seeking while at the same time protecting the privacy of Nigerians.

Criminals are learning quickly that cybercrime can be inexpensive, low risk and profitable. In one well known incident uncovered, over 45 million customer records were stolen from a well known North American retailer. The breach occurred over a three-year period, during which criminals monitored wireless signals from point of sale credit card terminals. These attacks cost the retailer over \$130 million and inflicted unknown financial harm on individual victims. 11 people operating in five different countries were charged with breaking into the databases of nine major North American retailers, stealing some 40 million credit and debit card numbers from their databases and selling the numbers (via the Internet) to other criminals. Unfortunately, these incidences are occurring in Nigeria and other African countries. The Nigeria government need to play a key role in promoting awareness among Nigerians, especially young Nigerians in the education system where first exposure to the Internet often occurs. Only when all levels of government (federal and state) are working together can Nigerian citizens and businesses be assured that their private information is secure and the services that they depend on will be delivered.

### **3.3 NIGERIA CYBER CRIME POLICY FRAMEWORKS AND ITS INTEROPERABILITY**

The ever-dynamic forms of corruption involving cyber and financial crimes have elicited a hard stance and posture in battling bribery and other related financial crimes. There is now a trend towards symbiotic and collective legal cooperation among various government institutions in confronting cyber and financial crimes and corruption.

This summary will look at some of the anti-corruption and financial legislations in Nigeria. These laws established many institutions for enforcement of anti-corruption laws. Notable among these institutions are:

### 3.3.1 Cybercrime Act 2015

The Cybercrime Act is made up of 59 Sections, 8 Parts; and 2 Schedules. 1st Schedule lists the Cybercrime Advisory Council, 2nd Schedule lists businesses to be levied for the purpose of the Cyber security Fund under S.44(2)(a) GSM service providers and all telecom companies; Internet service providers, banks and other financial institutions, insurance companies and Nigerian Stock Exchange.

Below is a high-level overview of certain interesting provisions in the recently passed Cybercrime Act 2015 as it relates to the subject matter.

- 1) Gives the President the power to designate certain computer systems, networks and information infrastructure vital to the national security of Nigeria or the economic and social well-being of its citizens, as constituting Critical National Information Infrastructure and to implement procedures, guidelines and conduct audits in furtherance of that. Examples of systems which could be designated as such include transport, communication, banking etc.
- 2) Prescribes the death penalty for an offence committed against a system or network that has been designated critical national infrastructure of Nigeria that results in the death of an individual or/and loss in financial transaction.
- 3) Hackers, if found guilty of unlawfully accessing a computer system or network, are liable to a fine of up to N10 million or a term of imprisonment of 5 years (depending on the purpose of the hack). The same punishment is also meted out to Internet fraudsters who perpetuate their acts either by sending electronic messages or accessing and using data stored on computer systems.
- 4) Makes provision for identity theft, with the punishment of imprisonment for a term of not less than 3 years or a fine of not less than N7 million or to both fine and imprisonment.
- 5) Specifically creates child pornography offences, with punishments of imprisonment for a term of 10 years or a fine of not less than N20 million or to both fine and imprisonment, depending on the nature of the offence and the act carried out by the accused persons. Offences include, amongst others: producing, procuring, distributing, and possession of child pornography.
- 6) Outlaws Cyber-stalking and Cyber-bullying and prescribes punishment ranging from a fine of not less than N2 million or imprisonment for a term of not less than 1 year or to both fine and imprisonment,

up to a term of not less than 10 years or a fine of not less than N25 million or to both fine and imprisonment; depending on the severity of the offence.

7) Prohibits cybersquatting, which is registering or using an Internet domain name with bad faith intent to profit from the goodwill of a trademark belonging to someone else or to profit by selling to its rightful owner. Individuals who engage in this are liable on conviction to imprisonment for a term of not less than 2 years or a fine of not less than N5 million or to both fine and imprisonment.

8) Forbids the distribution of racist and xenophobic material to the public through a computer system or network (e.g. Facebook and Twitter), it also prohibits the use of threats of violence and insulting statements to persons based on race, religion, colour, descent or national or ethnic origin. Persons found guilty of this are liable on conviction to imprisonment for a term of not less than 5 years or to a fine of not less than N10million or to both fine and imprisonment.

9) Mandates that service providers shall keep all traffic data and subscriber information having due regard to the individual's constitutional Right to privacy and shall take appropriate measures to safeguard the confidentiality of the data retained, processed or retrieved.

10) Allows for the interception of electronic communication by way of a court order by a Judge, where there are reasonable grounds to suspect that the content of any electronic communication is reasonably required for the purposes of a criminal investigation or proceedings. *Source: (<http://lawpadi.com/10-things-to-know-about-nigerias-cybercrime-act-2015/>)*

### 3.3.2 The Nigeria Criminal Code Act 1990

The Criminal Code Act of 1990 (Laws of the Federation of Nigeria, 1990) criminalizes any type of stealing of funds in whatever form, an offence punishable under the Act. Although cybercrime is not mentioned in the Act, it is a type of stealing punishable under the criminal code. The most renowned provision of the Act is Chapter 38, which deals with "obtaining Property by false pretenses- Cheating." The specific provisions relating to cybercrime is section 419, while section 418 gave a definition of what constitutes an offence under the Act.

- (418) "Any representation made by words, writing or conduct of a matter of fact, either past or present, which representation is false in fact, and which the person making it knows to be false or does not believe to be true, is a false pretense."

- (419) “Any person who by any false pretense, and with intent to defraud, obtains from any other person anything capable of being stolen or induces any other person to deliver to any person anything capable of being stolen is guilty of a felony and is liable to imprisonment for three years.” (Part 6, chapters 34 &38, Laws of the Federation of Nigeria Act, 1990).

### **3.3.3 Corrupt Practices and Other Related Offences Act (ICPC ACT)**

Was established under the ICPC Act with specific mandate to enforce anti-corruption law. The Corrupt Practices and Other Related Offences Act Cap C31, Laws of the Federation of Nigeria 2004 established the Independent Corrupt Practices Commission (ICPC), which is one of the major anti-corruption agencies in Nigeria. The Act generally prohibits the various perceived acts of corrupt practices arising from interactions or transactions involving public/government officers and the general public or private individuals.

#### **Offences and Penalties**

The Act created four categories of offences in the eighteen sections dealing with offences under the Act. The four categories of offences are:

- Giving and Receiving of bribes to influence public duty;
- Fraudulent Acquisition and Receipt of Properties;
- Failure to Report Bribery Transactions;
- Concealment of Information and Frustration of Investigation.

### **3.3.4 Economic and Financial Crimes Commission Act 2004 (EFCC ACT)**

The Economic and Financial Crimes Commission Act (Laws of the Federation of Nigeria, 2004, as amended) provide the legal framework for the establishment of the Commission. Some of the major responsibilities of the Commission, according to part 2 of the Act, include:

- the investigation of all financial crimes including advance fee fraud, money laundering, counterfeiting, illegal charge transfers, futures market fraud, fraudulent encashment of negotiable instruments, computer credit card fraud, contract scam, etc;
- the coordination and enforcement of all laws against economic and financial crimes laws and enforcement functions conferred on any other person or authority;
- the examination and investigation of all reported cases of economic and financial crimes with a view to identifying individuals, corporate bodies, or groups involved;

- undertaking research and similar works with a view to determining the manifestation, extent, magnitude, and effects of economic and financial crimes and advising government on appropriate intervention measures for combating same;
- Taking charge of, supervising, controlling, coordinating all the responsibilities, functions, and activities relating to the current investigation and prosecution of all offences connected with or relating to economic and financial crimes in consultation with the Attorney- General of the Federation;
- the coordination of all investigating units for existing economic and financial crimes in Nigeria.

The Commission is further charged with the responsibility of enforcing the provisions of the Money Laundering Act 1995; the Advance Fee Fraud and Other Fraud- Related Offences Act 1995; the Failed Banks (Recovery of Debts) and Financial Malpractices in Banks Act 1994, as amended; the Banks and other Financial Institutions Act 1991, as amended; and Miscellaneous Offences Act (EFCC, 2004). The Economic and Financial Crimes Commission Act 2002 (LFN 2004) (the Act) came into force on 14th of December 2002. The Act establishes the Economic and Financial Crimes Commission EFCC (the Commission) as the overarching body designated with the primary responsibility of investigating and prosecuting economic crimes and bringing perpetrators of such crimes within the ambit of the law. Section 46 of the Act defines “Economic Crime” as a “non-violent criminal activity committed with the objectives of earning wealth illegally” Section 5 of the Act sets out the various offences with which the Act is concerned and the list is not exhaustive.

The Act is a tool for holistic approach to combating economic crimes in Nigeria. This can be seen when a review is made of the membership of the Commission and its powers under the Act. The membership of the Commission is drawn from virtually all the government bodies saddled with economic issues while the Commission has the powers of not only investigating and enforcement of the provisions of the Act, but also the enforcement of other legislations dealing with various economic crimes. Thus, section 7 of the Act confers special powers on the Commission to enforce the provisions of such other laws as:

- The Money laundering Act;
- The Advanced Fee Fraud and other Related Offences Act;
- The Failed Banks (Recovery of Debt and Financial Malpractices in Banks) Act;
- The Banks and other Financial Institutions Act;
- Miscellaneous Offences Act;
- Any other law or regulation relating to economic and financial crimes including the Criminal Code and Penal Code.

## Offences and Penalties

Part IV of the Act provides for the specific offences, which are caught by the Act. However, the offences that should be of concern to foreign investors will be highlighted herein. These include the following.

- Offences relating to Financial Malpractice.

### 3.3.5 Advance Fee Fraud and Related Offences Act 2006

According to Section 23 of the advance fee fraud Act (Laws of the Federation of Nigeria, 2006): 'False pretense means a representation, whether deliberate or reckless, made by word, in writing or by conduct of a matter of fact or law, either past or present, which representation is false in fact or law, and which the person making it knows to be false or does not believe to be true.' Section 383 sub-section 1 of the Nigerian Criminal Code states: 'A person who fraudulently takes anything capable of being stolen, or fraudulently converts to his own use or to the use of any other person anything capable of being stolen, is said to steal that thing' (Advance Fee Fraud Act, Laws of the Federation of Nigeria, 2006) [1]. Economic crime is defined by the Act as "the non-violent criminal and illicit activity committed with the objectives of earning wealth illegally, either individually or in a group or organized manner thereby violating existing legislation governing the economic activities of government and its administration to include any form of fraud, narcotic drug trafficking, money laundering, embezzlement, bribery, looting, and any form of corrupt malpractices, illegal arms deal, smuggling, human trafficking and child labor, oil bunkering and illegal mining, tax evasion, foreign exchange malpractices including counterfeiting of currency, theft of intellectual property and policy, open market abuse, dumping of toxic wastes and prohibited goods."

Advance Fee Fraud and Other Fraud Related Offences Act 2006 was before now the only law in Nigeria that deals with internet crime issues, and it only covers the regulation of internet service providers and cybercafés; it does not deal with the broad spectrum of computer misuse and cybercrimes.

### 3.3.6 Money Laundering Prohibition Act 2004

The Money Laundering Prohibition Act 2004 is directed or aimed at tracing, finding, freezing and possibly forfeiting among other things money and properties that have been acquired through illegal or prohibited means. Its intent is to prevent culprits from legitimizing proceeds from their criminal activities. It aims to detect, prevent and capture money acquired through one of many illegal means. The progenitor of the Act was basically enacted to combat "dirty money" gotten through trading in illicit drugs. However, over time,

the scope of the law has been expanded through amendments to accommodate the dynamism of money laundering.

The Act is significantly symbiotic in nature, pooling resources and various anti money laundering agencies together in the battle against one of the most sophisticated crimes in the world. Thus, bodies such as:

- The Central Bank of Nigeria;
- The Nigerian Customs Service;
- The Nigerian Securities and Exchange Commission;
- The National Drug Law Enforcement Agency;
- The Economic and Financial Crimes Commission;
- The Corporate Affairs Commission; and even
- The Federal High Courts are united under the Act to fight money laundering.

### **Offences and Penalties**

The stance of the Act in combating the crime is in form of prohibition and punishment of concealment and retention of properties obtained through money laundering, obstruction of investigation, conspiracy, aiding and abetting money laundering. Private persons and corporate bodies are also saddled with various duties aimed at aiding in combating the crime.

#### **3.3.7 Judiciary:**

Comprising all the courts in the country from lowest courts like Magistrate, Area and Customary courts to the highest court in the land, the Supreme Court. Section 6 of the Constitution establishes courts of Superior record and these include The High Courts and others of coordinate jurisdiction, the Court of Appeal, and the Supreme Court. Various States laws provide for Courts below High Courts like the Magistrate, Area or Customary Courts. All these courts are involved in the enforcement of anti-corruption laws as offenders are taken before them for prosecution sometimes leading to conviction and sentencing.

#### **3.3.8 Code of Conduct Tribunal**

This was established under the Code of Conduct Act and Paragraph 15 of Part One of the Fifth Schedule to the Constitution with the primary responsibility of trying those who violate the provisions of the Code. Of course, the main thrust of the Code is to prevent corruption in public life and offices.

### 3.3.9 Public Complaints Commission

This Commission is established under the Public Complaints Commission Act and operates to protect the public against corrupt oppressive exercise of power by public officers. Its investigations and recommendations can lead to prosecution or other forms of administrative or disciplinary measures against an erring especially, corrupt public officer.

### 3.3.10 Police & Other Security Agencies

Each of the security or law enforcement agencies of the state is established and governed by a specific statute. **Police Act** provides for Police with details of its functions. The **National Securities Agencies Act** provides for three agencies namely: The Defense Intelligence Agency, the National Intelligence Agency, and the State Security Service (SSS). Of course, the SSS is the most visible among them. Although the statute tried to delineate their functions, in practice they dovetail, interrelate or even integrate sometimes.

### 3.3.11 Human Rights Violations Investigations Commission

Was established soon after the constitution came into force in 1999 administratively to investigate past abuse of power resulting in human rights violations.

<http://www.spaajibade.com/resources/executive-summary-of-anti-corrupt-legislations-with-a-view-to-advising-foreign-investors-in-nigeria-on-anti-corruption-programmes/>

## 3.4 NATIONAL DEVELOPMENT (ND)

A National Development Plan is a large-scale investment project to develop the infrastructure of a country. It requires central planning and monitoring on a national level and implementation on a micro, local level. Adequate funding from government agencies as well as support from citizens will allow short, medium and long term goals to be met.

Goals should focus on the micro and macro strategy for national growth. This can include development of the economic infrastructure, education, social welfare, science, and innovation. Before setting goals, a government should review the current strengths of each sector and articulate room for growth (both in the long and short term). The scope of goals should be tailored to the cultural, economic and social needs of

Nigeria. Goals should avoid being politically motivated and have sustainability regardless of what is politically popular at the time. Nigeria should consider advice from outside consultants to review current national conditions and proposed strategies to ensure that they are sustainable and not just politically expedient.

The scope involved with a national project requires a large-scale project manager, like a Central Monitoring Committee. For a government structure, such as that of Nigeria, it will usually be chaired by a top-level official in the office of finance or treasury. Since the funding of a program is integral to its implementation, the financial perspective will be crucial in setting and meeting goals. The Monitoring Committee will ultimately report to the executive/cabinet level of the government and the work of the overseeing committee can be audited by a government accounting and or accountability office.

A communication strategy for a development plan is important so taxpayers and citizens may understand what investments and initiatives are being addressed. Typically, the committee overseeing a national development plan will develop an Information Office that will market and publicize the plan and also can field questions/suggestions from concerned citizens.

It's important that a national plan address short, medium and long terms goals. The purpose of the plan is to prioritize for national immediate needs (food, water, housing, and health-care) that should be met but also to predict in the medium and long run, what are larger goals that should be achieved.

The key to any national development plan is actually accomplishing goals. A central planning body typically oversees the national plan and acts as a project manager of sorts to oversee the execution of goals on the micro level. This will involve liaising with government agencies that regulate various sectors (transportation, education, health & human services, etc.). It will also need to coordinate with local and municipal governments.

Funding can come from a variety of sources. Depending on qualifications, certain projects of a national development plan can be financed by foreign donors, international organizations or even corporate/non-profit partners. It also can liaise with various government agencies responsible for an area or industry included in a development plan. The funding issue will most likely be the most politically sensitive and will require support from taxpayers and elected officials to advocate for funding in the budgeting process. Realistic resource forecasts should be considered before establishing a project because if funding dries up, dissatisfaction may arise from voters.

Once development goals have been met, it's appropriate to publicize infrastructure and national improvements to other foreign countries. Such improvements can encourage foreign direct investment, international commerce and tourism that will further promote economic productivity. The buzz and excitement of meeting national goals will also improve morale among citizens since it demonstrates involvement and action by the national government.

### 3.4.1 Factors that Aid National Development

**Basic factors:** Raw materials, labour force, innovation and enterprise, power supply, communication and transportation links. These factors are the basis upon which countries can further its economic development.

**Internal factors:** Government policies (they must favour business e.g. taxation, regulation, tariffs, taxes/duty, incentives to help develop business and industry), business culture (for example Japan has a very developed business culture regarding the populations attitude to new ideas and processes and the rate at which new ideas are formed).

**External factors:** Geopolitics, economic globalisation (foreign investment, foreign labour, trade links, sharing of knowledge, financial flow between countries) and investments from Transnational Corporations (TNCs) increases the economic power of the population by creating jobs.

**Outcomes:** National development has a range of both positive and negative consequences, namely:

**Negative** - Change in the environment (industrialisation means that the beauty of an area can be compromised). There could also be a change in culture and morals (traditional culture and morals can be lost due to the impacts of TNC's and inflow of different people into the area e.g. tourism) There is often a greater inequality gap as a small number become very rich and the poor only gain a small profit (this can cause resentment within a country as the distribution of wealth is unbalanced). Other negative effects are natural disasters, war, and corruption within government. Natural disasters impeded economic growth as the production may take a while to get back to normal. War and government corruption can have a negative impact on NED. During war, there is a distortion of economic activities. Corruption can increase the cost of business transactions and also scare away foreign investors.

**Positive** - Improvement of quality of life (indicators of which are general happiness, health, friends and family, education, income and affluence, job security, clean environment to live in, electricity, running water etc.) improvement in standards of living and income. It can often lead to more democracy within a country. NED is also impacted by the Gross Domestic Product (GDP). This is what the economy of a country is based on. The GDP of Nigeria is determined by how much produce in monetary value it makes. Economic development is usually boosted by an increase in demand in those products or in some cases a world event taking place in the country, such as the Youth World Cup or African Cup of Nations.

This brings an inflow of capital into the country and raises the GDP of the country. As the economy grows with the help of the citizens (working class), the citizens of the country enjoy the benefit of development in infrastructure and better standard of living. There is increase in private income and better services for the community.

### **3.5 STRATEGIES TO ATTRACT FOREIGN DIRECT INVESTMENTS INTO THE COUNTRY**

FDI has become an important source of private external finance for developing countries. It is different from other major types of external private capital flows in that it is motivated largely by the investors' long-term prospects for making profits in production activities that they directly control. Foreign bank lending and portfolio investment in contrast are not invested in activities controlled by banks or portfolio investors, which are often motivated by short-term profit considerations that can be influenced by a variety of factors (interest rates, for example) and are prone to herd behavior. These differences are highlighted for instance by the pattern of bank lending and portfolio equity investment on the one hand, and FDI on the other, to the Asian countries stricken by financial turmoil: FDI flows to the five most affected countries remained positive in all cases and declined only slightly for the group, whereas bank lending and portfolio equity investment flows declined sharply and even turned negative.

While FDI represents investment in production facilities, its significance for developing countries is much greater. Not only can FDI add to investible resources and capital formation, but, perhaps more important, it is also a means of transferring production technology, skills, innovative capacity, and organizational and managerial practices between locations, as well as of accessing international marketing networks. The first to benefit are enterprises that are part of transnational systems (consisting of parent firms and affiliates) or that are directly linked to such systems through non-equity arrangements, but these assets can also be transferred to domestic firms and the wider economies of host countries if the environment is conducive. The greater the supply and distribution links between foreign affiliates and domestic firms, and the

stronger the capabilities of domestic firms to capture spillovers (that is, indirect effects) from the presence of and competition from foreign firms, the more likely it is that the attributes of FDI that enhance productivity and competitiveness will spread. In these respects, as well as in inducing transnational corporations to locate their activities in a particular country in the first place, policies matter.

**Policy framework:** Developing countries have during the past decade or so begun liberalizing their national policies to establish a hospitable regulatory framework for FDI by relaxing rules regarding market entry and foreign ownership, improving the standards of treatment accorded to foreign firms and improving the functioning of markets. These "core" policies are important because FDI will simply not take place where it is forbidden or strongly impeded. However, changes in policies have an asymmetric effect on the location of FDI: changes in the direction of greater openness allow firms to establish themselves in a particular location, but do not guarantee that they will do so. In contrast, changes in the direction of less openness (for example, nationalization or closure to entry) will ensure a reduction in FDI.

FDI policy frameworks are only one determinant of the location of investment among host countries. Countries must also pay attention to other factors that influence investors' locational decisions. For example, they are emphasizing coherence between the various policies that can affect FDI—in particular, between core FDI policies and trade policies. Equally important, with FDI policy frameworks becoming more similar, countries interested in encouraging investment inflows are focusing on measures that facilitate business. These include investment promotion, investment incentives, after-investment services, improvements in amenities, and measures that reduce the "hassle" costs of doing business. While by no means new, these measures have proliferated and are becoming more sophisticated, targeting individual investors and investments in particular industries. After-investment services are noteworthy because they can encourage reinvestment by existing investors, who, if satisfied, provide publicity for the host country, sparking further investment. Financial or fiscal incentives are also used to attract investors, even though they typically figure into investors' location decisions only when the economic determinants are in place.

**Economic determinants:** The most important determinants for the location of FDI are economic considerations, which come into full play once an enabling FDI policy framework is in place. Although many of the factors that attract investment to particular locations—such as abundant natural resources, large host country markets or low-cost, flexible labor remain important, their relative importance is changing as transnational corporations within the context of a globalizing and liberalizing world economy, increasingly pursue new strategies to enhance their competitiveness.

Trade liberalization, FDI and technology flows, combined with deregulation and privatization have not only improved firms' access to markets for goods and services and to immobile factors of production but also increased competitive pressures in previously protected markets, forcing firms to seek new markets, resources and assets abroad. At the same time, technological advances have enhanced firms' ability to coordinate international production networks. More and more firms are developing portfolios of locational assets—human resources, infrastructure, and market access to complement their own strengths in order to improve their overall competitiveness. While traditional motives related to FDI (market-seeking, resource-seeking, and efficiency-seeking) have not disappeared, they are being incorporated into firms' broader competitive-enhancing strategies. These have evolved from the traditional stand-alone strategies based on largely autonomous production by foreign affiliates to simple integration strategies based on a limited number of strong links at the production level, to complex integration strategies that involve where profitable, splitting the production process into specific activities or functions and performing each of them in the most cost-effective location from the viewpoint of the corporate system as a whole.

Transnational corporations looking to invest not only take for granted the presence of state-of-the-art FDI policy frameworks and a range of business facilitation measures but also seek a combination of cost reduction, larger markets, and "created" assets that can help them maintain a competitive edge. Created assets include communications infrastructure, marketing networks, technology, and innovative capacity and are critical for enabling firms to maintain their competitiveness in a rapidly changing world. The rising importance of such assets is probably the single most important shift that has occurred among the economic determinants of FDI in a liberalizing and globalizing world economy. The new configuration also pays more attention to "agglomeration" economies arising from the clustering of economic activity, availability of infrastructure facilities, access to regional markets and competitive pricing of relevant resources and facilities.

The challenge for developing countries is to develop a well-calibrated and preferably unique combination of factors determining FDI location and to match those determinants with corporations' strategies. Policies intended to strengthen national innovation systems and encourage the spread of technology are central because they underpin the ability to create assets.

## CHAPTER FOUR

### 4.1 CATEGORIZATION OF CYBER CRIME AND FOREIGN DIRECT INVESTMENTS

#### 4.1.1 Understanding Cyber Crime

The European Commission issued a Communication towards a general policy on the fight against cyber crime", noting that there was not even an agreed definition of cybercrime. It proposed a threefold definition:

1. Traditional forms of crime such as fraud or forgery, though committed over electronic communication networks and information systems;
2. The publication of illegal content over electronic media (e.g. child sexual abuse material or incitement to racial hatred);
3. Crimes unique to electronic networks, e.g. attacks against information systems, denial of service and hacking.

Once cyber criminals have access to a computer, they can steal or distort the information stored on it, corrupt its operations and program it to attack other computers and the systems to which they are connected. In many cases, victims suffer a theft of their identity and/or their personal assets.

The Internet is one of the most revolutionary innovations of the 21st century. It has enabled instant transactions through e-mail, SMS, twittering, telnetting, VoIP, video conferencing etc. It has opened up doors and opportunities to free information and exposure as well as offering a cheaper mode of conducting business. Businesses have been able to increase their cash flows through increased sales and cheaper operating costs or expenditures.

Unfortunately, the Internet is a double-edged sword. Cyber crimes are the fastest growing crimes in the industry today. Yet, less than half of them go unnoticed or unreported. Cyber crime impacts the economy of a country. This report discusses the major forms of cyber crime and their implications on the social and economic development of a country.

The most recent report from the Internet Crime Complaint Center's (IC3) shows that cyber crime is on the increase.

The financial losses caused by cyber crimes are increasing every day. As the rate of cyber crime increases, newer scams related to financial fraud are evolving including 419 in Nigeria and Sakawa in Ghana. The current trend shows a shift from the e-mail route to using social networks. These contain free and abundant information that is displayed, including those within the social network of an individual and his/her acquaintances.

#### **4.1.2 Types of Cyber Crime**

##### **A. Cyber Terrorism**

A cyber terrorist is described as someone who launches attack on government or organization in order to distort and or access information stored on the computer and their networks. According to ARPN Journal of Science and Technology a cyber terrorist is someone who intimidates a government or to advance his or her political or social objectives by launching computer-based attack against computers, network, and the information stored on them. For instance, a rumour on the Internet about terror acts. Another form of cyber terrorism is cyber extortion which is a form of cyber terrorism in which a website, e-mail server, computer systems is put under attacks by hackers for denial of services, demanding for ransom in return. Cyber extortionists are increasingly attacking corporate websites and networks, crippling their ability to operate and demanding payments to restore their service.

##### **B. Fraud - Identity Theft**

Fraud is a criminal activity in which someone pretends to be somebody and retrieve vital information about someone. The concept is simple; someone gains access to your personal information and uses it for his own benefit. This could range from a black-hat hacker stealing online banking account login and password to getting access to ATMs and using such stolen information; people can make themselves a lot of money. In Nigeria people design web links forms requesting users to fill in their basic information including, unique details like pin numbers and use the information obtained to commit crimes. For example, on May 9, 2013 an international gang of cyber thieves stole more than \$45 million from thousands of ATMs in a carefully coordinated attacks conducted in a matter of hours. (USA Today, 2013).

##### **C. Drug Trafficking Deals**

Another type of Cyber Crime is Drug Trafficking; it is a global trade involving cultivation, manufacture, distribution and sale of substances which are subject to drug prohibition law. Drug traffickers are increasingly taking advantage of the Internet to sell their illegal substances through encrypted e-mail and other internet technology. Some drug traffickers arrange deals at internet cafes, use courier web sites to

track illegal packages of pills, and swap recipes for amphetamines in restricted-access chat rooms. The rise in Internet drug trades could also be attributed to the lack of face-to-face communication. These virtual exchanges allow more intimidated individuals to make comfortably purchase of illegal drugs. (Wikipedia, 2013)

#### **D. Malware**

Malware refers to viruses, Trojans, worms and other software that gets onto your computer without you being aware it is there. Once downloaded, these malwares can wreak havoc on an organization or national information system by infecting the computer system and destroying valuable information. The Trojan horse is also a technique for creating an automated form of computer abuse called the salami attack, which works on financial data. This technique causes small amounts of assets to be removed from a larger pool. The stolen assets are removed one slice at a time.

#### **E. Cyber Stalking**

Cyber stalking is using the Internet to repeatedly harass another person. This harassment could be sexual in nature, or it could have other motivations including anger. People leave a lot of information about themselves online. Such information can leave one vulnerable to cyber stalking.

#### **F. Spam**

Spam is the use of electronic messaging systems to send unsolicited bulk messages indiscriminately. While the most widely recognized form of spam is e-mail spam, the term is applied to similar abuses in other media: instant messaging spam, Usenet newsgroup spam, web search engine spam, spam in blogs, wiki spam, online classified ads spam, mobile phone messaging spam, internet forum spam, junk fax transmissions, social networking spam, television advertising and file sharing network spam. Some of these address harvesting approaches rely on users not reading the fine print of agreements, resulting in them agreeing to send messages indiscriminately to their contacts. This is a common approach in social networking spam such as that generated by the social networking site (Saul, 2007). Spamming remains economically viable because advertisers have no operating costs beyond the management of their mailing lists, and it is difficult to hold senders accountable for their mass mailings. Because the barrier to entry is so low, spammers are numerous, and the volume of unsolicited mail has become very high. A person who creates electronic spam is called a spammer (Gyongyi, 2005).

### **G. Logic Bombs**

A typical logic bomb tells the computer to execute a set of instructions at a certain date and time or under certain specified conditions. The instructions may tell the computer to display “I gotcha” on the screen, or it may tell the entire system to start erasing itself. Logic bombs often work in tandem with viruses. Whereas a simple virus infects a program and then replicates when the program starts to run, the logic bomb does not replicate – it merely waits for some pre-specified event or time to do its damage. Time is not the only criterion used to set off logic bombs. Some bombs do their damage after a particular program is run a certain number of times. Others are more creative. There are several reported cases that a programmer told the logic bomb to destroy data if the company payroll is run and his name is not on it.; this is a sure-fire way to get back at the company if he is fired! The employee is fired, or may leave on his own, but does not remove the logic bomb. The next time the payroll is run and the computer searches for but doesn’t find the employee’s name, it crashes, destroying not only all of the employee payroll records, but the payroll application program as well. Logic bombs present a major threat to computer systems, not just because of the damage they themselves can do, but because they provide a technique to facilitate more devastating crimes.

### **H. Password Sniffing**

Password sniffers are able to monitor all traffic on areas of a network. Hackers have installed them on networks used by systems that they especially want to penetrate, like telephone systems and network providers. Password sniffers are programs that simply collect the first 128 or more bytes of each network connection on the network that's being monitored. When a user types in a user name and a password--as required when using certain common internet services like FTP (which is used to transfer files from one machine to another) or Telnet (which lets the user log in remotely to another machine) --the sniffer collects that information. Additional programs sift through the collected information, pull out the important pieces (e.g., the user names and passwords) and cover up the existence of the sniffers in an automated way. Best example, in 1994 as many as 100,000 sites were affected by sniffer attacks (David et al, 1995).

### **I. International Bank Transfer Fraud**

As you are aware the internet stretches to every corner of the world and on the internet, you have people who find opportunity in the form of Fraud (Lying & Cheating); the many good online businesses using the internet to conduct their international business using any and all means available to them.

These criminals - commonly called Scammers - use forged documents from banks, forged/fake cheques, fake identity and passports, and of course use the internet sites posing as potential buyers to receive

Proforma Invoices (which they get your account information from and then steal your Company Identity, even possibly your identity to use in new crimes) from suppliers, etc. Most of these people are professionals at it, and make thousands of dollars a year preying on the good trust of people who believe they are a real buyer or a person in need.

Over 98% of these criminals originate from Africa, specifically Nigeria and specifically target American or European countries to capitalise on the historical racial sympathy towards Africans from those countries and their social and political sensitivities (Export Bureau, 2009).

#### **4.1.3 Causes of Cyber Crime in Nigeria**

The Nigerian population census in 2006 reveals that Nigeria is a country with about 160 million people. The pace of Nigeria economic development does not meet the rate of its population growth. Unemployment level has skyrocketed in the past ten years and has brought significant hardship to the populace especially the youth. The few jobs in Nigeria are situated in the large urban areas. People move into these urban areas from their towns and villages in an attempt to find jobs so that they can support their families financially. They usually fail in their attempt to find jobs and the alternate option for most of these youth is making money off the internet criminally.

***Some of the reasons that may cause cyber crime in Nigeria are:***

##### **i) Urbanization**

Urbanization is one of the causes of Cyber crime in Nigeria; it is the massive movement of people from rural settlement to cities. According to Wikipedia, urbanization is looked at as the massive physical growth of urban areas as a result of rural migration in search for a better life. This results in a heavy competition amongst the growing populace. Meke (2012), in his article “Urbanization and cyber crime in Nigeria” stated that urbanization is one of the major causes of cyber crime in Nigeria. Urbanization will be beneficial if and only if good jobs can be created in the cities where population growth is increasing.

##### **ii) Unemployment**

Cybercrime can be associated with high rate of unemployment, harsh economic conditions, and poor educational system. According to the Nigerian National Bureau of Statistics, Nigeria is saddled with almost 20 million unemployed people.

**iii) Quest for Wealth**

Another cause of cyber crime in Nigeria is quest for wealth, there exist a large gap between the rich and the average, as such many strive to level up using the quickest means possible, since for any business to thrive well, the rate of return in the investment must be growing at a geometric rate with a minimal risk. Most cyber crimes require less investment and a “comfortable” environment.

**iv) Weak Implementation of Cyber Crime Laws and Inadequately Equipped Law Agencies**

Weak /fragile laws regarding cyber criminals exist in Nigeria, unlike in the real world where criminals such as armed robbers are treated with maximum penalties. Nigeria is not well equipped with sophisticated hardware to track down the virtual forensic criminals. Laura (2012) state that “African countries have been criticized for dealing inadequately with cybercrime as their law enforcement agencies are inadequately equipped in terms of personnel, intelligence and infrastructure and the private sector is also lagging behind in curbing cybercrime” Nigeria is not an exception to this rule.

**v) Negative Role Models**

Youths are mirrors of the society, but it is quite unfortunate how parents neglect their rightful duties. Meke (2012) remarked that today many parents transmit crime values to their wards, via socialization as if it is a socio-cultural value which ought to be transmitted to the younger generation. Imagine a situation where the child supplies the father with vital information to wreck individual’s banks account using the computer system, while the mother impersonates the account holder/owner at the bank. If this culture is imbibed among the younger generations most of them will see no wrong in cyber crime practices.

**4.2 FOREIGN DIRECT INVESTMENT IN AFRICA: ADVANTAGES AND DISADVANTAGES**

Foreign direct investment as a means of economic growth has been welcomed by most African nations in the recent times. Considerable liberalization of the prevalent investment regulations has been undertaken to facilitate the smooth flow of FDI into these economies. Foreign investors have been granted substantial incentives for investment in the African nations. The region has witnessed mixed economic performance. FDI flow into Africa has diversified from the natural resource sector to the manufacturing sector and services industry as well. Africa, it seems is slowly but steadily approaching the path of long run growth and development.

International communities have pledged an increased aid for many African nations. International donors are keen to support Africa's regional development initiatives, provide increased market access to it and further its infrastructure development initiatives among other things. All these are components of FDI.

#### 4.2.1 Advantages of FDIs

One of the advantages of foreign direct investment is that it helps in the economic development of the particular country where the investment is being made. This is especially applicable for developing economies like Nigeria. In recent years, foreign direct investment was one of the major external sources of financing for Nigeria as it gradually grows economically. Foreign direct investment has helped Nigeria when it faced economic and political hardships.

Integration into global economy - Developing countries, like Nigeria which invite FDI, can gain access to a wider global and better platform in the world economy.

*Trade* - FDI have opened a wide spectrum of opportunities in the trading of goods and services in Nigeria both in terms of import and export production. Products of significant quality are manufactured by various industries in Nigeria due to inflows of FDI in the country.

Technology diffusion and knowledge *transfer* – FDI apparently helps in the outsourcing of knowledge from Nigeria especially in the oil sector to countries like Saudi Arabia and Libya. Developing countries by inviting FDI can introduce world-class technology and technical expertise and processes to their existing working process. Foreign expertise can be an important factor in upgrading the existing technical processes.

Increased competition - FDI increases the level of competition in the host country. Other companies will also have to improve on their processes and services in order to stay in the market. FDI enhanced the quality of products, services and regulates a particular sector. Linkages and spill over to domestic firms- Various foreign firms are now occupying a position in the Nigerian market through Joint Ventures and collaboration concerns. Significant amount of the profits gained by the foreign firms through these joint ventures is spent on the Nigeria market.

Human Resources Development - Employees of the country which is open to FDI get acquaint with globally valued skills.

Employment - FDI has also ensured a number of employment opportunities by aiding the setting up of industrial units in major cities in Nigeria.

#### **4.2.2 Disadvantages of FDIs**

As investors search the world for the highest returns, they are often drawn to places endowed with bountiful natural resources like Nigeria but are handicapped by weak or ineffective environmental laws. Many people and communities are harmed as the environment that sustains them is damaged or destroyed. Villages and towns are often displaced by the large construction projects, for example, an indigenous people watch their homelands disappear as oil companies pollute rivers and farm lands or timber companies level old-growth forests. Foreign investment-led growth also promotes western-style consumerism, for example boosting car ownership, paper use, and junk food consumption rates towards the untenable levels found in the United States, Canada and the UK with grave potential consequences for the health of the natural world, and the stability of the earth's climate, and the security of food supplies."

One of the measurements of economic development in a low-income economy like Nigeria is the increase in the nation's level of capital stock. Nigeria may increase the amount of capital stock by incentivizing and encouraging capital inflows, and this is done more commonly through the attraction of foreign direct investments, or FDIs. It has been widely discussed and upheld that amongst various forms and modes of capital inflows, FDIs are favoured in particular because of its long-term durability and commitment to a host of countries economy and would be less susceptible to short term changes in market conditions, therefore ensuring a certain level of continuity and stability in the money flow. However, many developing economies have tried to restrict, and even resist, foreign investments because of nationalist sentiments and concerns over foreign economic and political influence. One pertinent reason for this sentiment is that many developing countries, or at least countries with a history of colonialism such as Nigeria, fear that foreign direct investment may result in a form of modern day economic colonialism, exposing host countries and leaving them and their resources vulnerable to the exploitations of the foreign company.

While FDIs may increase the aggregate demand of the host economy in the short run, via productivity improvements and technological transfers, critics have also raised concerns over the efficacy of purported benefits of direct investments. This theory follows the rationale that the long-run balance of payment position of the host economy is jeopardized when the investor manages to recover its initial outlay. Once the initial investment starts to turn profitable, it is inevitable that capital returns from the host country to where it originated from, that is the home country.

The key implication is this: While the levels of FDI tend to be resilient during periods of economic uncertainty, it has the potential of adversely affecting the net capital flow of a developing economy especially if it does not have a healthy and sustainable FDI schedule.

It is also often argued that FDIs generate negative externalities in the labour market of the host economy. Why so? All firms are profit maximizing entities, and one way to achieve this is often the most direct approach of cost reduction. FDIs may enter the host country for unique strategic reasons but there is ultimately the need to achieve returns on investments.

Evidence shows that multinational companies do pay a slight premium over local-term wages, but does this really benefit the host economy? Paying a premium for the price of labour may improve the consumption power of workers, but it also has the detrimental ability of disrupting the local employment market. When prices rise, supply increases while demand falls. Similarly, when the price of labour increases, this creates a distortion; which creates disequilibrium in the labour market. Job matching stops being efficient and may even create unemployment as the case of Nigeria.

FDI may increase inflation slightly and domestic firms may suffer if they are relatively uncompetitive. If there is a lot of FDI into one industry e.g. the oil industry, then a country like Nigeria can become too dependent on it and it may turn into a risk.

#### **4.2.3 BENEFITS OF FDI TO NIGERIA**

FDI offers several benefits to Nigeria. These often manifest in the form of increased domestic investments, exports and economic growth. Consequently, economies, especially Nigeria have instituted policies to further promote FDI. However, experiences have shown that the development goals of many of these economies require more than mere aggregate macroeconomic growth. Specifically, it has been argued that they need to pay close attention to how FDI engenders growth and the impact of this on other socio-economic factors. This is important for transiting from economic growth to development.

For a country like Nigeria, that is keen on FDI inflow it is important to develop a robust framework for measuring and analyzing the developmental impact of FDI on its economy and citizens. This is particularly relevant given the huge gap between the country 's high economic growth and low performance in the areas of employment, poverty reduction, and human development, among others. What follows is a review of ways by which Nigeria can benefit from FDI in the areas of poverty, inequality and unemployment

reduction as well as enhance its favorable impact on gender, education, skill and technological transfer, and environment and tax revenue.

**Employment:** FDI has the potential to generate employment both directly, those employed by the FDI Company, and indirectly, those working in its servicing companies. It has also been found that when Nigerians are found in management positions, there is greater diffusion of skills which improves the quality of labour. In addition, local workers gain from increased employment if the adopted technology is labor-intensive as opposed to capital-intensive technology that requires fewer workers.

**Labor compensation:** Multinational corporations (MNCs) may use higher pay to attract highly-skilled local workers and ensure quality and productivity, given the higher cost of monitoring from abroad. Better incentives may also be used to reduce staff turnover and minimize the risk of their productivity advantage spilling over to competing firms. Therefore, FDI has the potential to increase the average wage in the recipient firm and thereby reduce poverty. Conversely, evidence exists that in some countries where FDI generates employment, it may be to the benefit of the more educated, wealthy elites and urban citizens. There are also accusations that MNCs employ unfair competition when taking advantage of low wages and labor standards in the host country and sometimes violate human and labor rights, especially in developing countries where governments fail to enforce such rights effectively.

**Gender:** FDI improves the socio-economic status of women. This affects the general society as women's earnings are mostly expended on improving the health and nutritional well-beings of their children. However, some studies have shown that FDI has led to the socio and political exclusion of women in Nigeria

**Environment:** It is possible for FDI to reduce environmental problems, thereby contributing to sustainable development in the host country. This often results from the accessibility of MNCs to modern and environmental-friendly technology. The immediate host community of FDI projects can also benefit from some corporate social responsibility activities of the MNCs. However, sizeable FDI is found in extractive industries and this has significant environmental impact. It has therefore been shown that there is the likelihood for MNCs to relocate to countries where environmental regulations are lax or non-existent.

**Backward linkage with local firms:** Domestic firms in Nigeria benefits immensely from FDI inflows. This often arises from their collaboration in the supply chain and through engagement in subcontracting arrangements with foreign-owned firms. They can also have access to knowledge transfer when they recruit workers with experience in foreign firms and through competition. Joint ownership is another avenue by which local firms benefit from FDI.

**Government revenue:** It is expected that FDI will lead to an increase in tax revenue with which the government can improve on the socio-economic status of its citizens. For this to be possible, it is however important that the tax system be attractive. There must also be policies in place which ensure that the tax revenue is really collected and that such revenue is used to finance poverty alleviation programs.

### **Lessons for Nigeria**

The foregoing suggests that FDI inflow is desirable, thereby justifying Nigeria 's efforts at attracting foreign capital. A major argument is that in addition to the mere quantitative macroeconomic impact, Nigeria needs to evaluate other developmental contributions of the type of FDI it is attracting. Evidence abounds that FDI has the potential to do this. However, preferences should be accorded to FDI inflows that:

- Generate employment: the more labour-intensive the better
- Create an enabling environment for skill acquisition
- Do not take advantage of poor local labour, law and enforcement to pay low wages and violate labour rights
- Allow for the inclusion and growth of women and groups with special needs
- Adopt environmentally-friendly technology
- Contribute to community development
- Invest in non-extractive sectors; since a sector like oil has a significant environmental impact
- Do not take undue advantage of poor, local environmental regulations
- Are willing to employ local firms in the supply chain and joint ventures
- Do not stifle local competition
- Foster responsible business environment with technical and credit assistance to local firms
- Do not evade tax through transfer pricing and other illicit financial flow activities

<https://www.proshareng.com/news/Nigeria%20Economy/Socio-economic-Impact-of-Foreign-Direct-Investment--Lessons-for-Nigeria-/24863>

#### **4.2.4 Categories of FDI Nigeria requires for Rapid National Development.**

The government in 2017 has planned over 40 capital projects spanning roads, railways, aviation, power, agriculture, housing, water, education and health in the various geopolitical zones of the country. In addition to targeted social investment, this aligns with recent trends in national investment policies that attract Foreign Direct Investment (FDI) to non-oil sectors.

According to the United Nations Conference on Trade and Development (UNCTAD), global FDI flows increased 36 percent in 2015 to an estimated \$1.7 trillion, their highest level since the Global Financial Crisis of 2008-2009. Developing Asia accounted for one-third of the FDI flows last year. The reason is clearly understood by students of international investment. Asia has been the growth engine for manufacturing and services FDI, with services FDI stock in the region increasing from about \$800 billion in 2001 to \$3.5 trillion in 2012.

But despite the jump in global FDI flows last year and the record inflows to developing countries, foreign investment in Africa's real economy was downbeat. FDI inflows to Africa in 2015 fell 31 percent from \$54 billion recorded in 2014 to an estimated \$38 billion, owing to the slump in commodity prices. While Nigeria's FDI fell 27 percent from \$4.7 billion in 2014 to \$3.4 billion in 2015, South Africa's declined by 74 percent to \$1.5 billion last year, from \$5.7 billion in the previous year.

The decline in FDI to the region correlates with weakening economic growth. GDP growth rate slowed to 4.5 percent in 2014, and it further declined to 3.5 percent last year – which is way below average 6 percent recorded in the decade before oil prices began to plunge nearly two years ago, As the outlook of oil prices remain low, projections of the continent's GDP growth in 2016 by the African Development Bank, the IMF and the World Bank range from 3 percent to 3.7 percent.

Are there policy choices that Nigeria can deploy to disentangle the negative correlation between declining output and fiscal imbalance caused by low oil revenue? The answer is a bold yes. Attracting more investment into the non-oil sectors will offset the current decline in total output and avoid the looming stagflation, a phenomenon caused by a combination of rising inflation, slower real economic growth, and a tight job market.

As the Asian story has proved, investment in infrastructure and improvement in human capital is key to attracting strong FDI in the non-oil sectors. Nigeria needs to increase the stock of FDI in transportation, power and communication infrastructure, as well as in agriculture and services. Data for the most recently available year (2015) provided by UNCTAD shows that between 2002 and 2012, Nigeria's services sector attracted \$30 billion or 39 percent of Nigeria's total FDI stock in that period. This is largely attributable to the liberalization of the telecommunications sector and the expansion of the Nigerian banking sector as a result of the banking consolidation that occurred in the mid-2000s.

However, this is still low, compared to the regional and global average of services FDI which is 63 percent. In Morocco, services account for more than 60 percent of FDI stock, which has driven the North African country to become a key services hub in the region. Major multinational enterprises have located their regional headquarters in Casablanca's "Finance City". South Africa's services sector accounted for 51 percent of FDI inflows in 2014.

The objective of reforming Nigeria's investment policy includes liberalization of the non-oil sectors of agriculture, manufacturing, services and their value chains. From all indications, the current administration is working hard to improve international investment relations with Nigeria to achieve stability and predictability, and to reduce corruption in the process. These are important elements in facilitating long-term investments and also ensuring the protection of those investments.

The Nigerian manufacturing sector has seen expansion since the implementation of the National Automotive Industry Development Plan (NAIDP) in 2013. With investments being made by global

automakers like Peugeot, Nissan and Hyundai, Nigeria is seen as an emerging automotive manufacturing hub in Africa.

More is being done by the current Administration to strengthen the national investment policy framework as seen in the establishment of Public Private Partnerships for major capital projects. The government of President Muhammadu Buhari plans to concession the country's four busiest international airports in Lagos, Abuja, Port Harcourt, and Kano for the optimal performance of the country's aviation sector. According to the National Bureau of Statistics, the four airports handled about 1,060,186 international passengers in the fourth quarter of 2015.

Also, the Nigeria Sovereign Investment Authority (NSIA), the government's agency that manages the Nigerian Sovereign Wealth Fund plans the concession of the Second Niger Bridge, to which about N13 billion has been allocated in the 2016 budget. The Lagos State government is also ramping up infrastructure projects with the newly signed concession contract to build the much-awaited 4th Mainland Bridge to ease the traffic gridlock in the sprawling economic capital of Nigeria.

China, the world's largest investor in 2014, is supporting the Nigerian infrastructure investment plan with a \$6 billion credit and a \$15 million agricultural assistance for the establishment of Agricultural Demonstration Farms across the country with the aim to boost food production. But there is more to learn from China in terms of leveraging Special Economic Zones (SEZs) to attract non-oil FDI, increase employment, export and national GDP.

According to a World Bank definition, SEZs cover a broad range of zones, such as free trade zones, export-processing zones, industrial parks, economic and technology development zones, high-tech zones, science and innovation parks, free ports, enterprise zones, and others. These zones have contributed in bringing new technologies to China. SEZs also accounted for 22 percent of China's GDP and 46 of the country's inward FDI as of 2010.

SEZs have been implemented in different African countries, including in Nigeria, since 2009. However, they are few and far between and have had limited impact in terms of achieving their objectives.

With new investment incentives that come with these economic zones, establishing at least one zone in every state of the federation will be a viable strategy to grow FDI inflows to Nigeria, boost technological innovation in the country, reduce unemployment, revitalize exports, increase government's non-oil revenue, and achieve much-needed fiscal balance. <http://www.financialnigeria.com/attracting-fdi-to-nigeria-s-non-oil-sectors-blog-138.html>

#### 4.2.5 Factors that Aid FDIs

The following factors aid FDI inflows in Nigeria:

The market size of Nigeria plays vital role in attracting foreign investment, especially, when Nigeria permits the exploitation of its economies of scale.

The labour cost is one of the most important factors in considering investment location, especially when it is an export oriented investment. The risk of investing in Nigeria can be measured from its political and economic stability, which creates strong impact on FDI inflows.

The relative openness of Nigeria economy also plays crucial role in attracting FDI who are desirous of investing in developing economies. The Nigerian Investment Promotion Commission Act laid out the framework for Nigeria's investment policy. Under the Act, 100% foreign ownership is allowed in all industries except for oil and gas, where investment is constrained to existing joint ventures or new production-sharing agreements. Investment from both Nigerian and foreign investors is prohibited in a few industries crucial to national security: the production of arms and ammunition, and military uniforms. Investors can repatriate 100% of profits and dividends.

The existence of fair and effective legal system with the presence of an efficient banking structure contributes a lot in directing more FDI inflow into Nigeria.

#### Current Directions

Investors from all over the world captivated by the high rates of return have now set their sights on the Federal Republic of Nigeria. As Africa's most populous country, Nigeria also boasts of the continent's largest oil reserves and has a very promising growth outlook. Poised to eclipse Africa's largest economy by 2017, Nigeria is becoming a rather worthy recipient of foreign capital, receiving anywhere from \$10-\$12 billion per year. However, in order to take full advantage of what foreign investment has to offer, Nigeria must first improve on its economic and political climate.

Nigeria has a difficult road ahead should it want to achieve the economic growth and stability that it seeks. Nigeria's development plan is simple in theory, yet difficult in practice giving its poor track record. Due to its long history of economic mismanagement, corruption, incompetent leadership, political instability and

poor infrastructure, Nigeria has numerous obstacles that collectively deter foreign direct investment. Thus, at a fundamental level, Nigeria needs to create an environment that is conducive to foreign investment and healthy economic growth.

To do so, Nigeria must address each of these impediments to growth through extensive political and economic reform. First, there must be a dramatic and comprehensive restructuring of Nigeria's economy. Currently, petroleum and petroleum products account for 95% of Nigeria's exports. Such a heavy reliance on rich mineral reserves makes Nigeria highly vulnerable to volatile economic fluctuations. A fall in commodity prices can have a potentially devastating impact on the country's terms of trade, and thus on the economic well-being of the nation.

Therefore, in order to achieve greater macroeconomic stability and diminish its vulnerability to commodity prices moving forward, Nigeria must reduce its dependence on oil and natural gas. It would be best for Nigeria to develop and promote its non-energy exports, which include manufacturing, knowledge-based services, and agriculture. At this point, manufacturing and services accounts for only one-third of Nigeria's GDP as compared to upwards of 80% for other more diversified African nations. Through a greater diversification of the economy, Nigeria can also diversify the distribution of the FDI it receives. Up until now, Nigeria's FDI inflows have been almost exclusively in the natural resources sector, specifically in the oil and natural gas industries. However, such a concentration in FDI limits technology transfer and inhibits job creation, due to the capital-intensive nature of the extraction process. Should Nigeria attract FDI in other sectors, including manufacturing, tourism, consumer products, and construction, these new FDI projects could generate greater employment and create more balanced economic growth.

Next, should Nigeria seek to develop these other segments of its economy, it must address its infrastructure problem. Infrastructure in Nigeria is largely publicly owned, and thus poorly maintained. Inadequate telecommunications, power generation and distribution networks, ports, roadways and railways all deter investors, as well as push up unit labour costs, offsetting any potential comparative advantage Nigeria has in that particular industry. For Nigeria's manufacturing sector to be efficient, sound infrastructure is needed in order to keep transportation costs low.

Recently, Nigeria has also undertaken initiatives to reduce its reliance on fossil fuels in favour of renewable energy sources. Wind, solar, and geothermal power have all been identified as potentially promising areas for growth and investment. Nigeria's first ever wind farm, consisting of 37 wind turbines is set to go operational. Financed by a Japanese agency, the project should contribute approximately 10 MW of

electricity. Similarly, Nigeria has also begun an 800kW solar panel project which is expected to supply electricity to one of the nation's universities.

An ongoing skills deficit also poses a problem for African nations like Nigeria. Nigeria is in desperate need of educational reform to improve the value of human capital, raise productivity, and ultimately increase wages. Nigeria's labour force is growing rapidly, but with lagging literacy rates and the lack of necessary skills, investors remain wary. To be fair, however, Nigeria, as well as other African countries, is already making progress in this regard, as productivity is growing at a rate of 3% per year in Africa, which outpaces that of America by 7%.

The nature of African markets, namely the restricted movement of capital and human resources across borders has also posed concerns for foreign investors. Because of this, trade is quite low between African nations since on average, 80% of African exports go to non-African countries. To mitigate this, Nigeria, as well as other African nations has begun to liberalize its economy by reducing tariffs, import restrictions, and other trade barriers. In doing so, Nigeria promotes increased competition and boosts intra-African trade. More importantly, these measures allow more nations to reap the mutual benefits from trade and attract greater foreign investments now that African markets are more integrated.

Institutionalized economic reform programs like the National Economic Empowerment and Development Strategy (NEEDS) will be essential for Nigeria moving forward. NEEDS seek to liberalize the economy, promote private enterprise through increased privatization and lowering corporate taxes, reduce corruption, diversify Nigerian exports, improve education, develop sound infrastructure, and ultimately reduce poverty and increase standards of living. NEEDS provide a tangible agenda that helps Nigeria stay focused on reaching its development goals.

Political reform is paramount, as political stability will be a key component in attracting foreign investment in the future. With a fragmented, multi-cultural society consisting of 250 ethnic groups, rival factions competing for power oftentimes create a politically unstable climate. Meanwhile, Radical Islamist groups like Boko Haram, which has killed hundreds in violent attacks in recent times, further discourage investors by increasing political instability and jeopardizing the return on investment.

What's more, Nigeria is considered one of the top 40 most corrupt nations in the world, particularly in its dealings with the oil industry. The most recent fuel subsidy scandal involving Nigerian oil companies and Nigerian officials, which lasted three years and cost the country \$6.8 billion is representative of the larger,

omnipresent problems of corruption, weak leadership, and economic mismanagement. Overall, through strengthening its democratic institutions, Nigeria can help tackle corruption, maintain political stability, and make good governance a priority.

It is important to recognize that increased foreign direct investment is not limited to Nigeria alone. Rather, other African nations— among them Tanzania, Ghana and Mozambique—have also experienced a recent increase in capital inflows. As a whole, the African continent is inviting more and more FDI than ever before.

The vastly under- realized productive potential of many of these African nations, coupled with an expected GDP growth rate of around 6% over the next couple of years, makes Africa a very attractive prospect for investment.

For example, in Mozambique, U.S. energy companies are seeking investment opportunity in its energy industry, given its recent discovery of substantial offshore reserves in the Rovuma oil field. In fact, in an effort to penetrate this lucrative East African market, American oil giant, Shell has just offered \$1.6 billion to buy African oil explorer Cove Energy, who has an 8.5% stake in the Rovuma field. Italy's biggest oil company has a \$50 billion natural gas project in place in the area as well. Tanzania is also actively encouraging foreign direct investment, with the establishment of a gas-fired power plant and power transmission lines currently in the works. Likewise, the recent discovery of two giant oil fields in Ghana has caused a surge in investment, particularly from the Chinese. Foreign investors from Brazil, Turkey, Malaysia and India are also eagerly investing in Africa, primarily in the natural resource sector, but also increasingly in the manufacturing and service sectors.

Curiously, despite these efforts and a rather promising growth outlook, Africa attracts just 5% of global FDI projects. This further emphasizes the need to address the primary factors impeding foreign investment and to improve upon the key drivers of economic growth.

As evidenced by its complexity and the dynamic nature of a globalized economy, economic prosperity is not a simple task. Instead, it is a gradual progress requiring good governance, coordination, cooperation, and patience. Although Nigeria has emerged as a capable candidate for foreign investment, and has made significant strides in the right direction thus far, the process is by no means complete. Whether Nigeria and the rest of Africa for that matter can attract a greater share of global investment and achieve these huge ambitions in the long run still remains to be seen.

The Economic Development in Africa Report indicated that governments, including Nigeria face a major dilemma. On one hand, structural transformation is necessary for achieving substantial and broad-based improvements in human well-being. On other hand, structural transformation, together with rising affluence and a growing population will necessarily intensify environmental pressures because of the increasing demand for natural resources including both material and energy inputs used in production, the expanding magnitude of waste and pollution, and the growing reliance on non-renewable resources.

According to the report, this dilemma can be resolved by employing a development strategy called sustainable structural transformation. This involves the adoption of deliberate, concerted and proactive measures to promote structural transformation and the relative decoupling of natural resource use and environmental impacts from the growth process. Decoupling refers here to using fewer resources per unit of economic output (i.e. increasing resource productivity or resource efficiency) and mitigating the environmental impact of any resources that are used or economic activities that are carried out.

Also, set of stylized facts on resource use and productivity in Africa is based on the first comprehensive, comparative and quantitative study on the levels, trends and composition of resource use in Africa.

The Report discusses why a strategy of sustainable structural transformation is important and how strategic priorities for decoupling can be identified. It can be argued that essentially an appropriate enabling environment, including support measures such as increased aid for the energy sector and enhanced technology transfer mechanisms, be created at the international level in order to support Africa in achieving sustainable structural transformation.

Over the past three years, the flow of investment into the country has been declining due to issues in the economy, which have made Nigeria not to be the darling of foreign investors again,

The Nigerian economy recorded a total decline of \$11.68bn (N2.3tn) in investment inflow in the last three years, since 2013, the country had been experiencing persistent decline in the value of direct and portfolio investments. For instance, figures obtained by the National Bureau of Statistics stated that as of 2013, the country had a total investment inflow of \$21.32bn (N4.2tn).

This figure, according to an analysis of the report, declined to \$20.72bn (N4.08tn) and \$9.64bn (N1.89tn) in the 2014 and 2015 fiscal periods respectively. Cumulatively, between January 2013 and December 2015, the country recorded total investment inflow of \$51.7bn (N10.18tn).

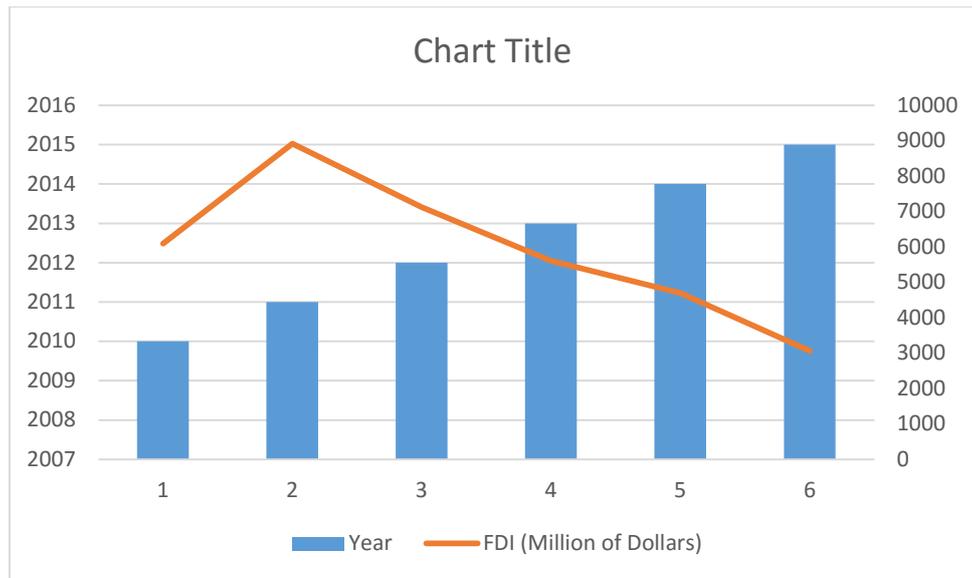


Figure 8. Foreign direct investment; net inflows in Nigeria (source: UNCTD World Investment Report 2016)

## CHAPTER FIVE

### 5.1 APPROACH AND METHODOLOGY

#### 5.1.1 Research Methodology

This research attempts to investigate the trends in Foreign Direct Investments into Nigeria and the effects of Cybercrime on National Development as a result of either a downward or upward sloping trend. The methodology adopted for the investigation was through Secondary Research. Data necessary for the line of investigation was obtained and collated through desk research using the internet and also obtained directly from the Central Bank of Nigeria and National Bureau for Statistics.

The investigations intend to answer the following questions

1. Are there Foreign Direct Investments in Nigeria?
2. What Foreign Direct Investments are there in the country?
3. What Sectors of the Nigerian Economy carry out the most Foreign Direct Investments?
4. Do the trends in Foreign Direct Investments to the country show an increase or decline and how has this affected National Development?

Based on the questions listed above, quantitative data gathered was categorised into the following

- Capital importation by country;
- Capital importation by location of investment;
- Capital importation by nature of business;
- Capital Importation by type of foreign investment;

This research mainly relies on a quantitative oriented method with the use of numerical and statistical data in the form of monetary values. This is especially done to trace the characteristics of Foreign Direct Investments on a national level.

According to Vivek Bhaskaran, co-Founder, Survey Analytics Inc, the Trend Analysis module allows the researcher plot aggregated response data over time. This is especially valuable, if you are conducting a long running survey and would like to measure differences in perception and responses over time.

The following data points can be measured (Y-Axis)

1. Mean and Mean Percentile
2. Standard Deviation and Variance

The "Time Factor" (X-Axis) can have the following granularity

1. Daily
2. Weekly
3. Monthly

4. Quarterly (Jan-Mar, Apr-Jun, Jul-Sept, Oct-Dec)
5. Yearly

Trend Analysis can be extremely valuable as an early warning indicator of potential problems and issues with product line and service level changes that impact customers. If you see a dip in the "mean" for a Continuous Variable satisfaction question after a particular "marketing event" you can immediately start investigating the dip and explore causes of the decrease in satisfaction levels. It can also be used to gauge response rates over time.

Marketing events can be anything from product or service enhancements and upgrades to general communications to customers. A good example is a "website usability upgrade" - many organizations go to great lengths to make their website more usable, but fail to assess impacts before and after the upgrades. A "Customer Pulse" survey that asks visitors to rate the website on a 7pt scale should have a mean that is flat before the upgrade. After the upgrade, Trend Analysis can reveal the "jump" or "decline" in satisfaction levels of your customers. This can also be used to simulate, by using focus groups or a representative sample, the potential increase or decrease in satisfaction levels. This data can be further used for various cost/benefit analyses.

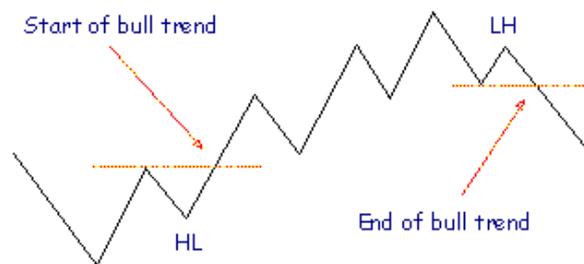
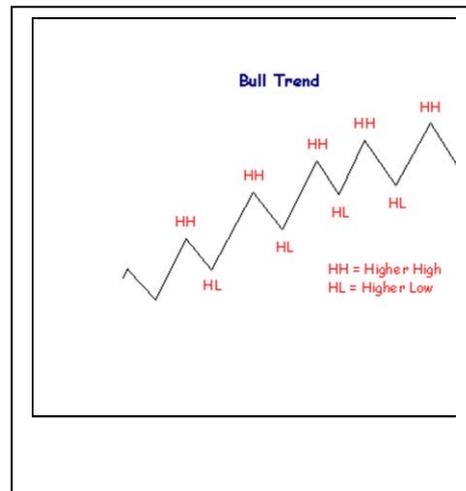
Trend Analysis can only be performed on "Quantitative" question types like Multiple Choice, Rank order and Constant Sum. Questions that have textual input (Qualitative) cannot be used for trend analysis. Dow recognized that trends changed when the pattern of peaks and troughs reversed. A bull trend is identified by a series of rallies where each rally exceeds the highest point of the previous rally. The decline between rallies ends above the lowest point of the previous decline. A series of **successive higher highs and higher lows**.

The start of an up-trend is signalled when price makes a higher low (trough), followed by a rally above the previous high (peak):

**Start = higher Low + break above previous High.**

The end is signalled by a lower high (peak), followed by a decline below the previous low (trough):

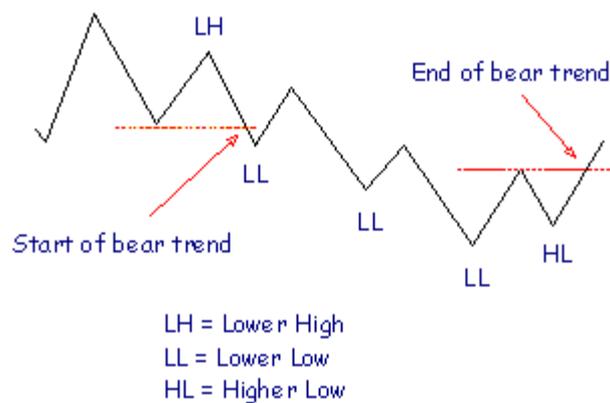
**End = lower High + break below previous Low.**



In an instance where a series of higher Highs and higher Lows is first broken by a lower Low? There are two possible interpretations.

**Bear Trends:** Each successive rally fails to penetrate the high point of the previous rally. Each decline terminates at a lower point than the preceding decline. A series of **successive lower highs and lower lows**.

### Bear Trend

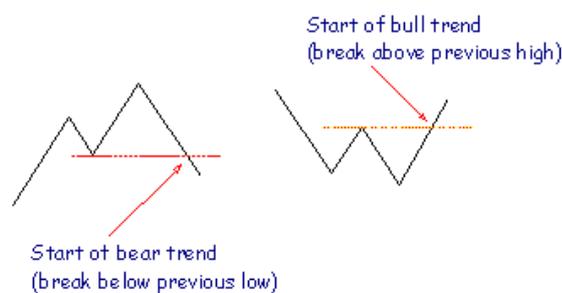


A bear trend starts at the end of a bull trend: when a rally ends with a lower peak and then retreats below the previous low. The end of a bear trend is identical to the start of a bull trend.

What if the series of lower Highs and lower Lows is first broken by a higher High? This is a gray area - see Large Corrections below.

**Large Corrections:** A large correction occurs when price falls below the previous low (during a bull trend) or where price rises above the previous high (in a bear trend).

### Large Corrections: Start and End of Trends



Some purists argue that a trend ends if the sequence of higher highs and higher lows is broken. Others argue that a bear trend has not started until there is a **lower High and Low** nor has a bull trend started until there is a **higher Low and High**.

For practical purposes, **only accept large corrections as trend changes in the primary trend.**

- A bull trend starts when price rallies above the previous high;
- A bull trend ends when price declines below the previous low;
- A bear trend starts at the end of a bull trend (and vice versa).

A trend should always be treated as intact until there is a clear signal that the opposite trend has started.

### 5.1.2 Research Methodology Design

The research method was designed as thus:

**Judgment sample:** is a type of non-random sample that is selected based on the opinion of an expert. Results obtained from a judgment sample are subject to some degree of bias, due to the frame and population not being identical. The frame is a list of all the units, items, people, etc., that define the population to be studied.

Judgmental sampling is a non-probability sampling technique where the researcher selects units to be sampled based on their knowledge and professional judgment. This type of sampling technique is also known as purposive sampling or authoritative sampling.

This sampling technique is used in cases where the specialty of an authority can select a more representative sample that can bring more accurate results than by using other probability sampling techniques; more appropriately if one is interested only in the specific cases studied in which the focus is often to understand complex social phenomena. The process involves nothing but purposely handpicking individuals from the population based on the authority's or the researcher's knowledge and judgment.

**Literature review:** To put together this report, a lot of relevant literatures on the topic were reviewed. This was mainly done through the use of the internet as the source of the literature review. The works of both Nigerian and non-Nigerian authors and researchers were reviewed. The reports of international financial institutions such as the World Bank, International Monetary Fund and United Nations Trade and Development as well as local financial institutions such as the Central Bank of Nigeria were also reviewed.

**Personal interview:** Personal interview of notable international personalities was another method employed in gathering the information for this report. Most of the people interviewed have operated their businesses in Nigeria before relocating abroad to pursue their dreams.

### 5.1.2.1 Determining Sample Size

**By Countries** A list of 114 countries were also selected based on their association on Foreign Direct Investments into Nigeria

List of Countries							
1	Afghanistan	29	Cayman Islands	57	Israel	85	North Korea
2	Albania	30	China	58	Italy	86	Norway
3	Andorra	31	Congo	59	Japan	87	Oman
4	Anguilla	32	Cote d'Ivoire	60	Jordan	88	Pakistan
5	Antigua and Barbuda	33	Cyprus	61	Kenya	89	Panama
6	Australia	34	Denmark	62	Korea, Republic of	90	Philippines
7	Austria	35	Egypt	63	Kuwait	91	Pitcairn
8	Bahamas	36	Finland	64	Latvia	92	Poland
9	Bahrain	37	France	65	Lebanon	93	Portugal
10	Bangladesh	38	Gambia	66	Libya	94	Puerto Rico
11	Barbados	39	Georgia	67	Liechtenstein	95	Qatar
12	Belgium	40	Germany	68	Luxembourg	96	Republic of South Africa
13	Belize	41	Ghana	69	Malaysia	97	Romania
14	Benin	42	Gibraltar	70	Malta	98	Russian Federation
15	Bermuda	43	Greece	71	Mauritania	99	Rwanda
16	Bhutan	44	Guadeloupe	72	Mauritius	100	Saint Kitts and Nevis
17	Botswana	45	Hong Kong	73	Morocco	101	Sao Tome and Principe
18	Bouvet Island	46	Iceland	74	Mexico	102	Saudi Arabia
19	British Indian Ocean Territory	47	Hungary	75	Monaco	103	Senegal
20	British Virgin Islands	48	India	76	Netherlands	104	Seychelles
21	Burkina Faso	49	Isle of Man	77	Netherlands Antilles	105	Sierra Leone
22	Cameroon	50	Indonesia	78	Niger	106	Singapore
23	Canada	51	Ireland	79	Niue	107	Slovakia
24	Slovenia	52	Taiwan, Province of China	80	Switzerland	108	Turkey
25	South Africa	53	Thailand	81	Syrian Arab Republic	109	United Arab Emirates
26	Spain	54	Togo	82	United Republic of Tanzania	110	United Kingdom
27	United States	55	Uruguay	83	US Virgin Island	111	Zambia
28	Zimbabwe	56		84			

### By Nature of Business and sector

The following sectors were looked into for sample selection based on Foreign Direct Investments to them.

List of Sectors			
1	Industrial Sector	11	Distribution Services
2	Food Products	12	Educational Services
3	Manufactured Products	13	Environmental Services
4	Transport Sector	14	Financial Services
5	Agricultural Sector	15	Health Related and Social Services
6	Minerals	16	Tourism and Travel Related Services
7	Oil Sector	17	Recreational, Cultural and Sporting Services
8	Business Services		
9	Communication Services		
10	Construction and Related Engineering Services		

List of Businesses			
1	Agriculture	12	Marketing
2	Banking	13	Oil and Gas
3	Brewery	14	Production/Manufacturing
4	Construction	15	Servicing
5	Consultancy	16	Shares
6	Drilling	17	Hotels
7	Electrical	18	Telecommunication
8	Financing	19	Tanning
9	Fishing	20	Trading
10	IT Services	21	Transport
11	Weaving		

### By Type of Investments

- Foreign Direct Investment (Equity)
- Foreign Direct Investment (Other Capital)

## **5.2 DATA GATHERING TOOLS & ANALYSIS**

Only secondary data was obtained for the line of investigation directly from the NBS and the Central Bank of Nigeria through request. The tools used for the investigation include the internet for desk research. Site visits were also carried out in the banks to gather physically request data. Desk research was also carried out on the Central Bank of Nigeria's online statistics portal.

Data was analysed employing the quantitative method through trend analysis using excel. The monetary values (y-axes) were plotted against the years (x- axes).

## **CHAPTER SIX**

### **6.1 RESULTS AND INTERPRETATION OF RESULTS**

#### **6.1.1 Results from Data Analysis**

The findings from Secondary Research span across

- Foreign Direct Investments/Capital Importation by countries into Nigeria;
- Foreign Direct Investments by Nature/ Sectors of Businesses;
- Foreign Direct Investments by Location of Business in Nigeria;
- Foreign Direct Investments by type of Investments;

Table. FDI's Capital Importation by Country (culled from NBS quarter three 2016 report)

	2013			2014				2015				2016		
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Afghanistan	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.86	0.71	0.56	0.24	5.00	0.00
Antigua Barbuda	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Armenia	0.00	0.00	0.00	0.00	20.23	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Australia	0.02	0.01	0.00	1.12	0.00	0.00	2.60	0.00	0.00	0.02	2.54	2.41	0.00	0.00
Austria	0.00	0.00	0.27	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.08	0.00
Bahrain	0.76	0.00	0.00	0.00	0.00	0.58	0.00	0.00	1.10	0.42	0.00	0.00	0.00	0.00
Belgium	523.45	314.59	221.97	167.40	373.69	333.03	79.96	86.44	186.02	41.83	22.27	16.06	21.95	21.31
Benin	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.00	0.00	0.00
Bermuda	0.00	0.50	0.00	0.22	0.11	7.07	0.00	0.00	0.85	0.53	2.47	1.09	0.00	0.00
Botswana	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.55	0.50	0.00	0.00	0.00	0.00
Brazil	0.00	1.00	0.00	0.00	0.75	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
British Virgin	9.05	12.59	7.40	3.78	2.36	18.12	20.83	5.68	0.95	2.98	3.23	15.38	2.24	5.19
Brunei	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.01	0.00	0.00	0.00
Bulgaria	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.30
Cameroon	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.01	0.00	0.00	0.09	0.00
Canada	0.00	0.19	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.00	0.00	0.14
Cayman Islands	22.36	7.18	0.00	0.05	6.74	0.00	4.99	13.82	16.24	5.71	0.47	0.75	0.00	6.14
China	45.73	5.04	0.01	109.72	4.61	0.79	1.77	1.88	0.70	3.75	3.98	0.96	0.66	5.32
Cyprus	11.16	6.18	9.38	0.33	1.03	1.64	2.72	3.10	18.10	1.97	8.30	0.94	0.00	0.00
Czech Republic	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	0.00
Denmark	0.15	0.40	0.18	0.00	0.00	0.00	0.04	0.00	0.00	0.00	0.03	0.00	1.46	0.11
Egypt	0.00	0.00	3.03	0.54	1.42	51.00	282.13	0.00	73.22	58.27	0.00	3.75	3.76	1.58
Finland	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.00	0.00	0.00
France	12.88	13.23	35.01	33.57	89.75	74.40	45.12	12.95	105.47	36.98	7.02	7.14	40.29	10.97

**Capital Importation by Country of Origin (\$ million) cont.**

	2013			2014				2015				2016		
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Germany	19.80	157.03	113.97	95.27	5.89	12.75	74.98	21.00	5.65	7.44	6.87	12.82	1.65	0.11
Ghana	0.00	0.10	0.65	0.02	0.00	0.07	0.00	0.00	0.00	0.00	0.06	0.05	0.00	0.07
Greece	0.00	0.00	0.00	1.24	0.00	0.00	5.00	0.07	1.66	0.00	0.00	0.00	0.00	0.00
Guinea	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.52	0.00	0.00	0.00
Hong Kong	3.86	45.71	16.01	9.91	4.18	8.25	132.95	1.99	15.92	15.56	5.06	0.58	20.26	9.63
Hungary	0.00	0.00	0.00	0.00	0.00	6.99	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
India	2.97	11.58	1.20	2.02	0.53	2.41	1.70	4.72	0.15	0.05	0.20	0.02	0.48	0.60
Indonesia	0.03	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ireland	0.01	0.00	0.02	0.11	0.99	0.03	0.02	0.03	0.00	0.00	2.08	0.00	0.00	0.11
Isle of Man	102.86	26.50	11.00	98.88	14.38	10.64	19.96	5.13	18.60	5.82	0.00	0.00	0.00	0.00
Israel	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.60	0.00	0.00	0.00
Italy	0.01	0.00	0.00	0.09	0.09	0.16	0.00	0.00	0.27	0.03	3.06	0.59	0.00	0.61
Japan	0.32	0.01	0.02	0.00	0.01	0.00	0.64	0.00	0.95	1.53	0.00	0.00	0.00	1.00
Kenya	0.55	0.00	0.00	0.23	0.55	0.55	0.00	0.00	0.00	0.00	1.35	0.05	0.66	0.54
Kiribati	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.60	0.00	0.00	0.00	0.00	0.00	0.00
Korea, Republic	0.00	0.00	0.00	0.00	0.00	0.00	0.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Latvia	0.00	0.00	0.50	0.93	2.22	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Lebanon	7.19	24.35	8.69	3.29	27.81	8.83	2.00	1.50	1.59	2.91	7.06	2.52	1.37	0.77
Liberia	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00
Luxembourg	2.08	37.58	10.44	19.84	17.23	22.75	16.48	15.57	6.47	21.44	3.15	19.35	8.48	4.67
Malaysia	0.00	0.00	0.00	1.19	3.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Malta	0.00	0.00	0.00	0.00	0.00	1.12	0.00	0.22	0.00	0.00	0.00	0.00	0.00	0.11
Marshall Islands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.31	0.00	0.00
Mauritania	0.00	0.00	0.12	0.00	0.00	2.36	0.88	0.00	0.00	0.00	0.00	0.00	0.00	0.00

## Capital Importation by Country of Origin (\$ million) cont.

	2013			2014				2015				2016		
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Mauritius	140.98	315.56	142.43	103.29	79.34	210.37	99.08	122.21	105.20	113.51	212.67	55.82	28.10	20.65
Morocco	0.00	1.00	0.00	0.00	0.00	0.00	0.00	11.55	0.00	1.65	0.00	1.26	0.01	1.06
Netherlands	36.62	66.60	25.25	107.79	21.92	307.22	116.65	151.77	297.47	267.41	435.32	57.20	68.73	94.44
Netherlands	0.00	0.00	0.00	0.00	0.00	0.00	2.36	0.00	0.00	0.08	13.82	3.69	13.39	0.93
New Zealand	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00
Niger	1.23	0.00	0.00	5.99	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Norway	0.00	0.00	0.00	0.00	0.00	0.00	0.38	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Oman	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Panama	0.00	0.23	0.00	100.00	0.00	0.25	1.00	1.77	0.00	0.00	0.00	0.50	0.00	0.00
Pitcairn	70.00	0.00	0.00	200.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Poland	0.00	0.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00
Portugal	0.00	0.00	0.00	0.00	0.07	0.00	0.00	0.10	0.00	0.00	0.03	0.00	0.00	0.00
Qatar	0.00	0.00	0.00	0.00	0.00	575.02	12.06	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Republic Of	311.78	43.93	54.79	63.63	56.84	124.64	33.12	32.74	74.41	73.61	80.28	83.68	38.52	25.03
Rwanda	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.00
Saudi Arabia	2.90	4.21	7.13	0.00	1.37	375.00	435.53	6.13	14.50	35.00	0.32	21.72	0.24	0.00
Senegal	0.06	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Seychelles	0.00	0.00	0.00	0.00	0.06	0.06	0.08	0.00	0.00	0.00	0.00	0.00	0.10	0.00
Singapore	24.87	46.69	42.19	29.44	18.87	25.78	39.99	3.45	46.43	101.37	8.98	0.34	83.32	32.68
Spain	0.09	0.00	0.00	0.00	0.07	0.20	0.00	0.12	0.22	0.00	0.00	0.40	0.07	0.00
Sweden	1.46	1.75	4.51	12.12	4.18	12.11	30.89	9.53	0.46	1.92	14.52	4.22	5.70	12.16
Switzerland	153.96	52.30	21.91	60.47	60.57	23.59	10.78	43.37	53.88	0.56	19.79	11.29	237.84	19.75
Taiwan, Province	0.00	0.06	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Thailand	0.00	0.00	0.00	0.65	0.00	2.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

**Capital Importation by Country of Origin (\$ million) cont.**

	2013			2014				2015				2016		
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Togo	0.67	0.00	10.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tokelau	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tunisia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.14	0.00	0.00	0.00	0.00
Turkey	0.06	0.26	0.84	0.25	0.01	0.00	0.00	0.86	1.12	2.50	4.15	8.28	5.00	3.00
Uganda	0.00	0.00	0.00	0.00	1.44	0.00	0.00	0.00	0.00	0.00	0.00	0.10	0.10	0.00
Ukraine	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.85	0.00	0.00
United Arab	7.45	12.49	7.45	5.73	5.03	308.06	2.29	5.83	9.51	0.97	44.83	0.55	0.06	18.56
United Kingdom	3025.62	2051.52	2805.67	2133.22	3973.35	2885.59	1945.81	1759.15	1078.85	564.91	431.05	216.19	335.17	1097.59
United Republic	0.00	0.00	0.06	0.00	0.00	0.05	0.00	0.00	0.00	0.00	0.00	0.10	0.00	0.00
United States	1074.41	1158.14	1118.58	531.73	1002.92	1128.70	1074.08	348.27	522.25	1374.91	208.77	159.75	116.40	426.98
Vietnam	0.00	0.00	0.00	0.00	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Zambia	0.25	0.00	0.65	0.50	0.25	0.00	0.25	0.00	1.70	0.00	1.50	0.00	0.00	0.00
<b>TOTAL</b>	<b>5617.66</b>	<b>4418.75</b>	<b>4681.39</b>	<b>3904.55</b>	<b>5803.89</b>	<b>6542.58</b>	<b>4499.74</b>	<b>2671.59</b>	<b>2666.36</b>	<b>2748.10</b>	<b>1556.95</b>	<b>710.97</b>	<b>1042.17</b>	<b>1822.12</b>

*Note: Countries with zero values throughout period reported have been omitted*

Table. FDI's Capital Importation by Sector (\$ million) (culled from NBS quarter three 2016 report)

	2013			2014				2015				2016		
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Shares	3,897.50	3,476.70	3,046.67	2,773.36	4,575.25	4,523.86	1,934.32	1,280.67	1,877.26	1,736.48	831.88	243.53	347.99	646.28
Agriculture	0.32	40.10	24.85	15.08	0.22	0.83	8.19	2.68	0.05	95.10	0.50	0.20	1.00	10.90
Banking	378.83	55.65	94.48	104.93	191.10	330.99	337.16	114.89	360.92	244.24	193.49	107.58	108.11	555.52
Rewiring	15.64	3.82	0.76	-	-	-	-	-	-	9.06	-	11.64	11.32	5.63
Construction	4.33	22.29	2.03	10.63	4.62	4.88	35.56	4.30	3.24	11.10	9.38	10.16	14.95	3.62
Consultancy	0.97	0.51	12.81	2.81	6.96	7.74	8.91	0.70	0.10	0.23	9.56	0.14	0.20	2.14
Drilling	0.04	0.21	0.06	0.01	1.01	39.24	1.00	1.01	0.01	0.13	0.17	-	0.41	0.05
Electrical	1.62	4.46	3.36	5.95	1.79	5.84	2.44	0.83	73.39	0.58	137.52	70.15	12.84	18.65
Financing	606.95	357.56	858.12	345.28	723.14	1,073.83	566.06	763.49	46.54	35.15	13.71	42.57	1.08	36.56
Fishing	-	-	-	0.45	-	0.10	-	-	-	-	0.01	-	3.00	1.00
IT Services	2.52	10.00	16.70	2.50	2.57	1.65	3.25	1.40	5.75	2.02	3.61	1.02	0.63	0.03
Marketing	0.87	0.17	2.36	0.06	-	0.03	-	-	-	0.15	0.80	0.20	-	0.00
Oil and Gas	70.83	1.62	53.65	201.14	3.83	3.16	0.05	9.47	4.86	2.21	13.22	20.83	200.39	171.63
Production	116.33	72.59	32.98	104.07	107.88	365.10	366.92	118.36	51.20	162.42	91.72	77.77	89.42	68.25
Servicing	145.52	105.63	19.22	32.36	53.58	110.49	354.88	6.29	12.83	65.64	115.71	55.05	119.75	36.55
Hotels	0.09	0.08	-	0.57	0.53	1.34	8.83	-	-	1.15	-	0.75	-	0.00
Telecoms	357.79	180.31	355.47	135.68	61.66	27.07	769.92	336.87	138.40	369.49	93.37	13.44	118.71	244.80
Tanning	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00
Trading	17.50	86.94	157.32	169.35	68.11	46.43	101.72	28.54	91.57	6.66	40.77	55.08	12.37	18.95
Transport	-	0.13	0.55	0.30	1.64	-	0.53	2.10	0.24	6.11	1.55	0.86	-	1.55
Weaving	-	-	-	-	-	-	-	-	-	0.20	-	-	-	0.00
<b>TOTAL</b>	<b>5617.66</b>	<b>4418.75</b>	<b>4681.39</b>	<b>3904.55</b>	<b>5803.89</b>	<b>6542.58</b>	<b>4499.74</b>	<b>2671.59</b>	<b>2666.36</b>	<b>2748.10</b>	<b>1556.95</b>	<b>710.97</b>	<b>1042.17</b>	<b>1822.12</b>

Table. FDI's Capital Importation by Type of Investment (\$ million) (culled from NBS quarter three 2016 report)

	2013			2014				2015				2016		
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<b>Foreign Direct Investment</b>	<b>400.91</b>	<b>195.28</b>	<b>121.82</b>	<b>490.69</b>	<b>472.99</b>	<b>544.5</b>	<b>768.86</b>	<b>394.61</b>	<b>211.14</b>	<b>717.72</b>	<b>123.15</b>	<b>174.46</b>	<b>184.29</b>	<b>340.64</b>
Equity	400.80	194.63	113.95	490.39	461.58	544.21	767.83	394.56	211.01	715.86	120.98	173.73	184.21	340.64
Other Capital	0.11	0.65	7.87	0.30	11.41	0.29	1.03	0.05	0.13	1.86	2.17	0.73	0.08	-
<b>Portfolio Investment</b>	<b>4487.5</b>	<b>3735.49</b>	<b>3395.77</b>	<b>2869.19</b>	<b>4917.13</b>	<b>5127.75</b>	<b>2003.1</b>	<b>1860.64</b>	<b>2183.15</b>	<b>1009.13</b>	<b>952.5</b>	<b>271.04</b>	<b>337.31</b>	<b>920.32</b>
Equity	3,934.21	3,532.53	2,719.29	2,260.36	3,875.35	3,770.37	1,542.08	1,139.38	1,846.08	879.97	792.12	201.69	279.81	201.12
Bonds	150.74	31.64	427.65	482.49	731.74	1,000.28	229.48	705.12	50.54	20.34	0.28	1.50	-	369.00
Money market instruments	402.55	171.32	248.83	126.34	310.04	357.10	231.54	16.14	286.53	108.82	160.10	67.85	57.50	350.20
<b>Other Investment</b>	<b>729.25</b>	<b>487.99</b>	<b>1163.81</b>	<b>544.67</b>	<b>413.76</b>	<b>870.32</b>	<b>1727.79</b>	<b>416.34</b>	<b>272.07</b>	<b>1021.26</b>	<b>481.3</b>	<b>265.47</b>	<b>520.57</b>	<b>561.16</b>
Trade credits	-	-	-	14.70	1.37	5.08	0.88	-	-	-	-	-	-	-
Loans	690.61	239.69	920.52	436.41	236.99	349.93	391.00	384.83	153.23	696.38	420.84	241.81	520.19	561.10
Currency deposits	-	-	2.48	-	-	-	-	-	0.99	7.11	-	-	-	-
Other claims	38.64	248.30	240.81	93.56	175.40	515.31	1,335.91	31.51	117.85	317.77	60.46	23.66	0.38	0.06
<b>TOTAL</b>	<b>5617.66</b>	<b>4418.75</b>	<b>4681.39</b>	<b>3904.55</b>	<b>5803.89</b>	<b>6542.58</b>	<b>4499.74</b>	<b>2671.59</b>	<b>2666.36</b>	<b>2748.10</b>	<b>1556.95</b>	<b>710.97</b>	<b>1042.17</b>	<b>1822.12</b>

**Table. FDI'S by Location of Business (culled from NBS quarter three 2016 report)**

Capital Importation	2013 (\$ Million)	2014 (\$ Million)	2015 (\$ Million)
ABIA	0	9.71	0.00
ABUJA (F C T)	119.6	121.14	11.22
ADAMAWA	0	0.11	0
AKWA IBOM	3.8	56.41	14.3
ANAMBRA	3.87	30.29	0
BAUCHI	0	0.22	0
BENUE	0	0	0
BORNO	13	0	0
CROSS RIVER	26.56	0	40.9
DELTA	0.73	57.17	0.01
EBONYI	0	0	0
EDO	12.29	0	8.13
ENUGU	44.46	107.03	0.44
IMO	0	0	0.5
KADUNA	3.3	3.1	7.6
KANO	2.67	0.52	0
KATSINA	0	0	0
KOGI	2.15	0.48	1.77
KWARA	0.38	0	0
NIGER	0	0	0
OGUN	10.28	4.51	7.88
ONDO	0	0	0
OSUN	0	0.13	0
OYO	45.07	4.78	2.86
RIVERS	7.84	5.32	1.5
SOKOTO	0	0	0
YOBE	0.06	0	0

Capital Importation	2013 (\$ Million)	2014 (\$ Million)	2015 (\$ Million)
Zamfara	0	0	0

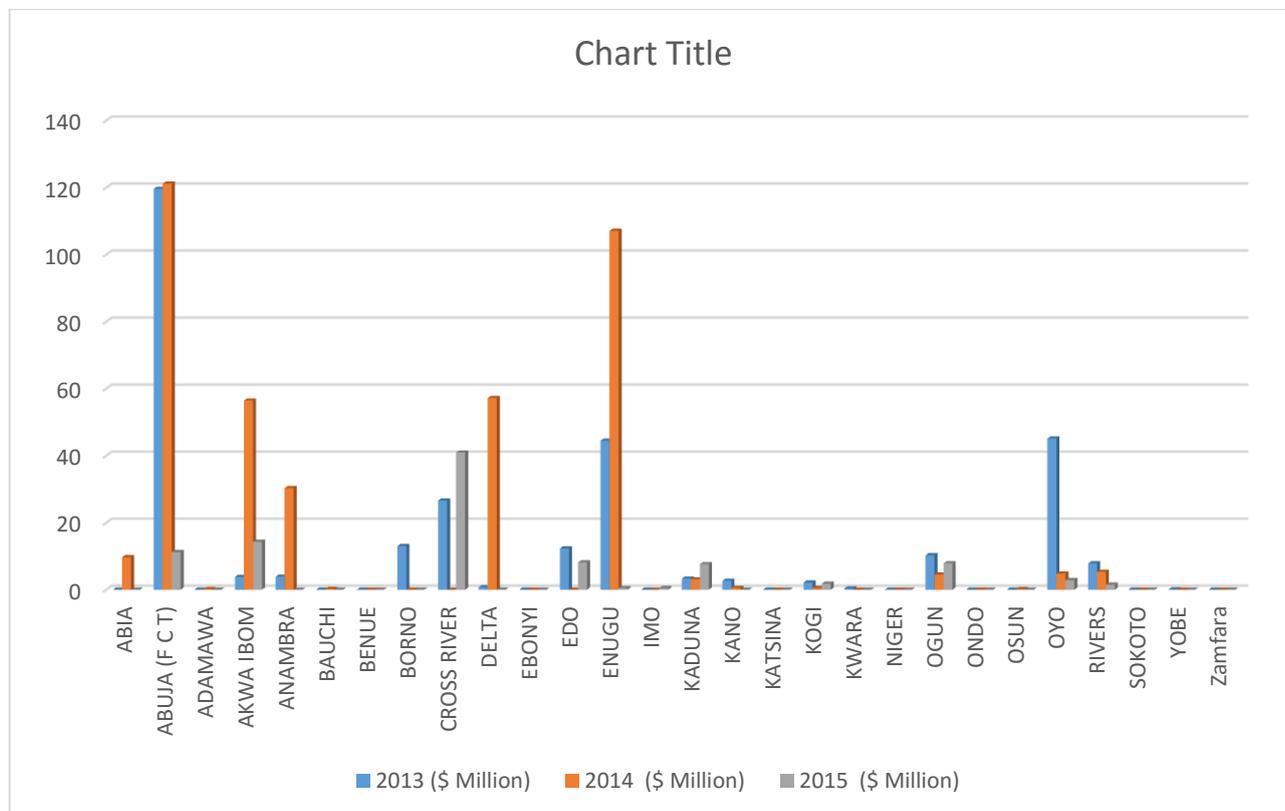


Fig 9. FDI'S by Location of Business (NBS quarter three 2016 report)

### 6.1.2 Current Trend Analysis and Interpretation of Results

The total value of capital imported into Nigeria in the third quarter of 2016 was estimated to be \$1,822.12 million, which represents an increase of 74.84% relative to the second quarter and a fall of 33.70% relative to the third quarter of 2015. The highest level of capital imported was in August, when \$894.00 million was imported, the highest level since July 2015. In September \$649.76 million was imported, which was still more than any month in the first and second quarters. In contrast with the previous quarter, where other loans explained the majority of the increase, a number of investment types contributed to the quarterly increase.

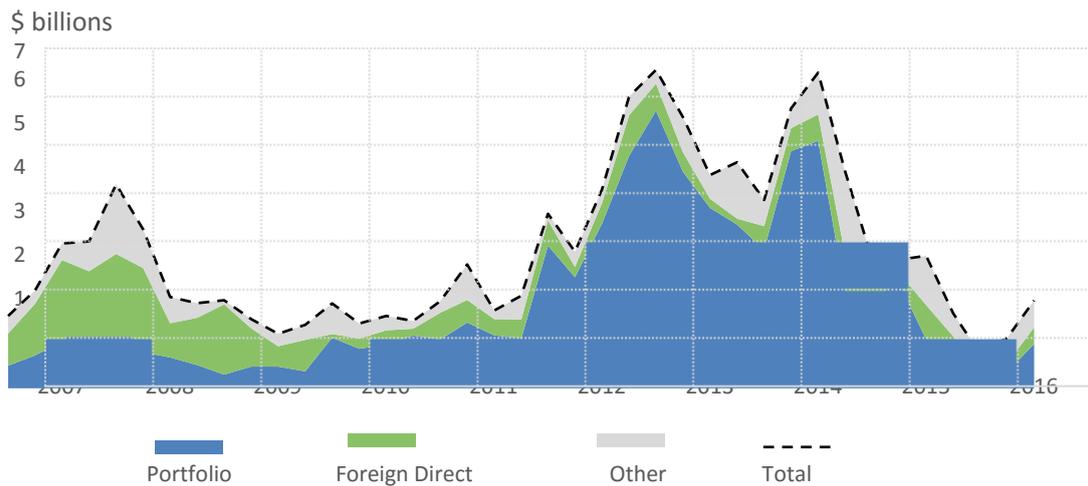


Fig. 10. Total Capital Imported (\$ billions) (NBS quarter three 2016 report)

### Capital Importation by Investment Type

Capital Importation can be divided into three main investment types: Foreign Direct Investment (FDI), Portfolio Investment and Other Investments, each comprising various sub-categories.

In the third quarter of 2016, Portfolio Investment was the largest component of imported capital and accounted for \$920.32 million or 50.51%. Although Portfolio Equity declined by 28.12% relative the previous quarter, this is outweighed by large increases in other types of Portfolio Investment. Bonds increased from zero in the second quarter to \$369.00 million in the third and Money Market Instruments increased from \$57.50 million to \$350.20 million over the same period, an increase of 509.03%. This is the first quarter since 2007 Q2 in which Equity was not the largest part of Portfolio investment. At \$201.12 million this type of Portfolio Investment remains considerably subdued relative to previous highs of \$4930.55 million in the first quarter of 2013 and \$3875.35 million in the second quarter of 2014.



Fig. 11 Components of Portfolio Investment (NBS quarter three 2016 report)

The second largest component was Other Investment, which accounted for \$561.61 million or 30.80%. As in each quarter in the last year, no capital was imported in the form of Currency or Trade Credits. In addition, other claims decreased further to \$0.06 million, which represents only 0.01% of Other Investment, and a decline of 99.98% relative to the same quarter of the previous year. Therefore, this investment type is now dominated by Loans, which increased by 7.86% compared to the previous quarter, to \$561.10 million. Year on year this represents a decline of 19.43%.

As in each quarter over the past two years, FDI accounted for the smallest share of imported capital. A total of \$340.64 million was imported within this component or 18.69% of the total. This was the first quarter on record in which no capital was imported in the form of FDI – Other capital, even if in previous quarters the amount was not significant. As a consequence, only Equity was recorded within the FDI component.

### Capital Importation by Sector

Capital is either imported in the form of shares or directly imported by different sectors of the economy. In the third quarter of 2016 the value of share capital imported was \$646.28 million, which represents an increase of 85.72% relative to the previous quarter. This is slightly larger than for the total value of capital imported and as a result, share capital increased the share it accounted for from 33.39% in the previous quarter to 35.47% in the current which although less than in previous years, is still more than any individual sector. Year on year however, share capital imported declined by 65.57%, and in the third quarter of 2015 shares accounted for 63.19% of capital imported.

The banking sector regained its position as the sector to import the largest value of capital, and

imported \$555.52 million or 30.49% of the total. In over half of the quarters since 2007, the banking sector has imported the most capital, but in the previous quarter of 2016 it accounted for only the fourth most. This changed in the current quarter following an increase of \$447.42 million, which accounts for over half of the increase in total capital imported. Compared to the same quarter of 2015, the value also increased – in contrast with most sectors – by 127.45%.

The sector to import the second largest amount was Telecommunications, which is also usually one of the key sectors involved in capital importation. The value of capital imported by Telecommunications was \$244.80 million, or 13.34% of the total. This represents an increase of \$126.09 million or 106.21% relative to the previous quarter. However, compared to the previous year this is still a decline of 33.75%.

The Oil and Gas sector maintained a high level of capital importation; although it decreased by 14.4% relative to the previous quarter, it is still elevated relative to previous periods at \$171.63 million. This sector is characterized by isolated periods of high capital importation and it is therefore unusual that the level has remained high for two consecutive quarters. This sector accounted for the third highest amount in the third quarter of 2016.

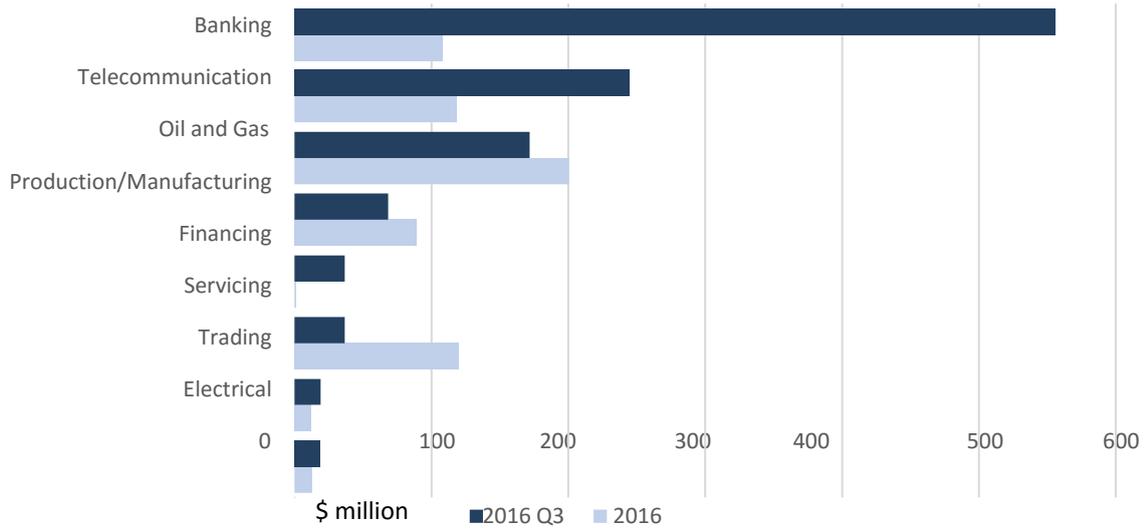


Fig. 12. Capital imported by key sectors in 2016 Q2 and Q3 (\$ millions)  
(NBS quarter three 2016 report)

There were four sectors to record no capital importation in the third quarter of 2016 (Marketing, Hotels, Tanning and Weaving), one less than in the previous quarter. However, there were further two sectors to record a value of less than \$1 million, which were Drilling and IT Services. Eight out of 20 sectors recorded a decline in the value of capital importation, the largest of which was in Servicing, which recorded a decline of \$83.20 million relative to the previous quarter, or 69.48%.

### Capital Importation by Country of Origin

In the third quarter of 2016 there were 34 different countries that were active in investing in Nigeria. This is two more than in the previous quarter, but less than in the same quarter of the previous year when there were 42 countries from which Nigeria imported capital.

The country from which Nigeria imported by far the most capital was the United Kingdom, which accounted for \$1,097.59 million or 60.24% of the total. As well as the existence of an historical relationship between the UK and Nigeria, London (the capital of the UK) is also a key financial Centre, which could help to explain the high value of capital importation accounted for by the UK. Since 2010, the UK has accounted for the highest value of capital importation in all but two quarters (both in the second half of 2015).

The country to account for the second largest value was the United States, which accounted for \$426.98 million, or 23.43% of the total. As in the case of the UK, the US retained its position as the second largest investor into Nigeria in most quarters since 2010. The country also has a large financial Centre in New York, which may explain its importance as an investor. The US and the UK also share an official language with Nigeria which may facilitate investment.

Netherlands accounted for \$94.44 million, or another 5.18% of the total value. These three countries together therefore accounted for roughly nine tenths of total capital imported into Nigeria.

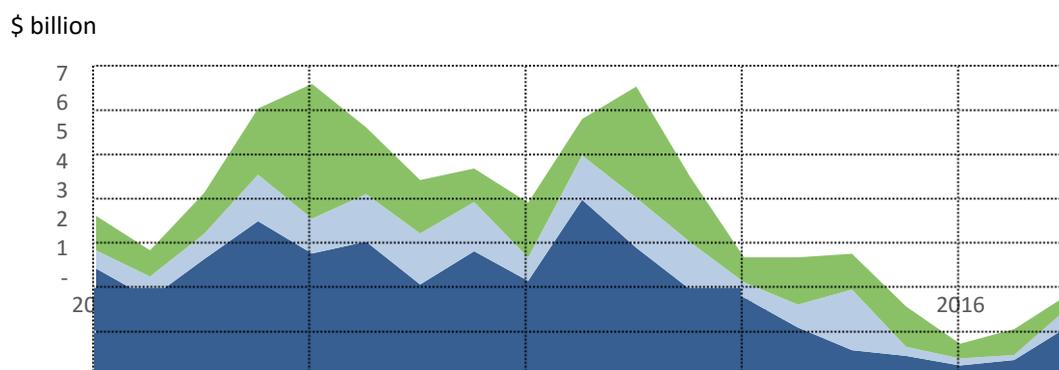


Fig. 13. Capital Importation by Country of Origin (NBS quarter three 2016 report)

## RESEARCH CONCLUSION

The role of the internet in the development of Nigeria's economy and Foreign Direct Investment has well been established. The internet has created a geometric growth and accelerated windows of opportunities for international businesses and the removal of economic barriers hitherto faced by the nation. Considering these limitless advantages of the internet, one can easily subscribe to the fact that it is an important tool for national development and foreign investment in Nigeria. However, cybercrime has become a huge menace threatening foreign investment, socio-economic and technological advancement of Nigeria. Socially, cybercrime activities such as cyber stalking, harassment, blackmail and cyber terrorism are a menace to individual's right to privacy and fundamental freedom. Similarly, cybercrimes like pornography, child predation, online gambling, online prostitution undermines morality in society and puts the society at the risk of breakdown of social norms and values. Cyber- crime has thrown up emergency millionaires or billionaires in Nigeria which is injurious to the national socio- economic development of the country, as most of such funds acquired illegally are not being used productively to promote the economy. The crime has diverted the attention of so many Nigerian youth from undertaking productive activities such as manufacturing, construction as well as large scale farming that would have grown the economy to such criminal activities because of the flamboyant life chances and life styles that it presents.

The prevalence of cybercrime has also created a bad image for Nigeria amongst the committee of nations as one of the most corrupt nations in the world. This tarnished national image affects the way Nigerians and Nigerian businesses are treated abroad with suspicion and extreme caution, as Nigerians are stereotyped to be 419ers (conmen) and hence not to be trusted. Private companies around the world are beginning to take steps geared towards blocking e-mails originating from the country, while financial instruments are accepted with extreme caution. Foreign investors are scared of the country, considering it as risky and unattractive business zone.

Cybercrime has also had an implication in the foreign direct investment advancement into the country, as information flowing from the country is been characterized as questionable because of the criminal elements which make it unreliable, inaccurate and untrustworthy. Indeed, one cannot overemphasize the investment sabotage resulting from cybercrime in Nigeria. In 2014, a report by the South African based Institute of Digital Communication indicates that Nigeria is losing about \$80 million dollars yearly to software piracy alone. Similarly, in 2015, an estimated customer loss of N2,146,666,345,014.75 (\$13,547,910,034.80) was incurred to cybercrime in Nigeria. In highlighting the foreign investment consequences of cybercrime in Nigeria, Folashade and Abimbola, (2013) posits that cybercrime hinders the

foreign investment opportunities of the country as it engenders lack of trust and confidence in profitable transactions, promotes denial of innocent Nigerian business opportunities abroad and causes loss of employment, revenue loss as well as capital flight. Cybercrime impedes national development as it scares away foreign investors due to the low level of confidence it has created for the Nigerian economy. Cybercrime has aided other illicit activities in Nigeria such as intellectual plagiarism, disruption of public services, drug trafficking, and terrorism. From the foregoing, the effects of cybercrimes continue to be evident with many potential negative impacts on the foreign investment and national socio-economic landscape of Nigeria. The summary of these impacts includes the following:

- i. Widespread cybercrime has tarnished the image of Nigeria in the international community thereby portraying the country as “unsafe” for foreign investors;
- ii. Cybercrime has negatively impacted on confidence Nigerians have on the digital economy, thus inhibiting economic growth that comes along with investment from the international community;
- iii. Cyber-attacks against businesses and organizations have damaged organizational reputation and results in loss of customers and revenue of foreign and local investors;
- iv. The measures to combat and respond to cyber-attacks imposes significant costs on businesses thereby making foreign investment non-lucrative;
- v. Financial losses accrued by consumers and businesses resulting from the theft of information and money or extortion, impedes foreign direct investments and national development;
- vi. Nigeria’s critical infrastructure may be targeted by cyber-attacks and this has led to immediate and long term economic losses both to existing and potential foreign investors;
- vii. Cybercrime has the potentials to fuel other criminal activities and increases cost in time and resources for law enforcement agencies;
- viii. Loss of personal financial resources and the subsequent emotional damage.

It is pertinent to state here that although cybercrime is a global phenomenon, the vulnerabilities and impact trends do tend to differ depending on the strength of the measures each country puts in place to combat menace such as cyber laws and cyber protection technologies. Sadly, as shown in the arguments above, Nigeria ranks high amongst the cybercrime impacted countries; however, the country’s response to mitigate cybercrime is still very low due to inadequate cybercrime legislations, limited technology and lack of cyber security experts. The shortage of human capital in cyber-security hence becomes a major vulnerability factor in addressing Nigeria’s security needs to combat cybercrime and cyber threats emanating from cyber criminals. For example, Saulawa and Abubakar, (2014), posits that the Indian

government is earmarking to develop five million cyber security experts in the next three years, while North Korea has already sponsored 15,000 cyber security experts with China having over 25 million cyber commandoes, with Nigeria needing nothing less than one million cyber security experts in the next two years to combat cybercrimes. This should be supported by aggressive mass sensitization of the citizenry and foreign investors on the nature, schemes and tactics utilized by cybercriminals as a means of reducing their vulnerability. Following these submissions, efforts by the government, citizenry and both foreign and local investors geared towards curbing cybercrimes must be reinvigorated as cyber security is crucial for maintaining the continuity of foreign investment inflows, vital social services, and preservation of public trust in information systems and promotion of national socio-economic and foreign investment development in Nigeria.

### **Recommendations**

Following the conclusion reached in this study, the following recommendations have been proffered:

1. The government should pursue aggressive public sensitization against cybercrime using the mass media and the promotion of personal cyber space security should be incorporated in the primary, secondary and tertiary education curriculum;
2. Individuals need to observe simple personal safety rules such as the use of antivirus on their systems against malware, and not disclosing to strangers personal effects and banking details such as credit card pins, bank account numbers, e-mail codes;
3. Government and private sector should provide jobs for young graduates, and where jobs are not readily available, vocational skills and entrepreneurial development programmes should be developed to reduce the number of youths getting involved in cybercrime;
4. Establishment of programs and IT Forums for Nigerian youth: Since the level of unemployment in the country has contributed significantly to the spate of e-crime in Nigeria, the government should create employments for these youths and set up IT laboratories/forum where these youths could come together and display their skills;
5. In order to effectively curb the rate of cybercrime, the government needs to enact enforceable laws to punish offenders;
6. Address Verification System (AVS) checks could be used to ensure that the address entered on an order form (for people that receive orders from countries like United States) matches the address where the cardholder's billing statements are mailed;

7. Software that could track the IP address of orders could be designed. This software could then be used to check that the IP address of an order is from the same country included in the billing and shipping addresses in the orders;
8. There is need for the government to train special cyber security experts while aiding the existing law enforcement agencies, intelligence agencies and security agencies to understand both the nature of technology and the individuals involved in cybercrime;
9. The use of cryptography needs to be encouraged to ensure data security;
10. Computer networks should be protected from access by unauthorized persons using access control systems such as firewalls.

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