

Doing Business in Nigeria 2018



Doing Business in Nigeria 2018 is the fourth in a series of reports analyzing business regulations across Nigeria's **36 states and the capital**. The report assesses business regulation from the perspective of a small to midsize domestic firm. It benchmarks four regulatory areas: **starting a business, dealing with**

construction permits, registering property and enforcing contracts.

In each of these areas the project identifies existing good practices among the states and recommends reforms based on examples from Nigeria and 189 other economies measured by the global *Doing Business* project. This round of study also adds a component on the quality of regulations to 3 of the 4 areas benchmarked. In addition, the report measures progress that states have made since March 2014, when the last benchmarking exercise was conducted. The results will support both federal and state level officials in setting their reform agenda to improve the ease of doing business across Nigeria.

The study was carried out in collaboration with the Enabling Business Environment Secretariat (EBES) of Nigeria's Presidential Enabling Business Environment Council (PEBEC) and the Federal Ministry of Industry, Trade and Investment (FMITI). The project was primarily funded with UK aid from the UK government. The Competitive Industries and Innovation Program partially funded the project. The Growth and Employment Project Implementation Unit at FMITI supported and partially funded one of the project missions.

MAIN FINDINGS

- **No single Nigerian state dominates the indicator rankings across all areas benchmarked.** In fact, all but three states rank in the top half in at least one indicator. Similarly, all but five states rank in the bottom half in at least one indicator. The results show that most states, if not all, have something to showcase and something to learn.
- **The states that lagged behind in 2010 have been improving and narrowing the gap in regulatory efficiency with the better-performing states.** For example, across all indicators, the gap in time difference between lagging states and better-performing states has been cut by at least one-third. In starting a business, the gap was cut by half; this is not surprising, given that the federal government has been driving reforms across the country.
- **In the past four years, 29 Nigerian states implemented 43 reforms across the four areas benchmarked.** Of those states, Kaduna, Enugu, Abia, Lagos and Anambra showed the largest advance toward the global good practice frontier. Most reforms were federally driven in the area of starting a business, and most were focused on the efficiency of processes rather than the quality of regulations.
- **Starting a business across Nigerian states takes on average 10 procedures over 26 days and costs 29% of income per capita,** with variation in time largely driven by differences in the uptake of new electronic services for business registration. Twenty-eight states have made major improvements in starting a business since 2014, thanks to a combination of the use of an online platform, establishment of new stamp duty offices and simplification of incorporation forms.



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- **Dealing with construction permits requires on average 13 procedures, takes 63 days—more than twice as fast as the average for Sub-Saharan Africa (148 days)—and costs 7.3% of the warehouse value.** The variation in procedures—ranging from 9 to 21—is driven mainly by the preconstruction requirements imposed by local authorities, while the variation in time—ranging from 33 days to 4 months—is driven by the time it takes to issue a building permit.
- **Transferring property in Nigeria requires on average 12 procedures, 73 days and costs more than 15% of the property value,** making the process twice as cumbersome and expensive as in the average economy in Sub-Saharan Africa. The time to register property is largely dependent on a single requirement: the state governor's consent, which on average accounts for almost two-thirds of the total time.
- **On average, it takes 475 days and costs 37% of the claim value to resolve a commercial dispute across Nigerian states.** Court efficiency varies throughout Nigeria due to differences in adjournment practices and backlogs in state courts. Four states implemented reforms making it easier to enforce a contract over the past 4 years.
- **A proactive approach where state governments implement federal reform initiatives in centrally regulated areas, but also design and implement their own reforms in areas under state authority, will be key to improving Nigeria's business environment.** Creating conditions conducive to business could provide incentives for formalization and encourage firms to grow and expand beyond state lines.

ABOUT SUBNATIONAL DOING BUSINESS

Subnational *Doing Business* studies go beyond the largest business city to examine conditions across a number of locations in a single country or region. They capture local differences in business regulations and in the implementation of national laws. The benchmarking aims to promote competition and motivate regulatory reforms in order to improve the business environment and to achieve convergence among locations towards the best regulatory practices measured. Since 2005, subnational *Doing Business* has benchmarked 510 locations in 75 economies, including studies in Kenya and South Africa. Subnational *Doing Business* reports are available at www.doingbusiness.org/subnational.

PUBLIC POLICY TOOLS WITH IMPACT

Subnational *Doing Business* reports are public policy tools that guide policymakers throughout the regulatory reform cycle:

- **Diagnostic tools:** create baseline and allow international and domestic benchmarking.
- **Reform instruments:** uncover bottlenecks and identify local good practices, promote peer-to-peer learning and are strong drivers for reforms.
- **Monitoring & evaluation tools:** measure progress over time and create incentives to maintain the reform effort even when governments change.

FULL REPORT AND DATA AVAILABLE AT:

www.doingbusiness.org/Nigeria

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