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PROBLEMS AND PROSPECTS OF INVESTMENT IN NIGERIA ECONOMY

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Article describes the main opportunities and obstacles of investing in Nigeria, analyzing the challenges faced by one of the oil foreign companies using their company annual data report from 2011 to the end of 2014 and the authors recommendations in dealing with these challenges.

On June 11 2015 during the Russian Federation Day, the Deputy Head of Mission, Russian Embassy, Valeriy Shaposhnikov said two major Russian oil companies, Gazprom and Lukoil would be coming to invest in Nigeria's oil and gas sector thereby developing oil and gas pipelines infrastructure and protection system. And also there is a proposed nuclear power plant that would generate 10000 jobs and also create new ideas [1].

The purpose of this paper is to analyze the possible challenges and the possible outcome of oil partnership between Russia and Nigeria. The task is to look into operation of one of the main oil companies in Nigeria (SHELL) and to analyse their challenges and also the possibility that it may happen to oil companies from Russia.

This is not the first time Russians and Nigerians have being in Business for example a controversial sale of Aluminum Smelter Company of Nigeria ALSCON (the only aluminum smelting plant in Nigeria) to RUSAL (a Russian aluminum firm) in 2004 losing the bid was Bancorp Financial Investment Group Divino Corporation (BFIG), a consortium of U.S.-based Nigerian investors led by Reuben Jaja despite offering of 410 million dollars over 250 million dollars paid by RUSAL [2]. This led the BFIG to court accusing that the formal president Olusegun Obasanjo impartial behavior in the judgement of awarding the sales of ALSCON to RUSAL. On September 11 2015 the court rule in favor of BFIG [3]

Nigeria is bless with different natural resources like metals cocoa etc. but the one that is being clinched to is Oil and this have make different foreign companies to try to establish their companies in Nigeria but the challenges they faces always come from the indigenes of Niger Delta (where the oil is found). Because while drilling for oil it affects their farm produce. They are unable to farm, they don't have drinking waters and they can't go for fishing which they like very much and that is why they engage in different kind of secret activities just to sabotage any company from drilling oil in the area. Although the government have try different means to help improve the standard of living but it seems not enough.

Analyzing the statistics of one of the foreign investors in Nigeria (SHELL Company) for example can change the interest of foreign oil companies to invest in Nigeria.

Royal Dutch Shell usually known as SHELL is an Anglo–Dutch multinational oil and gas company headquartered in the Netherlands and incorporated in the United Kingdom. Created by the merger of Royal Dutch Petroleum and UK-based Shell Transport &

Trading, it is the fourth largest company in the world as of 2014, in terms of revenue, [4] and one of the six oil and gas "supermajors".

The oil incidents in Nigeria for the year 2014 is overwhelming. The table below shows level of oil incidents in Nigeria from 2011 to 2014 by SHELL Company.

Table 1 – Oil incidents from 2011 to 2014 by shell [5]

INCIDENTS	2011	2012	2013	2014
Theft/sabotage	130	150	165	159
operational	78	45	35	53
others				
Total	208	190	200	212

The table above shows that there are little differences incidents that occurs from 2011 to 2014, which probably indicates that the trend may continue in 2015.

The below graphic illustrates the trend of oil spill in 2011 to 2014 [6].

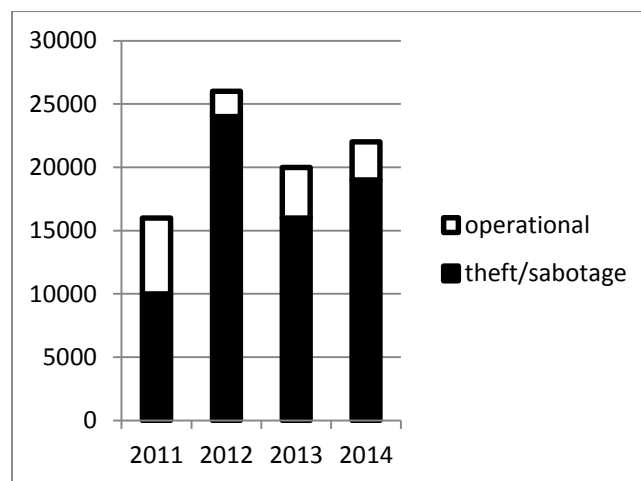


Fig. 1. The graphic of oil spill from 2011 to 2014

The above graphics shows the oil spill per volume in barrels from 2011 to 2014 and it's also indicate that theft and sabotage of pipeline it's very common in Nigeria, and in fact it's the main cause of oil spill. Other factors are not shown because there are little or no other factors than theft and operational. The largest oil spill as illustrated on the graph was in 2012, due to theft and sabotage, the oil spill was more than 20000 volume of barrel. And it shows that operational oil spill is lesser than theft and sabotage.

The statistics show the indifference shown by indigenes of Niger Delta of Nigeria where SHELL is located due to the fact that they believe Shell Company is destroying their farm land and villages. And they want shell gone.

There are lots of opportunities and possible challenges that could be face by Gaz-prom, Lukoil, Nigerians and Russians as a whole.

Creation of job opportunities would increase the economy of Nigeria by providing jobs for enable work force.

It will increase the GDP of Nigeria by exporting produces to other countries. There is the opportunities of increasing exports over imports, which is good for the economy of Nigeria.

Alliance between Nigeria and Russian Federation expands business opportunities and international trade.

Attraction of other foreign investors to invest in Nigeria there by boosting the economy of Nigeria.

Vandalism is one of the major challenges that need to be considered before venturing into doing business in Nigeria. The sabotage by confused or unsatisfied citizens or local riff rats that believe that the companies are there to steal their resources and destroy their lands (they see the company as a threat and not opportunity) [7].

The possibilities of incurring more cost than expected due to vandalism, hiring workers, securities, etc.

The high level of corruptions that grows every day in the country by the officials and governments as a whole can affect relationship between the companies and Nigeria. Several forms of corruption exist: bribery, embezzlement, abuse of power, just to name a few. Information on experience of corruption is gathered through sample surveys on different targets - general population, business sector, civil servants - following strict methodological standards by the United Nation Office on Drugs and Crime (UNODC) [8].

The possible kidnapping of foreign workers by the indigenes and paying a lump sum of money to gain their release. It is well known that the region where oil is found its full of foreigners and for indigenes its way of making money by kidnapping and asking for a lump sum that is why most foreigners in those region are always with securities men so as to protect them [9].

These Challenges can be overcome by orientation. Orienting the citizens of the importance and benefits of investing on their land in the communities, will help them their children and it will develop their communities and also that it will encourage foreigners to invest more in the country.

Providing means of mutual agreements not only with the government but the communities at large.

In a community there is always a leader that people of the community look up to and in Niger Delta Nigeria they are many tribes that need to be catered for by the company to move forward. By these the companies need to get in touch with the leaders of every tribe to discuss the way forward.

Introducing tight securities over inventories and ensuring safety of workers especially the foreigners. It should always be safety first in this kind of environment, because these people are hungry and angry due to the fact their oil supposed to bring them fortunes but instead their crops are being destroy they are living in poverty, government due to corruption are not helping the community.

Engaging some of the locals in some (partial) decision making, by make them have the sense of leadership and giving them the opportunity to say their mind.

Making Corporate Social Responsibility (CSR) a priority, sustain longevity of a company in a hostile environment and it minimize cost (cost effective).

The World Business Council for Sustainable Development in its publication Making Good Business Sense by Lord Holme and Richard Watts, used the following definition. "Corporate Social Responsibility is the continuing commitment by business to behave eth-

ically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large” [10].

Investing in Nigeria can be challenging but at the long run it’s worthy. It creates job opportunities and thereby increasing the economy and reducing poverty.

It creates international relationship between countries. There are opportunities of free trades between the countries and also alliances. This brings country together at a diplomatic level. Although Nigeria is more to gain but for Russia is a way getting more deep into Africa and this can lead Russia through the part of leadership.

For a country like Nigeria it’s a big opportunity for a Country like Russia to have interest in doing business in Nigeria because it will boost the economy and Nigeria will be envied by other African countries due to the fact that Russia it’s well known internationally for their supports for underdeveloped countries and that Russia can be relied on if there should be any conflict. Also they are not bias or trying to steal oil from poor countries rather than improve their economy. Also if these really worked out it will be great for Nigerian because it can open doors for more investors to invest in Nigeria.

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