



Unlocking the Business Environment in Nigeria: The BECANS Solution

Business Environment is crucial for Employment Creation and Poverty Reduction

Nigeria is widely acknowledged as a country with great (albeit unrealized) potential to become a major player in the global economy. One vivid sign of unrealized potential is the inability to translate huge crude oil earnings into international economic competitiveness that will guarantee sustainable growth, employment creation and poverty reduction. After a long period of macroeconomic volatility, the country, has in the last six straight years, witnessed improved macroeconomic and growth performance.

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Despite the enhanced performance, the country continues to suffer high levels of poverty and unemployment. Available evidence shows that the growth has neither created jobs nor reduced poverty. The situation is largely linked to the stunted growth and competitiveness of the non-oil private sector, which in turn is attributed to the harsh business environment. The harsh business environment in Nigeria adversely affects everyone – people, businesses, investors (domestic and foreign), managers, communities and groups.

A good business environment entails well-functioning, efficient and effective public infrastructure, institutional systems and regulatory services. The direct impact of a bad business environment is high cost and great difficulty of doing business. To reduce the cost of doing business and establish Nigeria on the path to becoming among the top 20 economies by the year 2020 requires

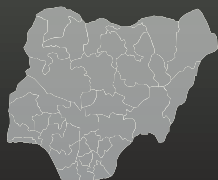
cogent measures to unlock the business environment.

Government has primary responsibility for providing a good business environment, because business environment is a public good. In Nigeria, this responsibility is shared between the federal, state and local governments. On its part, the private sector and civil society have important role to advocate and holding government accountable for good business environment.

Why BECANS?

Working with stakeholders to benchmark and track the business environment is the reason for the business environment research and dialogue programme called the Business Environment and Competitiveness across Nigerian states (BECANS). The overall goal of the BECANS is to promote evidence-based reforms of the business environment in Nigeria, with focus on the state and local governments. The focus on state level reforms is borne out of the realization that without business environment reforms by state governments, the macroeconomic and institutional reforms of the federal government cannot produce the desired impact on employment and poverty.

BECANS supplies independent research-based evidence on the business environment across Nigerian states, in an on-going manner. Such credible and objective evidence is essential to improve the quality of dialogue and advocacy. Also, it provides benchmarking tools for government and private sector to identify specific competitiveness obstacles, thus stimulating critical thinking about strategies to overcome them. The role of BECANS is to foster government and private sector dialogue for state-level business environment reforms.



How Does BECANS Measure Business Environment?

The BECANS model defines business environment along four dimensions. They are Infrastructure and Utilities; Regulatory Services; Business Development Support and Investment Promotion; and Security. These dimensions are called the BECANS benchmarks. These benchmarks collectively make up the Business Environment Index of Nigerian States (BEIONS) - the overall measure of the quality of business environment across the states. BECANS data are of two main types. One dataset category consists of facts, statistics and information obtained from government ministries, departments and agencies. The other dataset category is based on assessments of business environment by businesspeople and company executives in the various states. Altogether, BECANS comprises 75 indicators cutting across the 4 main spheres of the business environment.

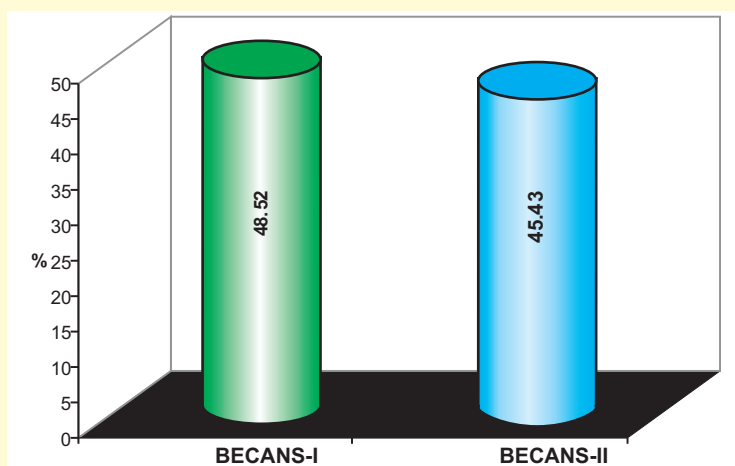
Who needs BECANS?

The publication is an important basis for business environment reforms in the respective states and Abuja FCT. State governments and policymakers will benefit from the publication because it reveals the opportunities and challenges for more business-friendly environment. The evidence is useful guide for business and investment decisions. Private sector and civil society organizations will utilize the evidence as basis for informed dialogue and advocacy for better business environment. Researchers will benefit from the publication in terms of the novel nation-wide data and statistics that can be utilized to increase knowledge of business environment.

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Business Environment in Nigerian States 2010: What is the New Evidence?

The performance on the overall Business Environment Index is lower in 2010 than that in 2007.



While this might suggest that the business environment across the states has not generally improved since 2007, the performance across individual benchmarks and across states is rather mixed. The general performances on the two benchmarks - Infrastructure and Utilities and Regulatory Services - are higher than those for Business Development Support and Investment Promotion and Security.

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In fact, the lower all-States average Business Environment Index is accounted for by the decrease in scores on the two benchmarks - Security and Business Development Support and Investment Promotion. So, while there has been general improvement in Infrastructure and Utilities and Regulatory Services since 2007, the situation of Business Development Support and Investment Promotion and Security has rather gone down.

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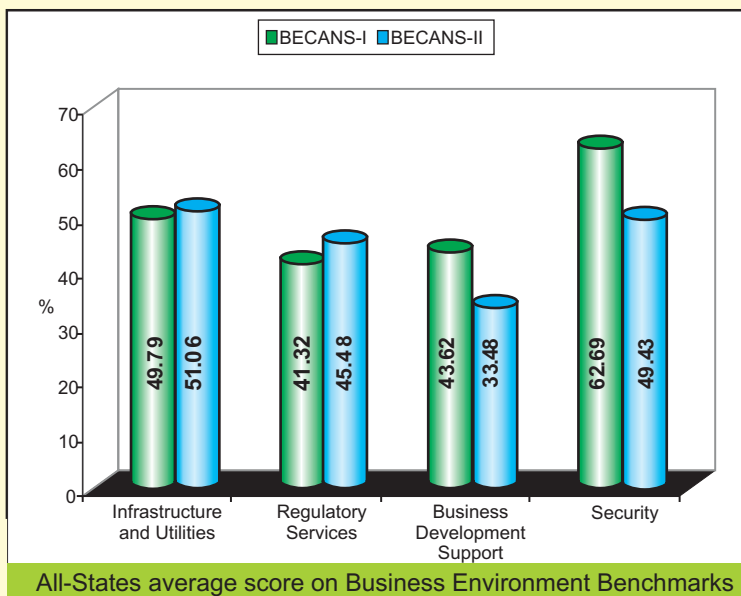
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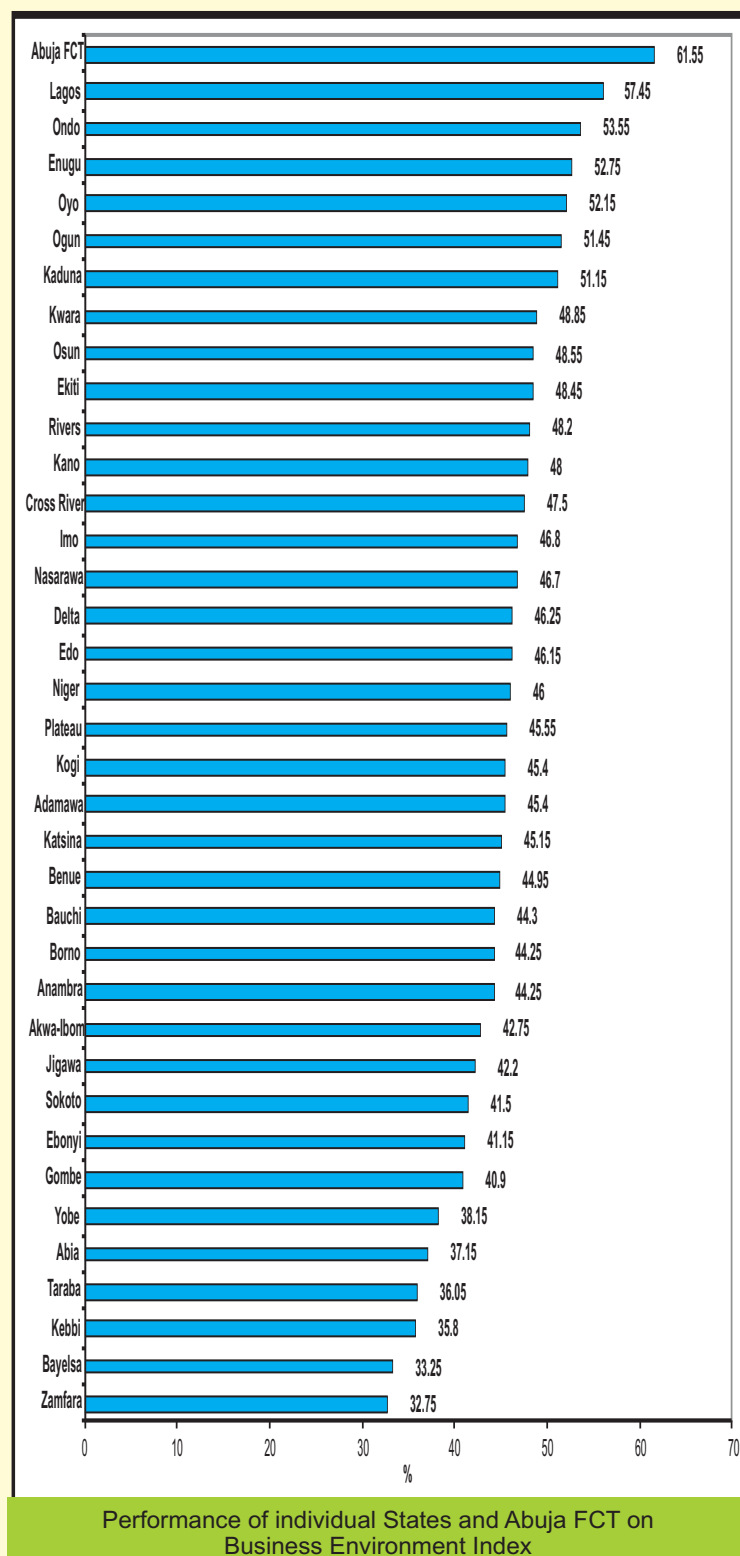
Evidence shows that the states differ considerably in regard to the quality of the business environment. Though the aggregate business environment index did not improve since 2007, many states have witnessed some improvements.



Ten (10) states recorded improvement on the overall business environment. Thirty two (32) states and Abuja FCT recorded improved performances on at least one out of the four benchmarks. Similarly, eighteen (18) states show improved performance in Infrastructure and Utilities, twenty two (22) on Regulatory Services, nine (9) on Business Development Support and Investment Promotion and only six (6) on Security.

Access to public water in most states has dwindled.

The asymmetry in performance of states and Abuja FCT (that is, not uniform) across the benchmarks, measures and indicators implies that states have varying strengths and weaknesses. Notwithstanding the variability, the common challenges across the states are energy, transportation, land registration, fiscal transparency and public procurement, support for industrial parks and public-private partnership. Access to public water in most states has dwindled.

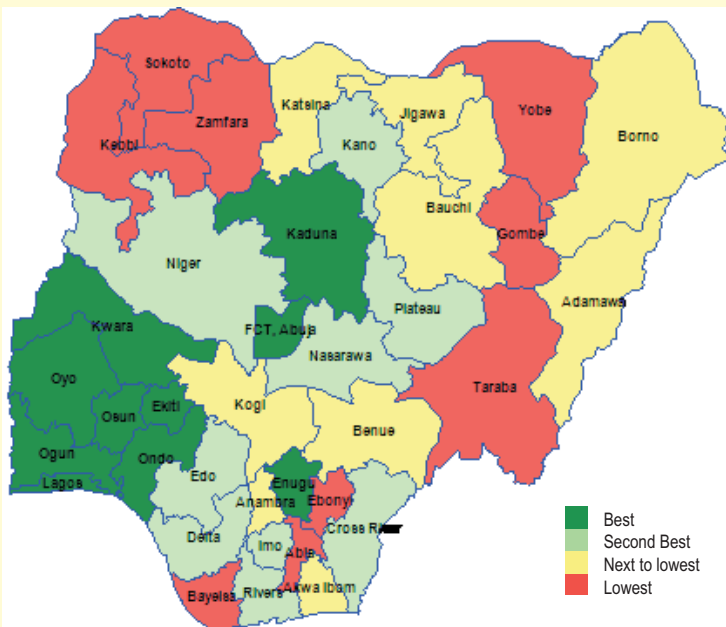


If all states were to perform at the level indicated by the best performing state across all the benchmarks, the all-States average performance on the business environment index would jump from 45.43% to 68.45%.

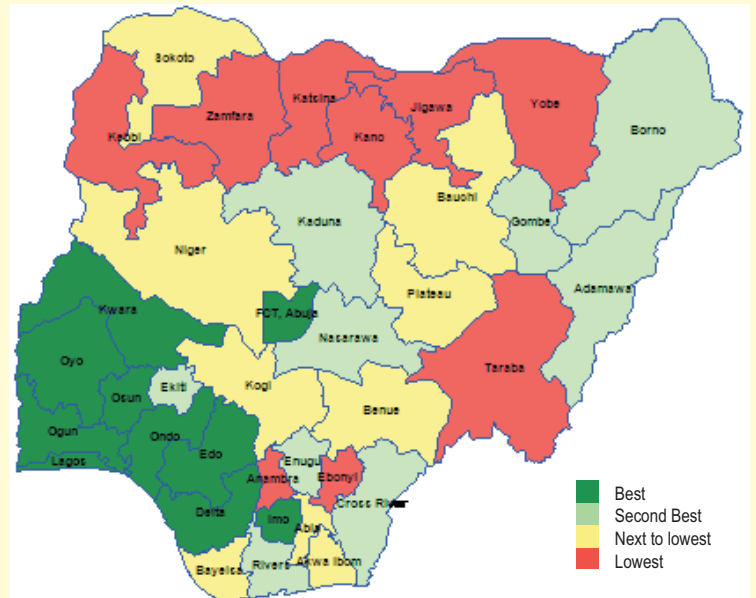
The wide disparity between states in performance across the benchmarks and measures indicate a large scope mutual learning, particularly in the areas of land registration, commercial dispute resolution and entrepreneurship promotion.

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If the good performances observed in some states were to be replicated other states, the business environment will be significantly brightened. For example, if all states were to perform at the level indicated by the best performing state across all the benchmarks, the all-States average performance on the business environment index would jump from 45.43% to 68.45%. This analogy surmises the extent to which business environment could be enhanced if state governments were to implement needed reforms in policy, regulatory services and administrative practices



Performance of 36 states and Abuja FCT on the overall business environment index



Performance of 36 states and Abuja FCT on Infrastructure and Utilities

Abuja FCT has the highest performance on the Business Environment Index, followed by Lagos State. Zamfara State has the lowest performance.

The disparity in the quality of business environment across states suggests that federal government reforms can have the desired impact only if complemented with context-specific reforms by the state governments.

The Business Environment Report is vital for state-level business environment reforms. We urge private sector and civil society organizations to utilize the evidence to dialogue and advocate for a better business environment. State governments should see the performance assessments in terms of opportunities and challenges to make their jurisdictions more business-friendly.

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