Regulating Foreign Direct Investments: the role of Central Banks

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The FDI Ecosystem from a Regulator’s Spectacle

An outline and review of the FDI value-chain, developments in the sector, the functions, activities and stakeholders of the value chain.

How is FDI regulated in Nigeria? What policies currently dominate the operational space and what interactions and interfaces exist between the regulator and the operators?

The Rules of the Game: an overview of the policy and regulatory framework
Nigeria’s Foreign Investment Outlook

Capital flows in relation to Reserve levels

Trends in Capital Flows to Nigeria, 2007 - 2018

- Total Inflow
- Total FDI
- Total Portfolio flows
Capital Flow Categories

**FDI**
- Equity
- Loans
- Other capital (e.g., Machinery)
- Other Claims

**FPI**
- Bonds
- Equity
- Money Market Instruments

**OUTFLOWS**
- Capital Transfer
- Dividends
- Repayment of Loans
- Profit
- Others
Foreign Investment Value Chain

Investors & Stakeholders

Central Bank of Nigeria

Banks and Financial Institutions

VALUE STREAM

Foreign Exchange
Import/Export settlements
Export proceeds repatriation
Capital Importation
Capital Repatriation
Services
Currency processing/handling

Systems
Processes
Operations
The Rules of the Game: Policy and Regulatory framework
Policy and Regulation of Capital Flows

Monetary, Trade and Financial Policy
- Using the MPR we control credit, trade, and money in circulation
- Open Market Operations
- CRR and Liquidity Ratios
- Trade and Foreign Exchange Policies eg 41 items policy, eCCIs

Forex Management
Ensure Effective Management of Forex Flows

Trade facilitation
- Promote and Facilitate Trade Through Collaboration
- Collaborate with government agencies and other stakeholders on forex and trade matters

Trade Data Management
Provide Reliable Data on Trade and Foreign Exchange

Monitoring
Monitor foreign exchange utilization and conduct forex investigations

Returns
Monitor export and import trade transactions through periodic returns

Foreign Currency Trading Positions
Determine and monitor foreign currency trading position (FCTP) of banks
Our initiatives to ensure a world-class trade system in Nigeria:

1. **Ongoing Automation of forms M, NXP, A and other trade processes and functions**
   - Enable a smooth, efficient and cost-effective trade system in Nigeria

2. **Trade Monitoring System**
   - Analyse forex inflow and outflow data to identify and manage signals for policy decisions
   - Identify and manage signals from BDC segment for policy inputs
   - Provide overall trade data to management for policy decisions to forestall instability

3. **Early Warning Signal Framework**
   - Formulate, issue and communicate trade and forex policies to stakeholders for effective implementation
   - Coordinate and manage stakeholders in the trade value chain
   - Communicate monetary policies with regard to trade and forex

**Updated Monetary Policy Communication Strategy**

- Analyse forex inflow and outflow data to identify and manage signals for policy decisions
- Identify and manage signals from BDC segment for policy inputs
- Provide overall trade data to management for policy decisions to forestall instability
Recent Developments in the Policy Scene

Trade

Foreign Exchange
Policy Developments

Forex Manual Review
Reviewed the Forex Manual in line with recent developments in the trade value chain.

Review of Documentation Requirements
Review of initial validity period of Form “M” from 180 days to 360 days (for general merchandise) and 720 days (plant, machinery and equipment).
Reduction of documentation requirements for import and Export from 14 to 8 and 10 to 7, respectively. In addition, the timeline for processing Form NXP was reduced to 48 hours.

eCCIs
Deployment of e-Certificate of Capital Importation system to track foreign investments in the economy on real-time basis and manage the impact of capital flows.

IMTOs
Introduction of international money transfers to formalize diaspora remittances and enhance ability to track financial flows.

Investors and Exporters Window
Establishment of the Investors and Exporters Window to facilitate price discovery and provide liquidity for the market.
Thank You