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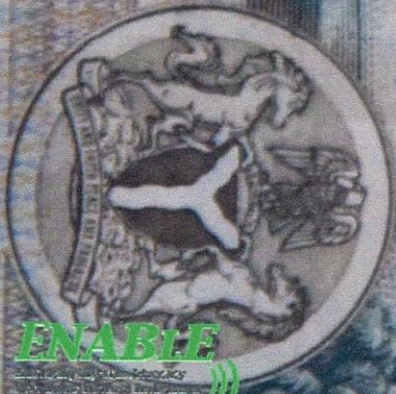
**BUSINESS LEADER  
PERCEPTIONS OF THE  
INVESTMENT  
CLIMATE IN NIGERIA -  
2010**

*Hundred Naira*

*100*

*Of Nigeria*

*Central Bank*





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ENABLE's purpose is to raise the level and quality of private sector advocacy and the effectiveness of public private dialogue in Nigeria. It does this by supporting Business Membership Organisations, Government Ministries and Agencies, the media, and local research organisations to engage in the dialogue and advocacy process more effectively.

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# BUSINESS LEADER PERCEPTIONS OF THE INVESTMENT CLIMATE IN NIGERIA - 2010

*"Perception is strong and sight is weak"*  
 Miyamoto Musashi (1584-1645),  
 legendary Japanese swordsman

## 1. SUMMARY

This report has been prepared to highlight the factors that inhibit the private sector in Nigeria from achieving its full potential in creating jobs and wealth. It focuses on the perceptions of business leaders, since investment decisions are based on perceptions of the environment and expectations of how it might change. Understanding those perceptions can assist policy makers to focus on the factors that are causing particular difficulties, so the report also suggests priorities for action. Business leaders were asked about:

- The enabling environment factors that are important to their business;
- The factors that make it difficult to do business;
- The non-tariff barriers that are relevant to their business;
- The non-tariff barriers that cause problems for their business;
- Their perception of whether and, if so, how government is addressing each factor;
- Their view of whether each factor would be likely to deter future investment;
- An assessment of the costs involved in meeting the requirement of regulation and red tape; and
- Their views about BMOs, the media and public private dialogue in general.

Whilst there is only a small change compared to 2009, the differences that do exist suggest that the enabling environment is deteriorating.

The external factors that make it difficult for businesses to get on with running and growing their business for each state, in order, are shown in the table:

**Table 1: Factors that make business difficult**

Nigeria	Abuja	Kaduna	Kano	Lagos
Power	Power	Power	Power	Power
Access to finance	Water	Security	Water	Level of tax
Water	Access to finance	Corruption	Corruption	Tax administration
Corruption	Roads	Access to finance	Security	Access to finance
Roads				
Security				
Tax admin				

Factors that make business very difficult are shown in red; factors that make business somewhat difficult are shown in blue

It seems that the difficulty caused by power has reduced a little (from 3.7 to 3.4); roads also seem to have improved. But access to finance, water, security and tax administration are all a little worse. And corruption is much worse (rising from 2 to 2.6). The average level of difficulty caused by all the issues has deteriorated from 2.2 to 2.3. When weighted to take account of the importance respondents attach to each issue, then it has deteriorated from 1.8 to 2.

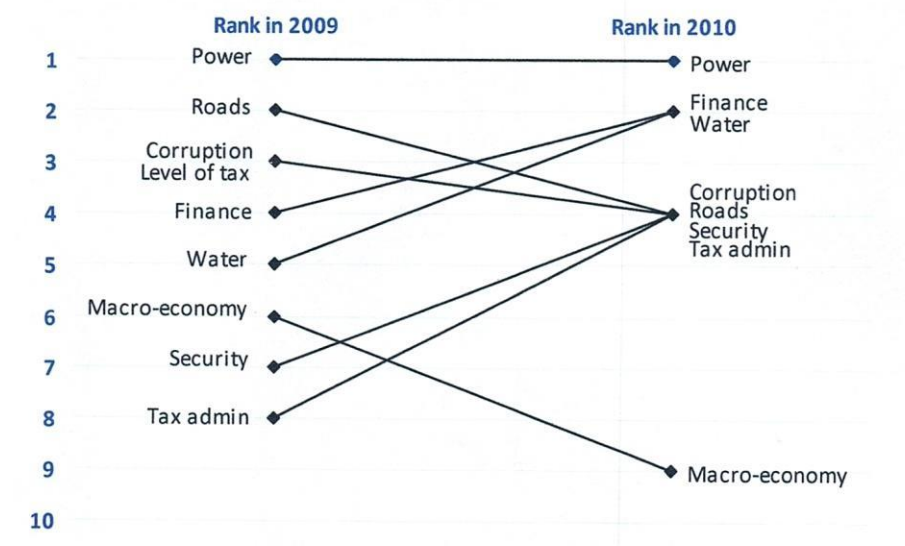
Abuja and Kano have a high number of factors perceived to make doing business very difficult whereas in Lagos there is no single factor that makes



business very difficult. Nevertheless, there is considerable commonality with power, water, access to finance and corruption near the top for businesses in all four States.

Figure 1 shows how the ranks for Nigeria<sup>1</sup> have changed since the survey in 2009. Water, access to finance and security are now creating more difficulties for business. Power still tops the list as the biggest constraint to business.

**Figure 1: Change in ranking of factors that make business difficult**



For the issues of power, corruption, access to finance, smuggling and water, respondents perceived that the government was making no effort to make a difference. Indeed, for corruption a large proportion (28 per cent) of respondents were of the opinion that the government was making the problem worse. For the second year running, telecoms was the issue where respondents perceived government to be making the most effort, with 44 per cent saying that it was making a real effort.

The two issues that are the biggest deterrent to investment across all four States are power and corruption. Water only features in the top three for Kano, though is clearly of concern in all the States as it comes third on the Nigeria list.

**Table 2: Factors that deter investment**

Nigeria	Abuja	Kaduna	Kano	Lagos
Power	Power	Power	Power	Corruption
Corruption	Roads	Corruption	Water	Power
Water	Access to finance	Access to finance	Corruption Smuggling Security	Smuggling

We have prepared an 'enabling environment priority index' based on the level of difficulty perceived by respondents combined with their perception of effort being made by government to address each issue. These are shown in

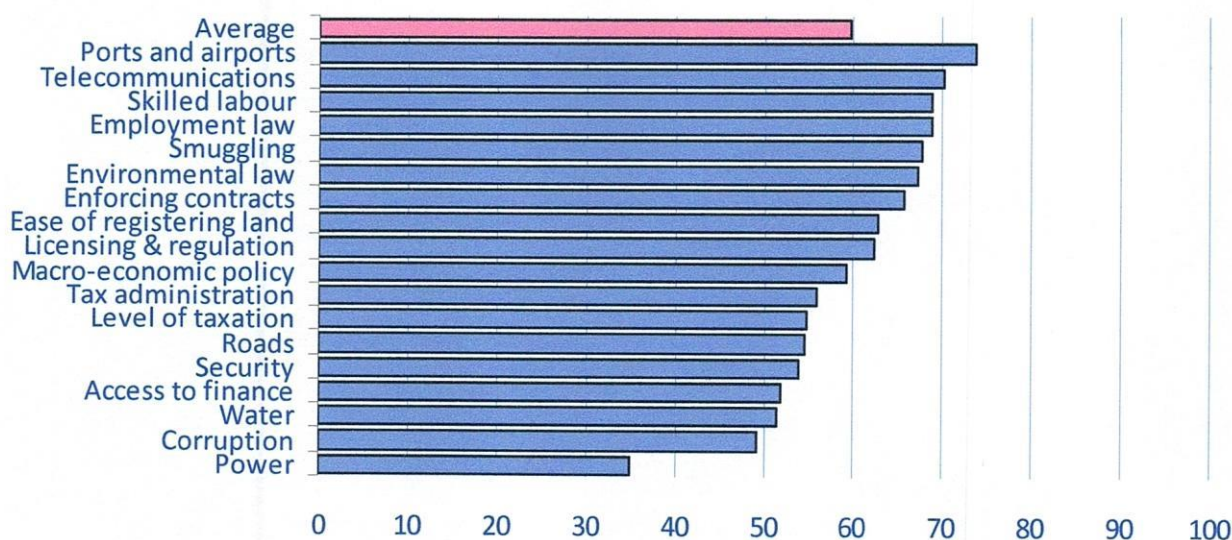
<sup>1</sup> Note that the survey was undertaken in four states: references to 'Nigeria' are therefore references to the average position across the four States.

*The issues that most deter investment are corruption and power*



the chart. Note that the factors which detract the most from an environment conducive to doing business are those with the lowest score.

**Figure 2: Enabling environment priority index**



Note: The higher the score the greater the contribution to a conducive business environment

The index reveals that the issue that is the least problematic is ports & airports followed by telecommunications and then availability of skilled labour and employment law. This is very similar to 2009. The priority issues for Nigeria and for each State are summarised in the table below:

**Table 3: Enabling environment priority index**

Nigeria	Abuja	Kaduna	Kano	Lagos
Power	Power	Power	Power	Power
Corruption	Access to finance	Corruption	Water	Access to finance
Water	Roads	Access to finance	Corruption	Level of tax
Access to finance	Water	Security	Security	Corruption
Security	Corruption	Tax administration	Roads	Tax administration

These are the issues that the government should prioritise if it wishes not only to make a difference to the enabling environment but also to the perceptions held by business leaders.

Whilst it is difficult to combine all views into a single figure, we recognise that having a single figure makes it easy to see at a glance whether the private sector perceives that the enabling environment has improved or deteriorated and to see how states compare. The results suggest that Lagos has the best enabling environment (with a score of 64), followed by Kaduna (60), Abuja (58), and Kano (53).

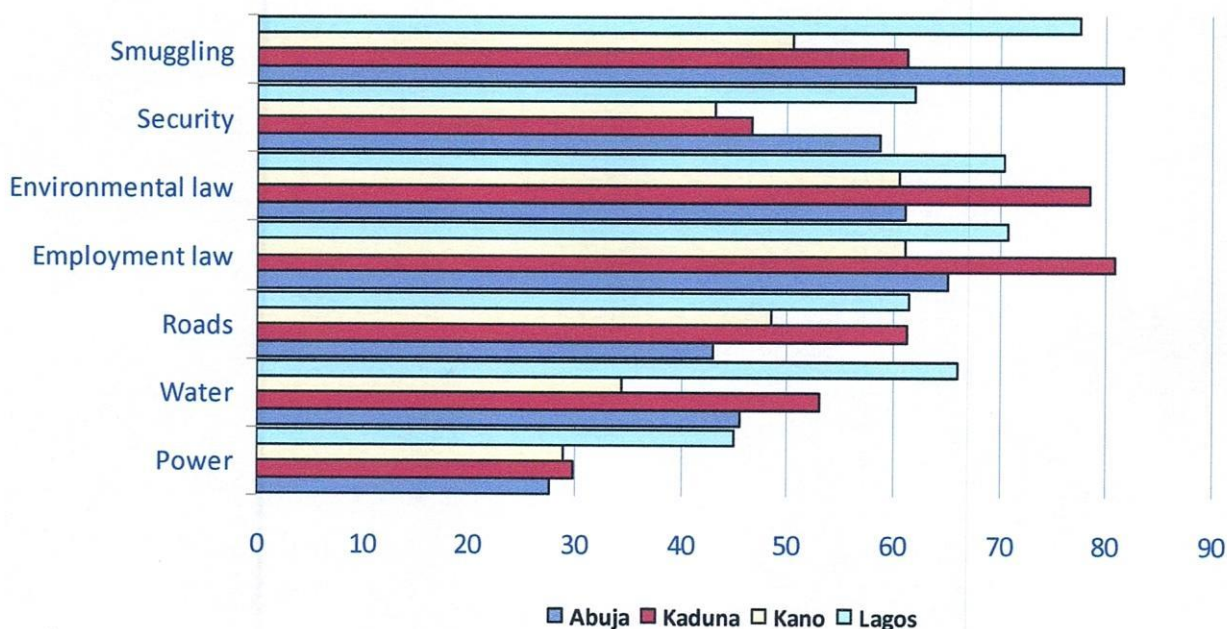
Some of the factors exhibit a wide range in scores between the States. The factors with the greatest variation are shown in figure 3: power is a problem everywhere, but it is perceived as least problematic in Lagos; smuggling is seen to be much more of a problem in Kano and Kaduna than in Abuja and Lagos; roads are more of a problem in Abuja than in Lagos or Kaduna; water

*The message to the government is that it needs to do more to tackle power, corruption and water.*



is least problematic in Lagos and most problematic in Kano. This regional variability suggests that solutions need to be tailored to the particular priorities of each state.

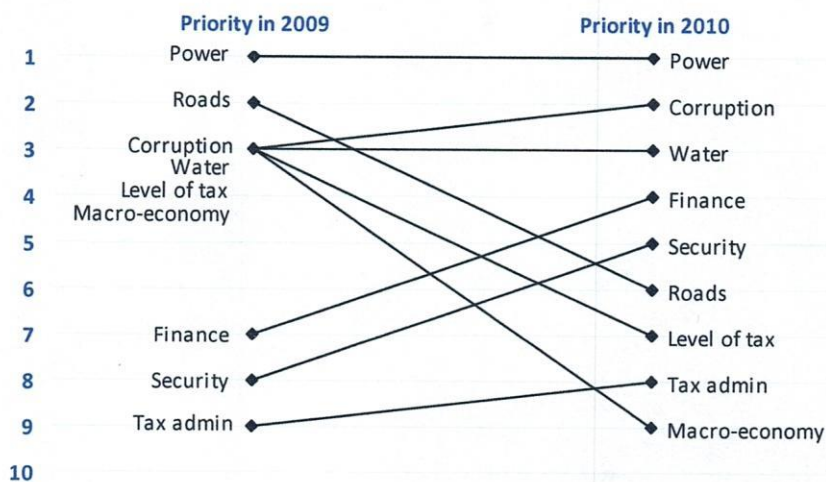
**Figure 3: Enabling environment priority index: State comparisons**



Note: The higher the score the greater the contribution to a conducive business environment

There has been some change in the priority issues since 2009. This does not mean that the government should do less to address the issues lower down the list, but it should do more to address the issues at the top.

**Figure 4: Change in priority issues**



It seems that the cost of complying with regulation takes a high proportion of businesses' expenditure. If it were possible to reduce this, then it would free up resources – both financial and managerial – which the businesses could then use for investment.



For the 2010 survey, some new questions were introduced – to assess perceptions of whether BMOs make a difference to improving the enabling environment, whether the media makes a difference to improving the enabling environment and whether respondents are satisfied with the perceived levels of public private dialogue. Broadly, respondents think that:

- BMOs make some difference but their performance has only improved marginally during the previous 12 months;
- The media makes some difference and that their performance has improved a bit; and
- The level of dialogue is barely satisfactory and is not improving.

## 2. INTRODUCTION

This report has been prepared to help business associations and policy-makers to better understand the business environment in Nigeria. It has been commissioned by ENABLE whose role is to raise the level and quality of private sector advocacy and the effectiveness of public private dialogue in Nigeria.

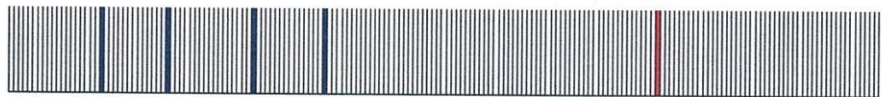
It is now commonly accepted that improvements in the enabling environment lead to greater levels of investment by the private sector, more wealth and job creation, and ultimately more poverty alleviation. Improving the business environment is not always easy. It requires cooperation and dialogue between the public and private sector. To make the biggest impact, government and business associations need to understand the needs of business and to prioritise those issues which are causing the biggest headaches. The purpose of this report is to contribute to that understanding and debate.

## 3. ENABLING ENVIRONMENT ASSESSMENTS

Several international organisations prepare global business environment surveys. Perhaps the best known is the annual World Bank Doing Business Report.

In Doing Business 2011, Nigeria is ranked 137 out of 183 countries, down from 134 in 2010. Figure 5 shows Nigeria's position (in red). Every vertical bar represents one of the countries covered in the survey. It is worth noting that South Africa ranks 34, Mauritius ranks 20, Ghana ranks 67 and Botswana ranks 52.

**Figure 5: Doing business rankings**



Source: adapted from World Bank (2010). *Doing Business 2011: making a difference for entrepreneurs* – Nigeria in red, selected African countries in blue, all others in white

*Improving the enabling environment leads to private sector investment, job creation and poverty alleviation.*



Table 4 shows how Nigeria performs in some of the individual areas – and it could do better in all of them.

**Table 4: Nigeria: Doing Business rankings**

	2010 rank	2011 rank
Ease of doing business	134	137
Starting a business	108	110
Dealing with licences	162	167
Registering property	178	179
Paying taxes	132	134
Enforcing contracts	94	97

Sources: World Bank (2009) *Doing Business 2010: reforming through difficult times*; World Bank (2010) *Doing Business 2011: making a difference for entrepreneurs*. NB the World Bank adjusted the way that the 2010 ‘ease of doing business’ rank was calculated in the 2011 report, so the table shows the 2010 rank as reported in the 2011 report

Whilst the World Bank’s work is valuable to policy makers in highlighting areas worthy of reform and promoting debate, it does not offer a holistic view in that it focuses on a narrow selection of indicators. Encouraging more people to start in business or to join the formal economy, or encouraging more investment, will depend upon a broader perception of the ease of doing business than the narrow view reported in *Doing Business*.

#### 4. RATIONALE FOR THIS STUDY

With organisations such as the World Bank and World Economic Forum undertaking research to assess the problems faced by business, it may seem that there is no need for further studies. This study is different, however:

- This study reports the perceptions of business leaders themselves. Perception and reality may well be different, but people act on the basis of what they perceive to be the case (even if that is not wholly accurate). It is therefore just as important, if not more important, for policy makers to understand the perceptions of business leaders, in addition to the more ‘objective’ measures of the business environment.
- This research isolates the factors that are important to specific sectors and regions. There are a wide range of factors which together comprise the enabling environment, though not all are important to every business or sector.
- The survey not only asked about the factors that are problematic but also, unlike other surveys, asked business leaders to identify the factors where the government is perceived to be making a positive effort.
- The survey has attempted to quantify the costs to business of meeting the regulatory requirements imposed on them.

#### 5. METHODOLOGY

The fieldwork was undertaken during November and December 2010 by NOI Polls, a Nigerian polling and market research firm. The survey was conducted using a questionnaire designed by David Irwin. The questionnaires were administered face to face and results for each respondent transcribed into a specially designed spreadsheet.

Business leaders make decisions based on their perception of the investment climate



**Table 5: Sample population**

Sector	Location	Size (employees)
Manufacturing	80 Abuja	76 0-9 117
Finance	69 Kaduna	76 10-24 146
Agriculture	69 Kano	100 25-49 52
Wholesale & retail	67 Lagos	151 50-99 24
Hospitality	46	100-250 13
Construction	29	>250 51
Services	26	
Other	17	Did not say 9

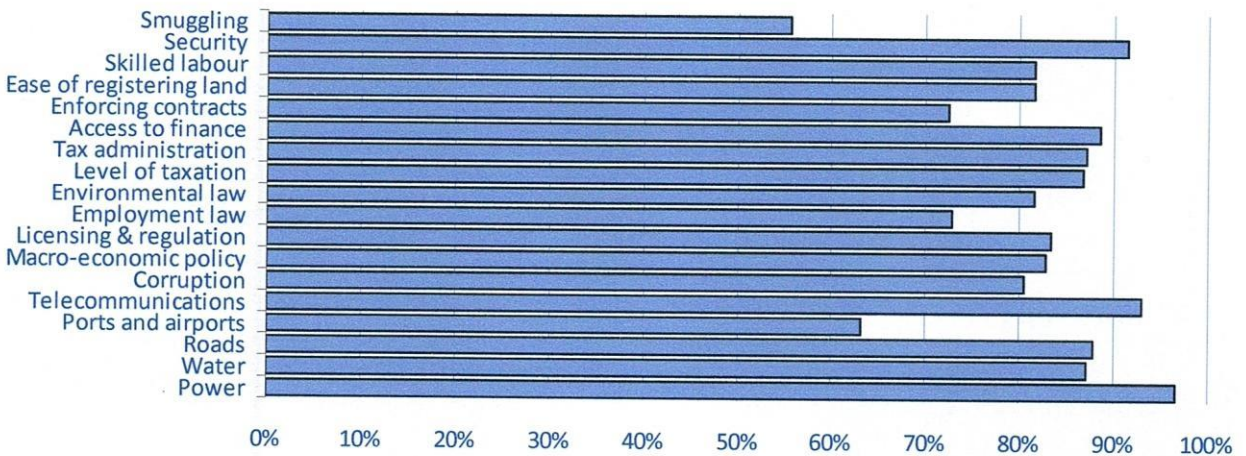
The sample consisted of CEOs in leading organisations, drawn from a combination of the National Bureau of Statistics and NOI Polls databases. The sample population comprised 403 businesses covering a range of sectors, locations and business sizes. The composition of the sample is shown in table 5. The profile distribution – by sector, location and size – is very similar to the sample profile in 2009 so comparisons between years should be meaningful.

## 6. NATIONAL VIEW

### 6.1 FACTORS IMPORTANT TO BUSINESS

In the first question, respondents were asked to indicate which of a range of factors were important to the success of their business and to indicate whether those factors made doing business very difficult, somewhat difficult, had room for improvement or was not a problem at all. The reason for splitting the results is that it is quite possible for a factor to be important – a manufacturer might need a reliable source of electric power for example or a service business might rely on effective telecommunications – but for that factor not to cause problems – power or telecommunications might be reliably available.

The results for whether issues were important are shown in figure 3. The main factor, identified by all respondents, was power. However, this was closely followed by roads, telecommunications, security and level of taxation.

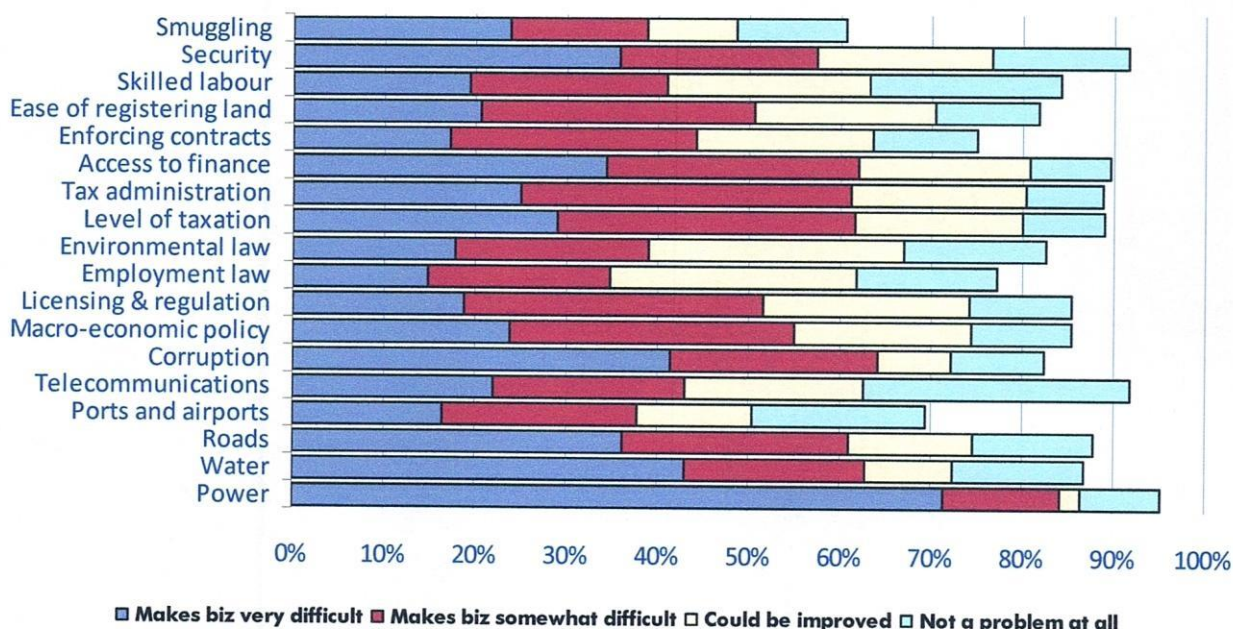
**Figure 6: Importance of factors (all respondents)**



## 6.2 FACTORS WHICH MAKE BUSINESS DIFFICULT

Figure 7 shows the factors that businesses perceive to make life difficult. The factors that 'make business very difficult' (the blue part the bar) are, in order, power, water, corruption, roads, security and access to finance.

**Figure 7: Factors which make business difficult**



It is not always easy to assimilate the data when responses are summarised in this way, so the chart below shows the results by allocating a 'score' for each response as follows: 1 – not a problem; 2 – could be improved; 3 – makes doing business somewhat difficult; 4 – makes doing business very difficult. So, an average score of 4 would mean that every respondent thinks that an issue makes business very difficult.



**Figure 8: Factors which make business difficult**

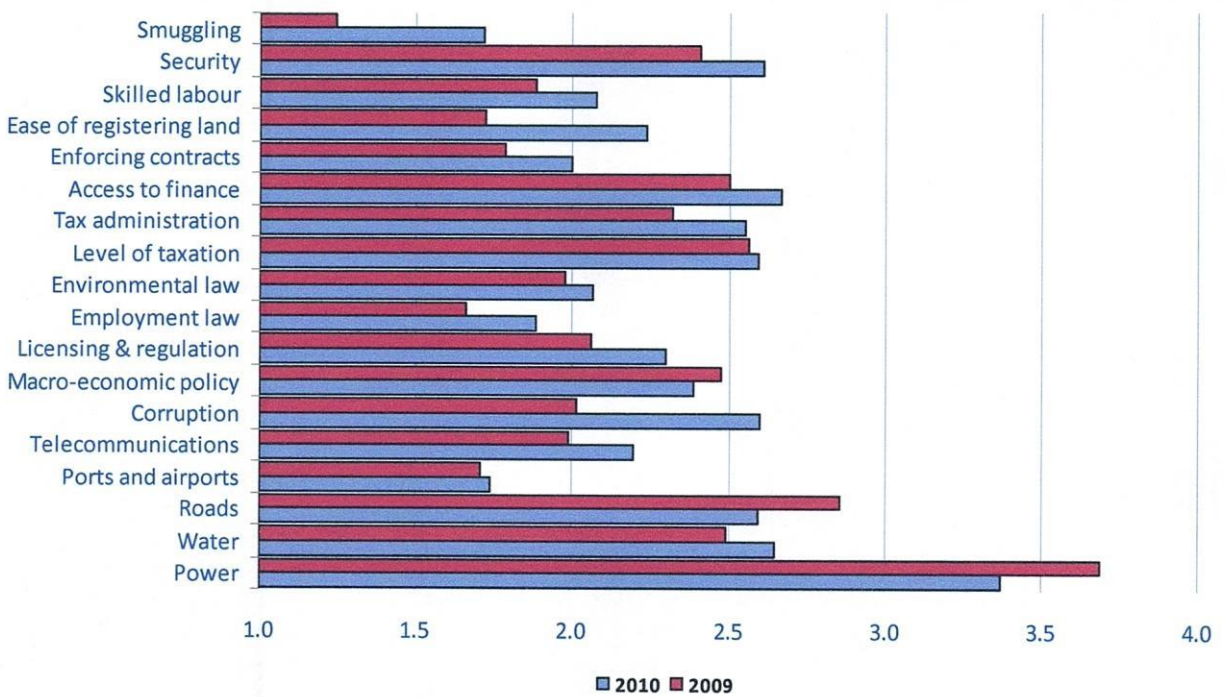


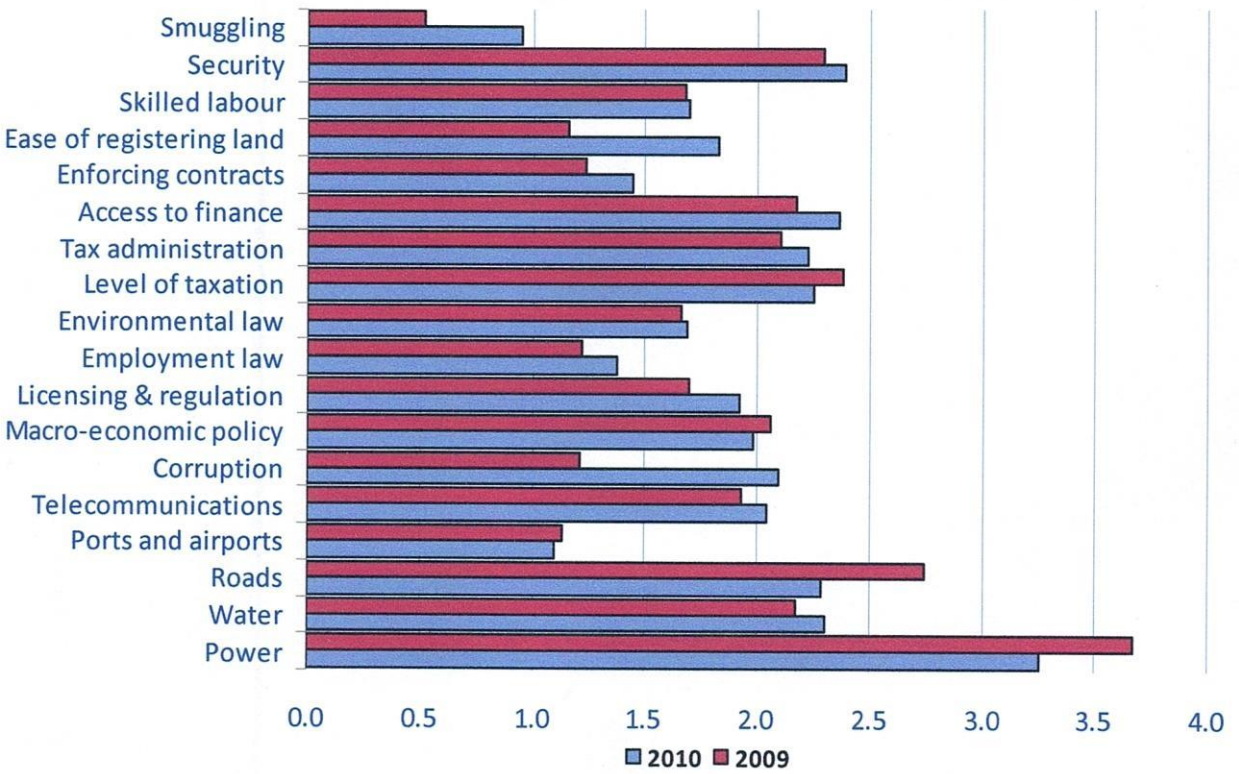
Figure 8 reveals that the key issue – by a long way – is power, with a score well over three. This is followed by access to finance, water, corruption, security and roads.

Whilst the order has changed marginally from 2009, it is broadly the same issues that are causing problems and the perception of the level of difficulty is broadly consistent. As can be seen on the chart, the difficulty caused by power and roads has fallen. Worryingly, however, many other factors have deteriorated: corruption, smuggling and the ease of registering land have all become more difficult; even telecoms is seen to be more difficult than in 2009.

This year, we have looked at the issues after weighting the perception of difficulty by the proportion of respondents saying that the issue was important. If every respondent said an issue was important to them, then there would be no change in the result. If no respondent said an issue was important, then the result would be zero, so the scale for this weighted difficulty runs from zero to 4. Figures from 2009 are included for comparison.



**Figure 9: Issues that cause difficulty weighted by importance**

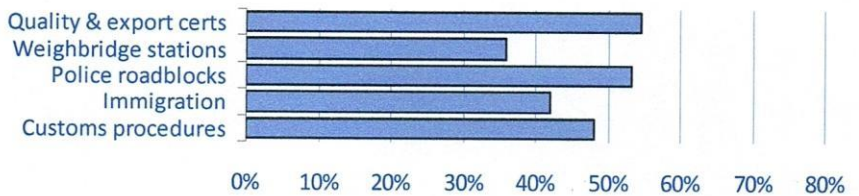


It turns out that the results are very similar, with power heading the list, though improving slightly compared to 2009. This is then followed by security, access to finance, water, roads, level of tax, tax administration and corruption. Interestingly, telecoms comes next – much higher up the ranking than when difficulty alone is considered – because it is seen as important by most respondents.

### 6.3 NON TARIFF BARRIERS

Non tariff barriers (NTBs) may be a requirement of government that add to the complexity and cost of doing business – such as cumbersome customs procedures – or may arise for other reasons – such as ‘illegal’ road blocks intended to extort money.

**Figure 10: Relevance of non-tariff barriers (all respondents)**



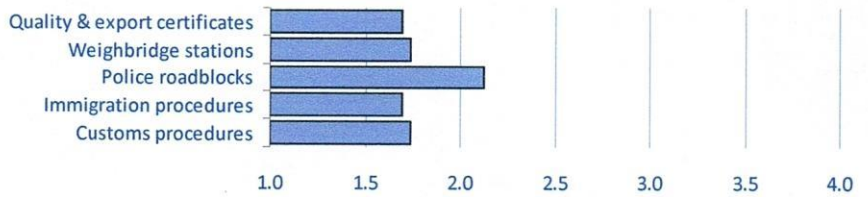
Some 50 per cent of respondents thought that road blocks and quality or export certificates were important issues (figure 10).



It is important to remember that can also have knock-on effects – for example barriers which impede road distribution may cause delays for manufacturers or processors, but these businesses may not report this in their own assessment of the environment. The above results may therefore underestimate the relevance of NTBs. They will also tend to have a disproportionate impact on businesses that are trading internationally.

If one omits the non-responses, on the assumption that they are not affected by these issues, then the problem of road blocks is seen as an issue that makes business 'somewhat difficult', though the situation is much improved from 2009.

**Figure 11: Non-tariff barriers which make business difficult**



There is a challenge here for policy makers, however, in that some large companies can use non-tariff barriers as a competitive advantage and some companies and individuals have vested interests in maintaining these barriers. It is incumbent on the wider private sector therefore to identify areas where reform is needed.

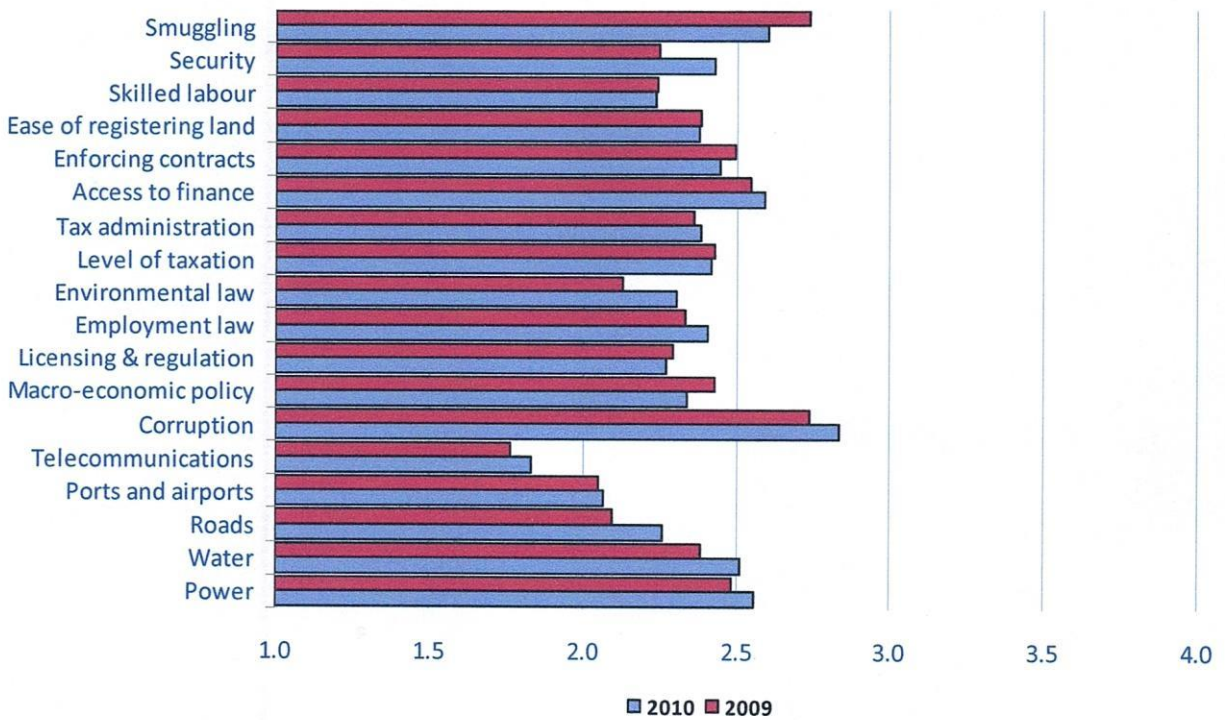
#### 6.4 GOVERNMENT PERFORMANCE

The third question asked respondents about their perception of government efforts to address these aspects of the enabling environment. Answers ranged from 'the government is making real efforts to address the issue' (coded 1), through 'some effort' (coded 2), 'no effort', (coded 3) to 'government actions are making this issue worse' (coded 4). So, an average score of 1 would mean that every respondent thinks that the government is making a real effort to address the issue and an average score of 4 would mean that every respondent thinks that the government is making the issue worse.

Figure 12 reveals the overall perception that the government is making no real effort to address any of the issues, except for telecommunications. Corruption is seen, for the second year running, as the issue where the government is making least effort and has the highest proportion of respondents saying that the government is making the issue worse. Smuggling, whilst marginally improved on 2009, is still the second issue where government is perceived to be making the least effort.

*The overall perception is that government is making no real effort to address any issue except telecoms*

**Figure 12: Government performance in addressing key factors**



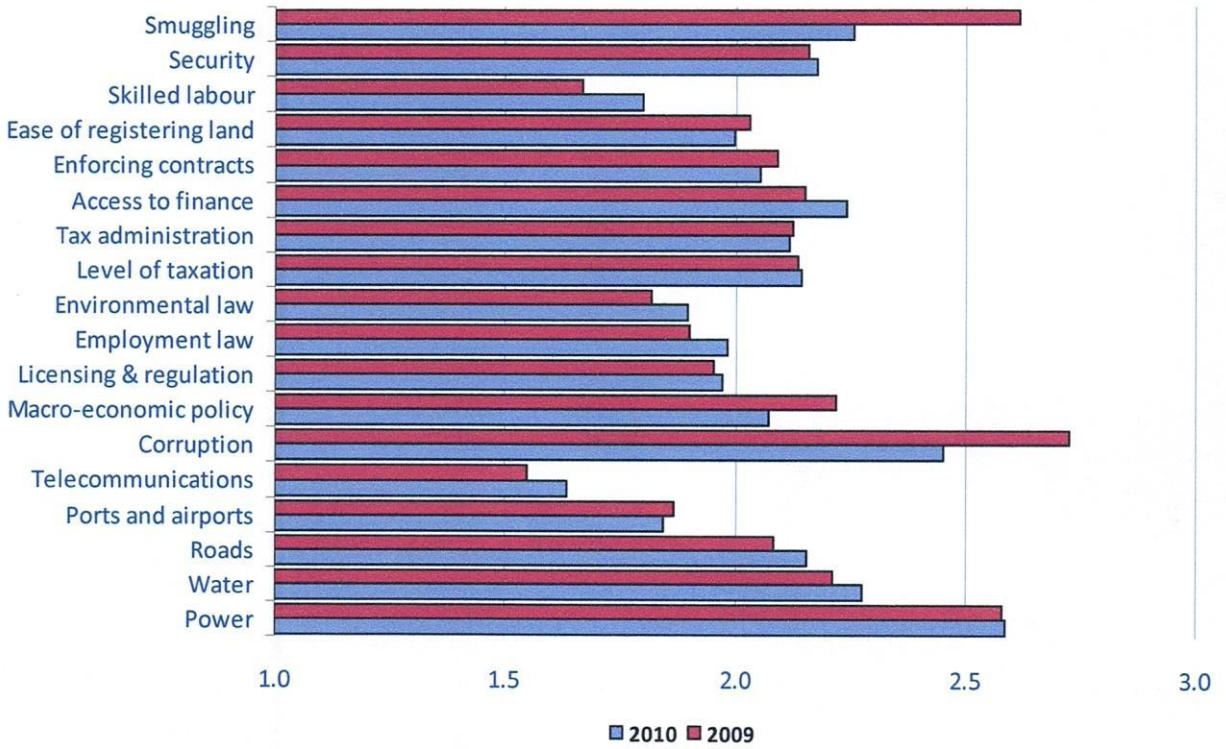
## 6.5 INFLUENCE ON INVESTMENT

The fourth question asked respondents which factors were likely to influence investment decisions and how (scored 1: encourage further investment; 2: neither encourage nor deter; 3: deter further investment). Perhaps not entirely surprisingly, power is seen as the biggest deterrent to investment.

Despite corruption not figuring as a factor that makes business very difficult, it is seen as the second biggest deterrent, perhaps suggesting that corruption is most problematic for business during times of investment (for example, when securing the necessary licenses or approvals). Smuggling is also a deterrent, presumably because it leads to unfair competition. Nevertheless, it is encouraging to see that both of these have become less of a deterrent, leaving power as the primary deterrent to investment. It is also interesting to note that its score has barely changed from 2009.



**Figure 13: Factors which affect investment decisions**



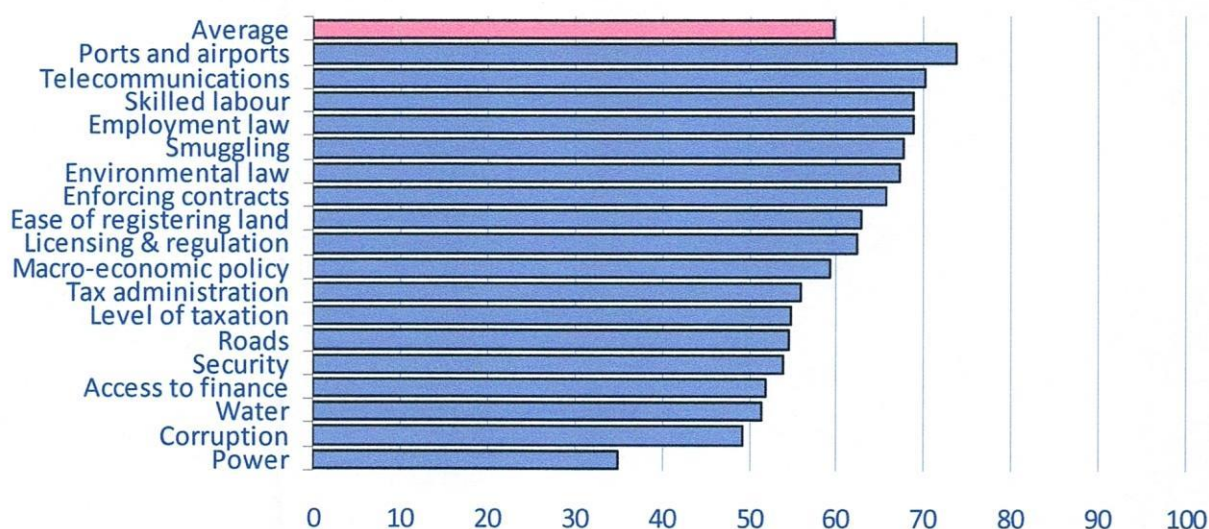
## 6.6 ENABLING ENVIRONMENT PRIORITIES

We have prepared an 'enabling environment priority index' based on the level of difficulty perceived by respondents combined with the perception of how the government is addressing the issue.

The chart below shows the combined views for all of our issues. Note that the scale has been inverted and rebased so that a factor that causes the most difficulty for business and in which the government is making the problem worse will be shown as zero and a factor that causes the least difficulty for business and in which the government is making a real effort to improve the position is shown as 100.

This reveals that the issue that is the least problematic is ports & airports, followed by telecommunications and then availability of skilled labour and employment law. The biggest problem, by a long way and as in 2009, is power. This is now followed by corruption, water and access to finance. These should be the immediate priorities for government to address though not at the expense of the other factors.

**Figure 14: Enabling environment priority index**



Whilst it is difficult to combine all views into a single figure, we recognise that having a single figure makes it easy to see at a glance whether the private sector perceives that the enabling environment has improved or deteriorated.

We have therefore calculated a single figure for the four states together and for each of the states. As this survey is also undertaken in East Africa, we are able to provide some comparative data. The score this year is very similar to last year: Lagos has improved marginally; the other three states have deteriorated marginally.

**Table 6: Enabling environment perception index**

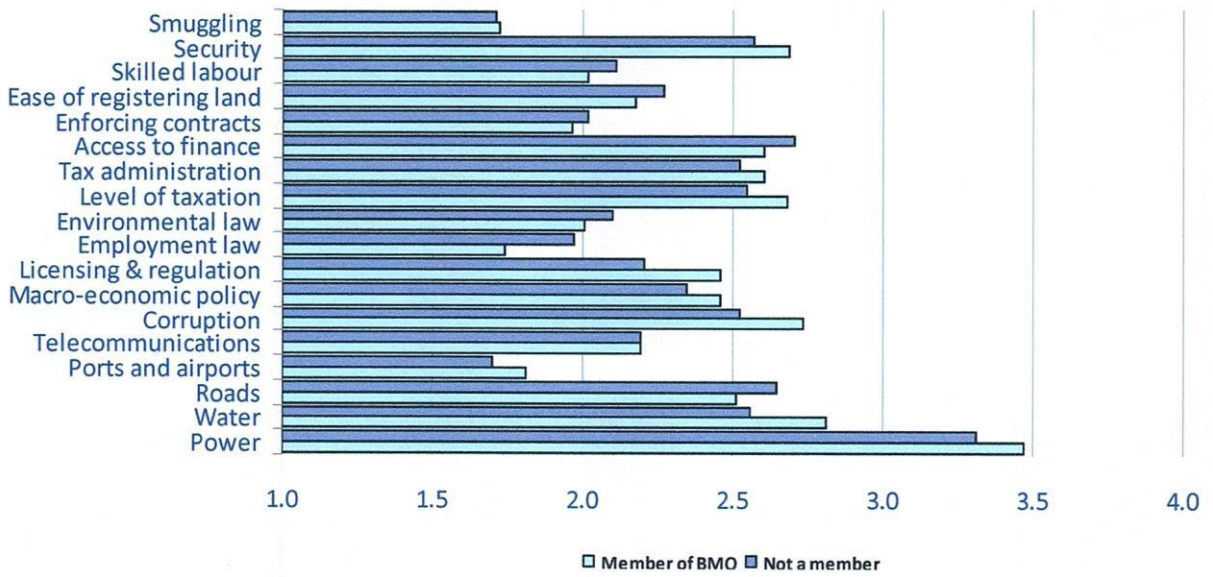
	2008	2009	2010
Nigeria		62	60
Abuja		66	58
Kaduna		64	60
Kano		61	53
Lagos		62	64
Tanzania	57	66	67
Kenya	52	56	
Uganda	63	59	

## 7. REVIEW BY MEMBERSHIP OF BMO

It might be expected that members of BMOs would be more concerned about the impact of the issues on their business and, perhaps, more critical of the government. Indeed, it may well be that they joined the BMO precisely to add their weight to those lobbying for changes in public policy. It seems, however, that there is almost no difference in perceptions between business leaders of businesses that are a member of a BMO and those that are not.



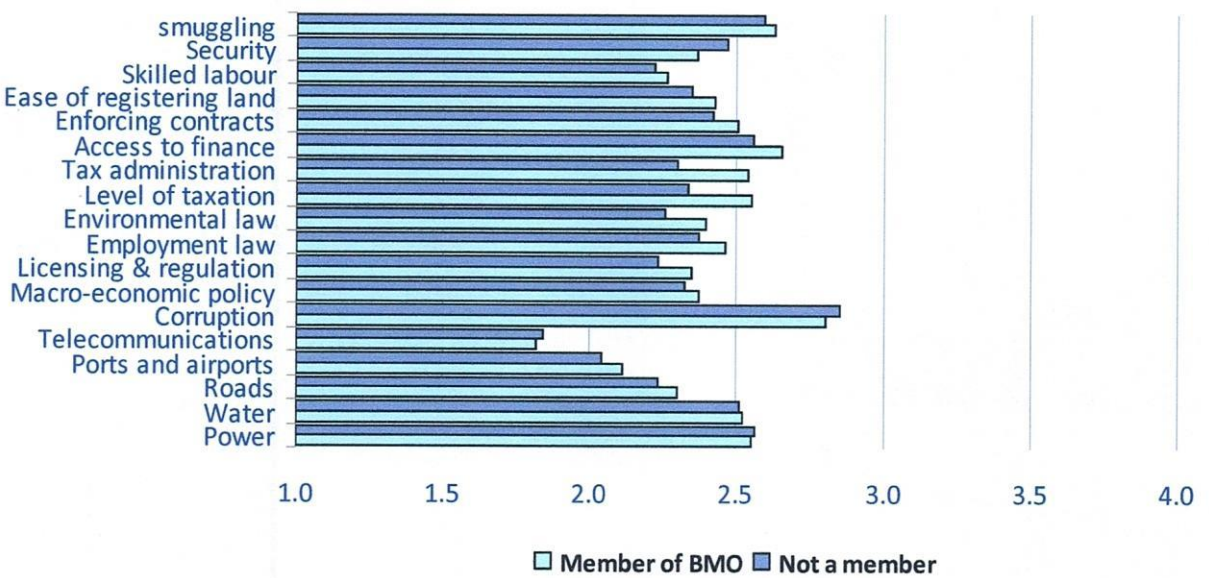
**Figure 15: Factors that make business difficult by membership of BMO**



Note: Some 148 respondents were members of a BMO; 255 respondents were not members of a BMO

There is almost no difference between members and non-members in their perceptions of whether government is making an effort to address each of the issues.

**Figure 16: Perceptions of government efforts to address issues by membership of BMO**

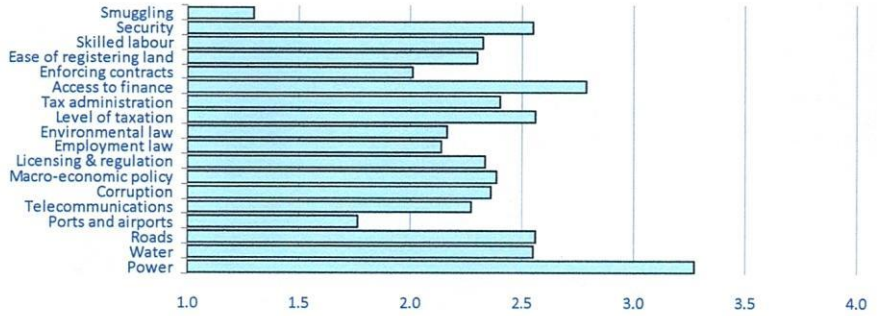


## 8. REVIEW BY SECTOR

### 8.1 MANUFACTURING

Power is the main issue which the manufacturing sector says makes business difficult, though it also says that access to finance is a problem. There are then four further issues which score almost the same (and 2.6 make doing business somewhat difficult): security, level of tax, roads and water. Smuggling is not seen to be an issue at all.

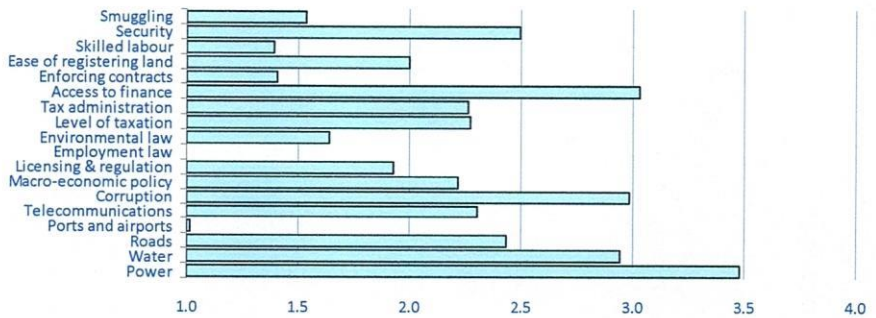
**Figure 17: Manufacturing finds difficulties with...**



### 8.2 AGRICULTURE

The agricultural sector sees power as making business very difficult. There are three issues (with a score of about 3) so make doing business fairly difficult: access to finance, corruption and water. There are a number of issues where the agricultural sector thinks that they do not present a problem. These include employment law, ports & airports, enforcing contracts and access to skilled labour.

**Figure 18: Agriculture finds difficulties with...**

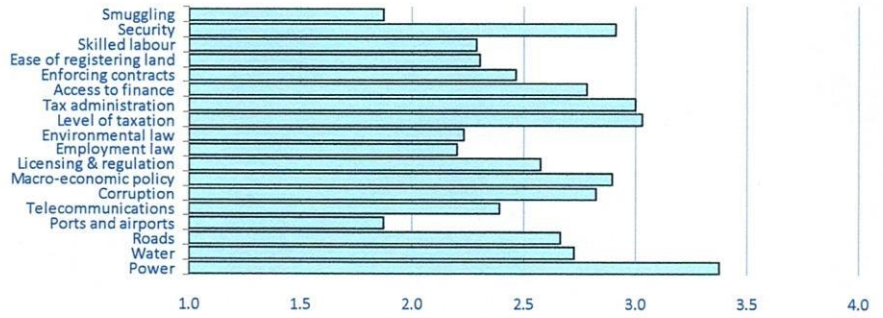


### 8.3 FINANCE

Like manufacturing, the finance sector finds most factors make doing business somewhat difficult. Power heads the list, close to making business very difficult. This is then followed by level of taxation and tax administration, security, macro-economic policy and corruption. Smuggling and ports, perhaps not surprisingly, give them then least problems, though they say that both could be improved.



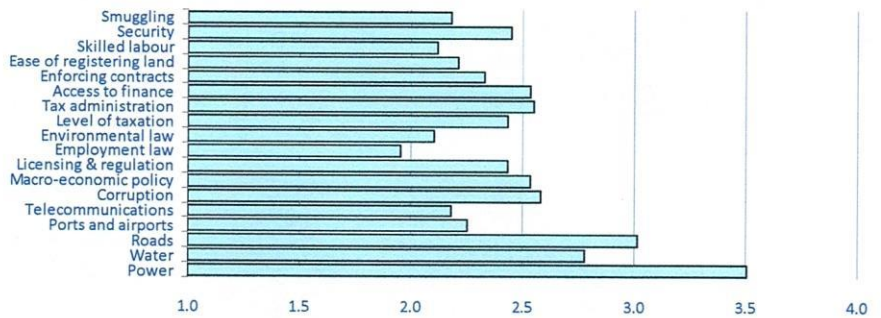
**Figure 19: Finance finds difficulties with...**



### 8.4 WHOLESALE & RETAIL

The wholesale and retail sectors say that power is their biggest problem, making business very difficult. Roads and water come next. They say that corruption, macro-economic policy, access to finance and tax administration makes doing business somewhat difficult.

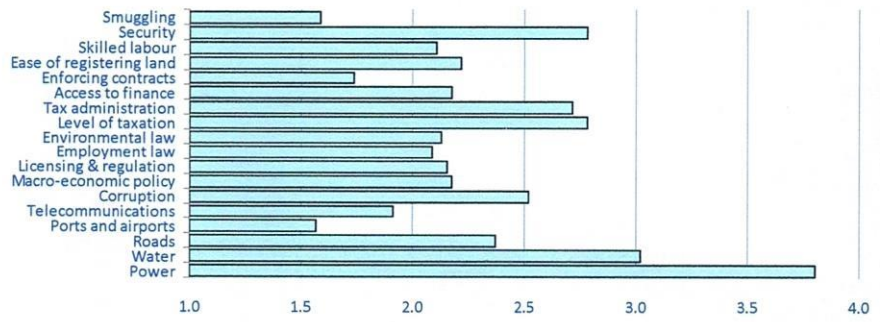
**Figure 20: Wholesale & retail finds difficulties with...**



### 8.5 HOSPITALITY

The hospitality sector, in this survey mainly covering hotels and restaurants, complains about power as a factor making business very difficult with a score higher than for any other sector. Factors that make doing business somewhat difficult are security, level of taxation, tax administration and corruption. They have least problems with smuggling and ports & airports.

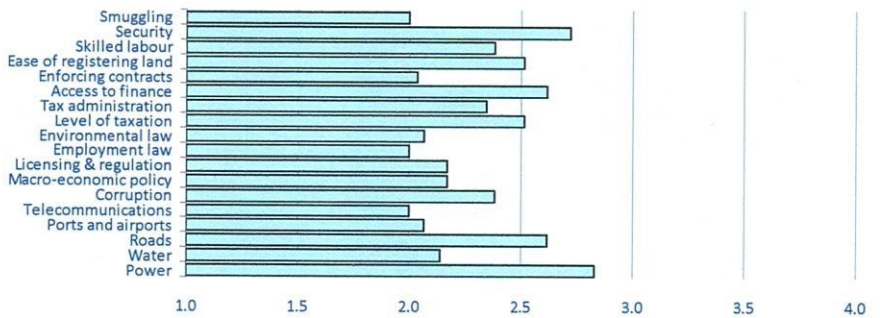
**Figure 21: Hospitality finds difficulties with...**



## 8.6 CONSTRUCTION

No factor makes business very difficult for the construction sector, but power, security, roads, access to finance, ease of registering land and level of taxation all make doing business somewhat difficult. Whilst no factor gets a very high score, no factor scores less than 2 either.

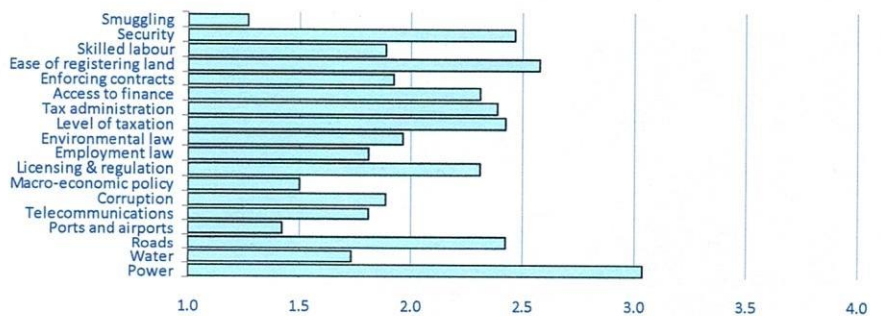
**Figure 22: Construction finds difficulties with...**



## 8.7 SERVICES

Power is the biggest issue faced by the services sector, followed by the ease of registering land, which makes doing business somewhat difficult. Smuggling, ports and macro-economic policy are least problematic. Every other issue could be improved.

**Figure 23: Services finds difficulties with...**



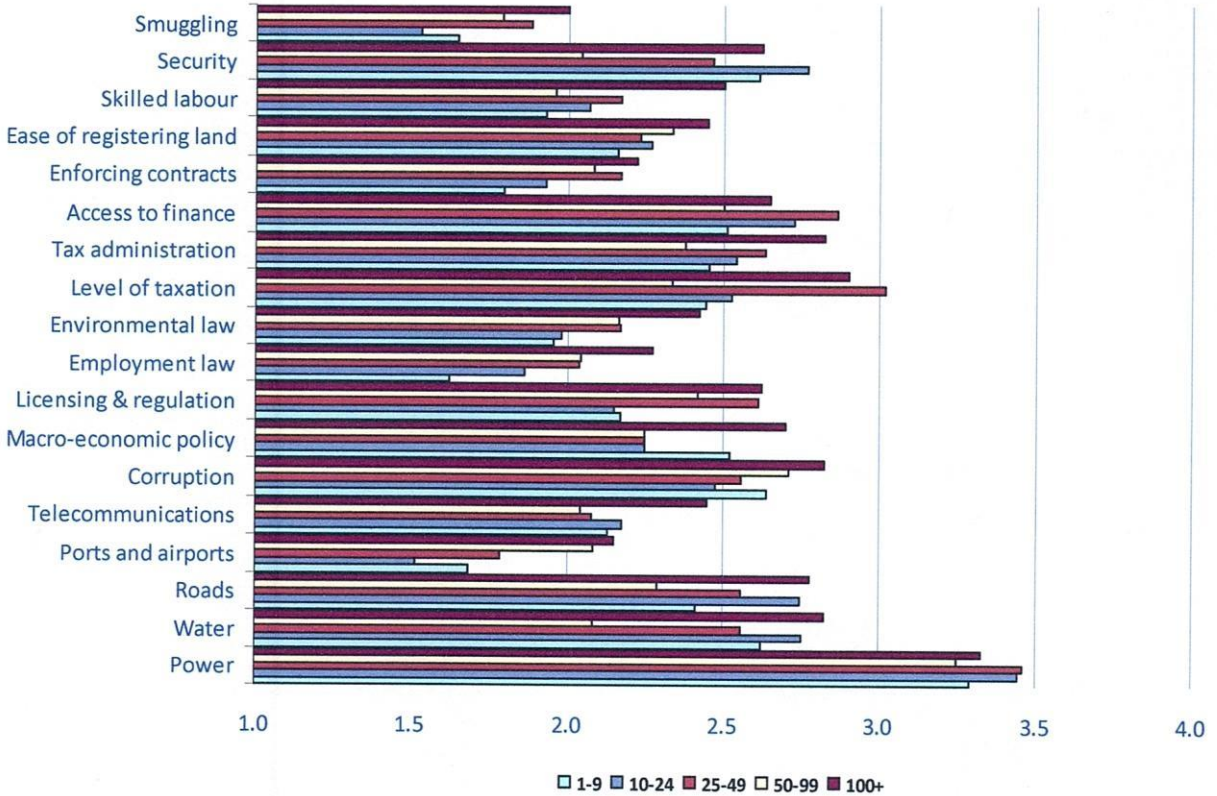


## 9. REVIEW BY BUSINESS SIZE

Respondents were asked to state how many staff they employed. Not every respondent answered that question, but most did.

Power is a significant problem for businesses whatever their size. Complying with various laws and regulations (tax, employment law, environmental law) becomes more of a problem as firms get bigger, perhaps because they are more likely to be formalised and are more visible to enforcement agents.

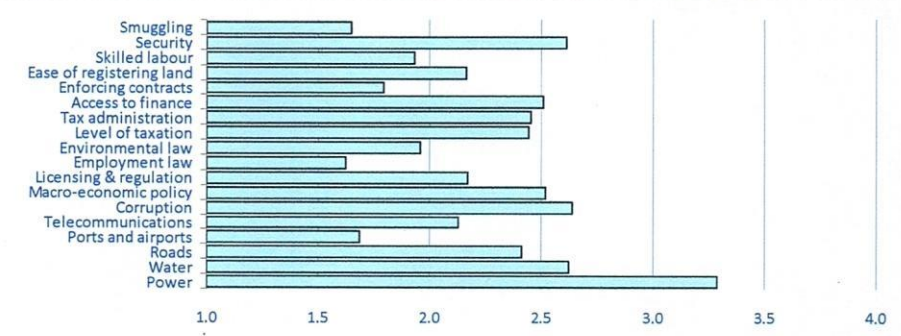
**Figure 24: Factors which make business difficult: by business size**



Analysing the responses by business size is interesting. The prevailing view amongst donors and policy makers is that a 'bad' business environment hits small firms the hardest (because, for example, they rely more on external finance, high compliance costs are spread over a smaller revenue base and they are less likely to be able to take a stand say on corruption), but these results suggest that is not the case. Of course, this may be due to the fact that in Nigeria many small businesses do not comply with regulations anyway (meaning that the compliance burden is minimal), and that larger companies with more complex operations are more likely to be capital intensive (meaning finance is more of a constraint) and are more likely to rely on ports, the enforcement of contracts etc. It may also have something to do with levels of awareness – executives of big companies are more likely to have travelled to the USA and Europe – and will thus be more aware of the limitations of the Nigerian business environment.

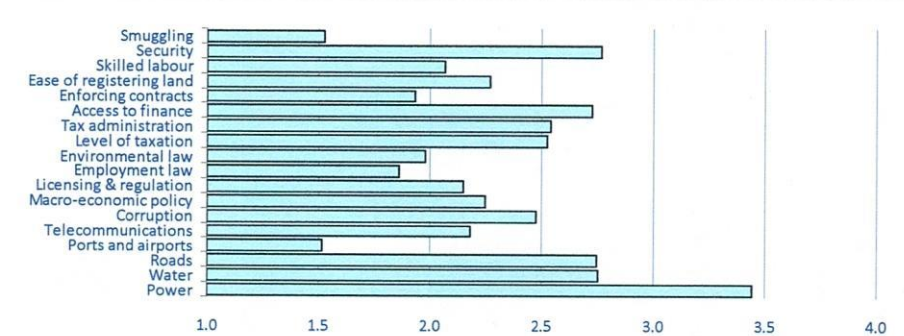
The smallest businesses, that is, those employing fewer than 10 people, say that the biggest problem is caused by power, followed by corruption, security and water. Employment law causes the least problem followed by ports.

**Figure 25: Issues that cause difficulty for businesses employing 1-9**



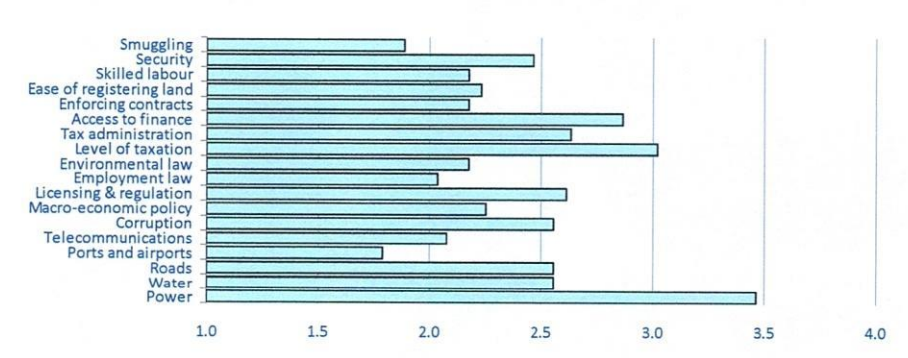
Businesses employing 10-24 people say that power is their biggest problem followed by security, water, roads and access to finance. They say ports give them the least problem. Whilst employment law is the second easiest issue, it is worth noting that it is much higher than for the smallest businesses.

**Figure 26: Issues that cause difficulty for businesses employing 10-24**



Businesses employing 25-49 people also say that power is their biggest problem. However, their second biggest problem is level of taxation, then access to finance, and then licensing and regulation, presumably because, as they grow, they find that they have to comply with more regulatory requirements. Ports is the issue that they find the easiest, though it is more of a problem than for small businesses (perhaps because they are more likely to be directly involved in importing or exporting goods). Employment law is their third easiest issue, though it is worse than for the smaller businesses, presumably also made worse by the need to comply with more law as they grow.

**Figure 27: Issues that cause difficulty for businesses employing 25-49**

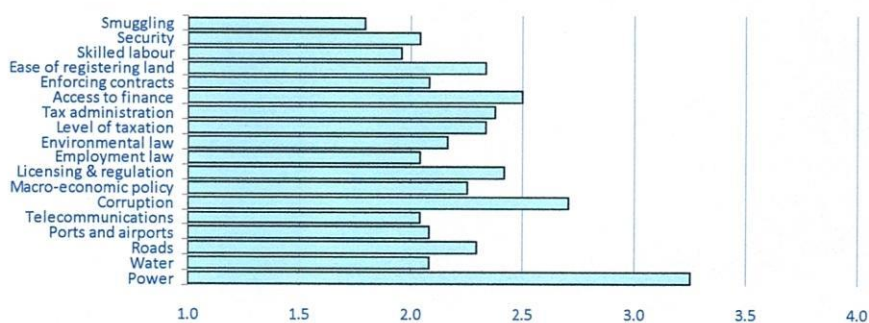




The trend continues, with businesses employing 50-99 people saying that power is the issue that gives them most difficulty. For them, corruption is the second biggest problem and then access to finance.

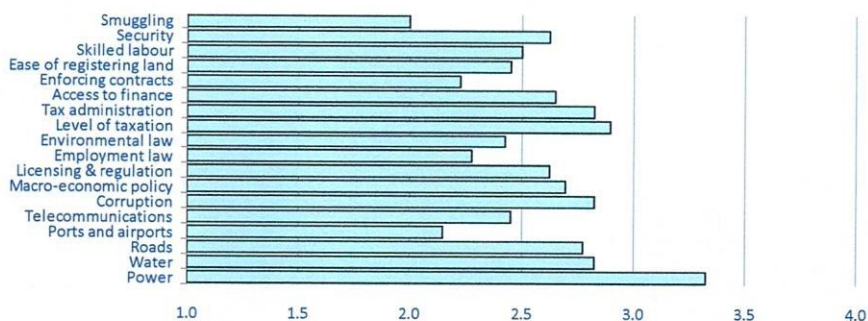
At the 'easy' end, every issue causes a greater degree of difficulty than for smaller businesses. Smuggling, rather than ports, is the easiest issue for them. Ports and employment law both exceed 2, meaning that they think they could be improved.

**Figure 28: Issues that cause difficulty for businesses employing 50-99**



Businesses employing more than 100 people seem to think every issues cause a little more difficulty. Power is the main problem, followed by level of tax, tax administration, corruption, water and roads. Smuggling is their least problematic issue; ports is their second easiest issue and enforcing contracts is their third

**Figure 29: Issues that cause difficulty for businesses employing >100**



## 10.WHO MAKES A DIFFERENCE

The survey asked some additional questions in 2010 related to business membership organisations, the media, dialogue and investment intentions.

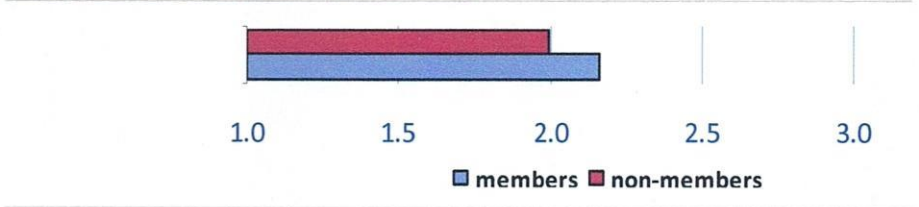
The first question asked whether BMOs make a difference to the business environment and the answers were coded. In the chart, a score of 1 indicates that business perceives that they are making no difference; a score of 2 indicates a perception that they making some difference; a score of 3 indicates a belief that they are making a big difference. Across the whole sample the score was 2.1, suggesting that BMOs do make some difference to the business environment.

We might expect businesses that are members of BMOs to be more positive about the BMO – if they are not positive, then they might be expected to leave

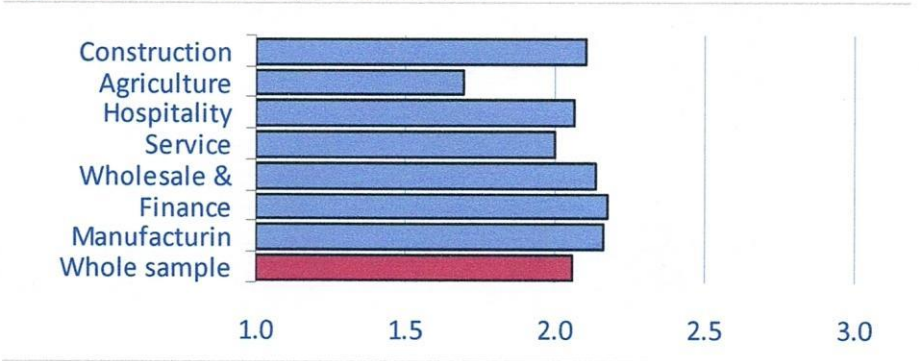
– and this is largely the result. What is perhaps interesting is that members are not much more positive about BMOs than non-members.

In most sectors, members were more positive about the difference that a BMO can make, and this was also the case across the whole sample. Respondents were least positive about agriculture sector BMOs.

**Figure 30: Do BMOs make a difference?**

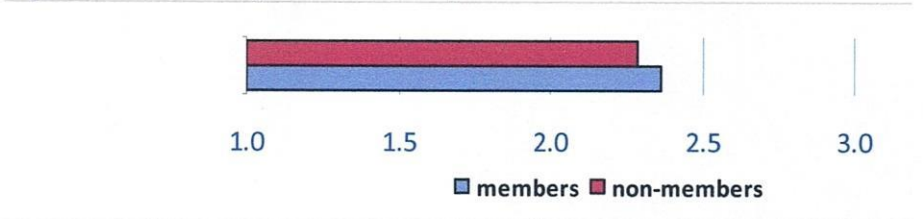


**Figure 31: Do BMOs make a difference?**



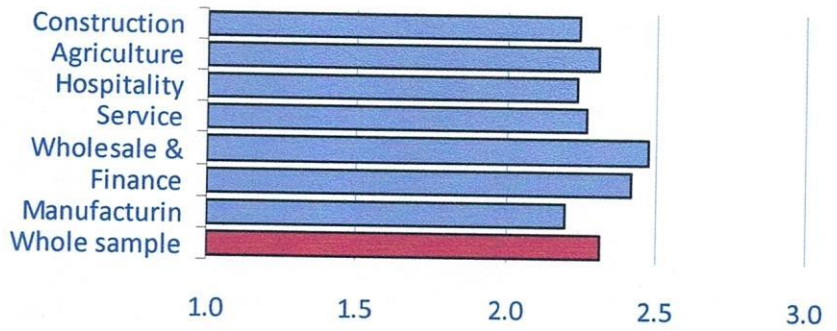
The next question asked whether respondents perceived that BMOs' performance had improved over the last 12 months. A score of 1 indicates a perception that BMOs have deteriorated; a score of 2 indicates that their performance has remained the same; a score of 3 indicates a belief that they have improved. Across the whole sample the score was 2.3, suggesting that there has been a small improvement in the performance of BMOs over the year. Interestingly, all sectors think that BMOs have improved over the last 12 months. Again, members tended to be more positive about BMO improvement than non-members, though not by very much.

**Figure 32: Has BMO performance improved?**





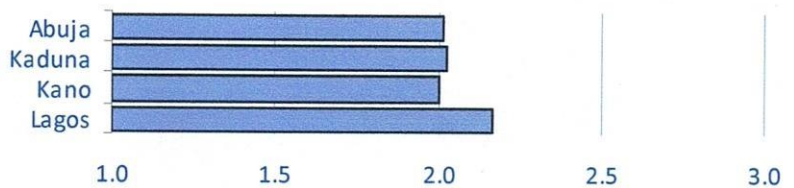
**Figure 33: Has BMO performance improved?**



Respondents were asked whether they thought the media made a difference to the business environment. Overall, the score was 2.1 (the same score as BMOs), suggesting that the media do make some difference to the business environment. As with BMOs, the performance of the media is perceived to have increased over the year (with a score of 2.4, slightly higher than BMOs).

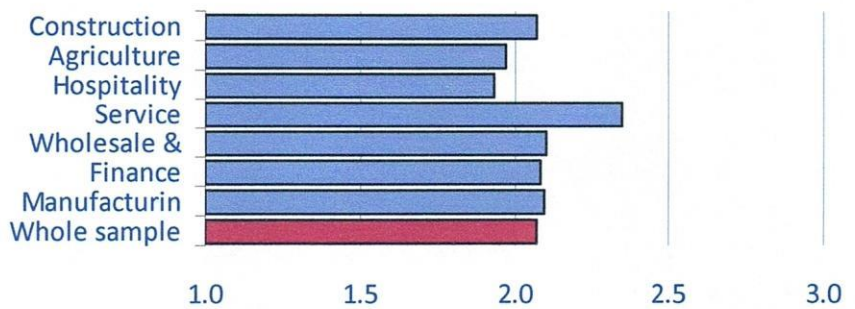
One might have expected a large regional variation; in fact, Abuja, Kano and Kaduna had almost identical results with only Lagos being more positive.

**Figure 34: Does the media make a difference?**



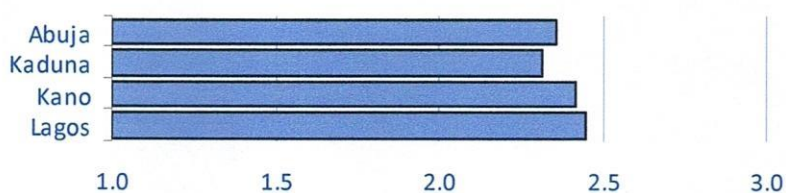
There was slightly more variation amongst sectors, though not much, with the service sector being most positive about the media.

**Figure 35: Does the media make a difference**

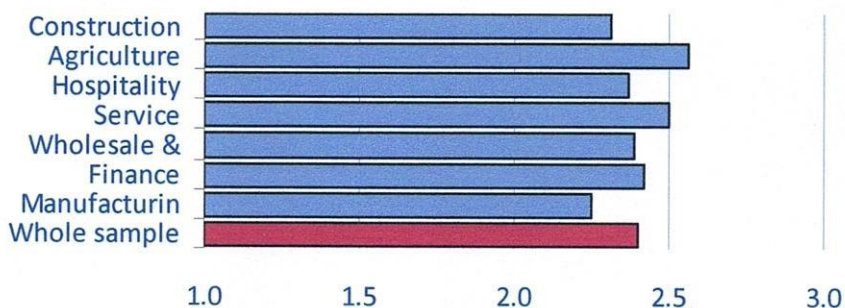


All states and all sectors were positive about the improvement in the media's performance with all thinking that they had improved during the last 12 months.

**Figure 36: Has the media improved?**



**Figure 37: Has the media improved**



Respondents were asked if they were satisfied with the level of public private dialogue. Responses were coded so that a score of 1 indicates respondents were not satisfied, a score of 2 indicates that respondents were somewhat satisfied and a score of 3 indicates that they were very satisfied. The overall score was 1.7, suggesting that business leaders are not particularly satisfied with the level of public private dialogue.

Members were slightly more satisfied than non-members though clearly all respondents feel that there is room for improvement.

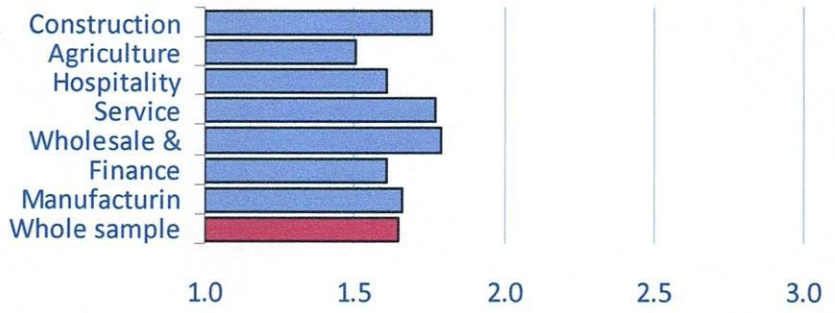
**Figure 38: Satisfaction with level of public private dialogue**



There was a little variation amongst sectors, but no sector achieved even a 'somewhat satisfied' score. This may indeed indicate that BMOs are not engaging in sufficient dialogue; at the very least, it means that BMOs need to communicate more effectively with their members.



**Figure 39: Satisfaction with level of public private dialogue**



The next question asked about how the level of dialogue had changed during the previous 12 months – with possible answers of improved (score 3), stayed the same (score 2) and deteriorated (score 1). Overall, the score was 1.7, suggesting that the level public private dialogue has worsened slightly over the year.

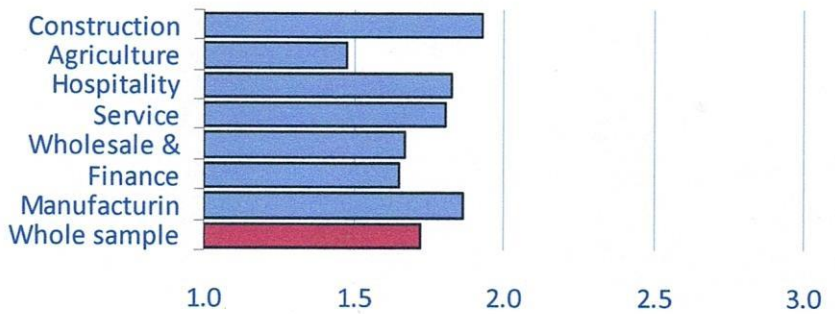
There is some geographic variation in responses to the question about whether there has been an improvement in the level of dialogue, with every state saying that, to some extent, it has deteriorated and with Kano saying this most.

**Figure 40: Perception of improvement in level of dialogue**



Similarly, all sectors think that the level of dialogue has deteriorated to some extent during the last 12 months. Construction is most positive and agriculture is least positive.

**Figure 41: Perception of improvement in level of dialogue**

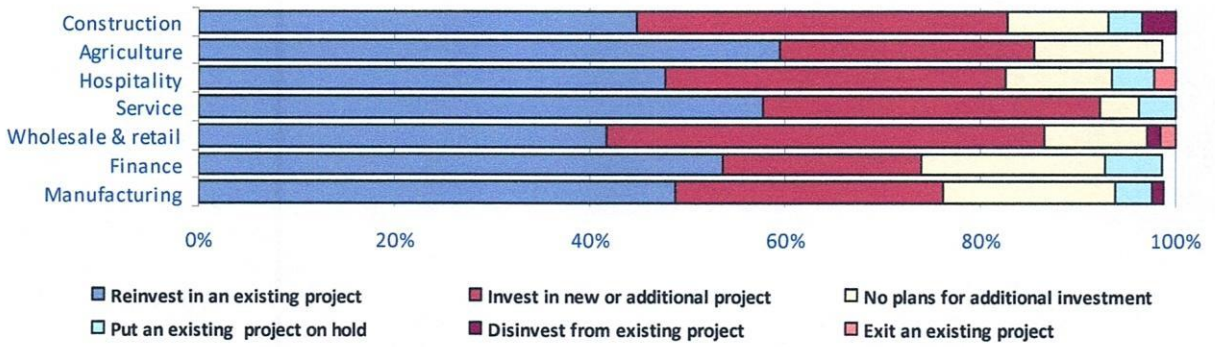


## 11. INVESTMENT PLANS

Respondents were asked about their investment plans. Rather than combining the responses to give a single score, it is more revealing to look at the actual answers. Most respondents, and a majority of respondents in finance, service

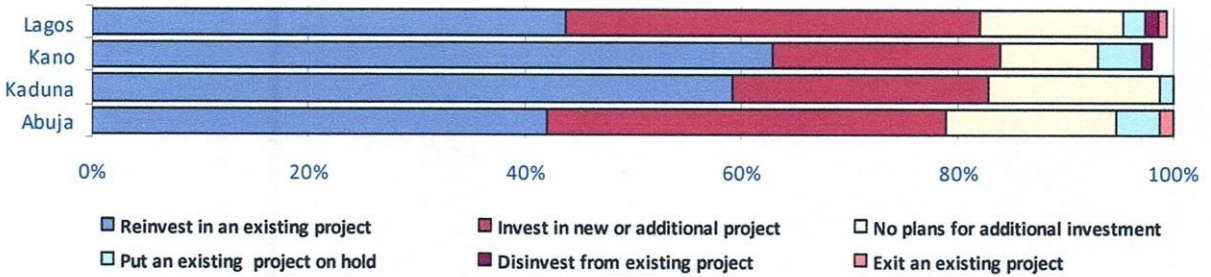
sector and agriculture, expect to reinvest in an existing project during the next 12 months. A significant number of respondents expect to invest in a new project. So, all told, some 80 per cent of respondents expect to invest during the next 12 months. Very few plan to disinvest or to exit existing projects. The service sector is most bullish about future investment, with over 90 per cent planning to invest, followed by wholesale & retail, and agriculture. The finance sector is the least bullish.

**Figure 42: Investment intentions**



Kaduna and Kano have the highest proportion of businesses saying that they will be reinvesting in existing projects, but the lowest proportion saying they will invest in new projects. This could reflect a lack of business opportunities in new areas or a lack of the skills and knowledge necessary to take advantage of new opportunities (relative to the more dynamic business environment in Lagos).

**Figure 43: Investment intentions**

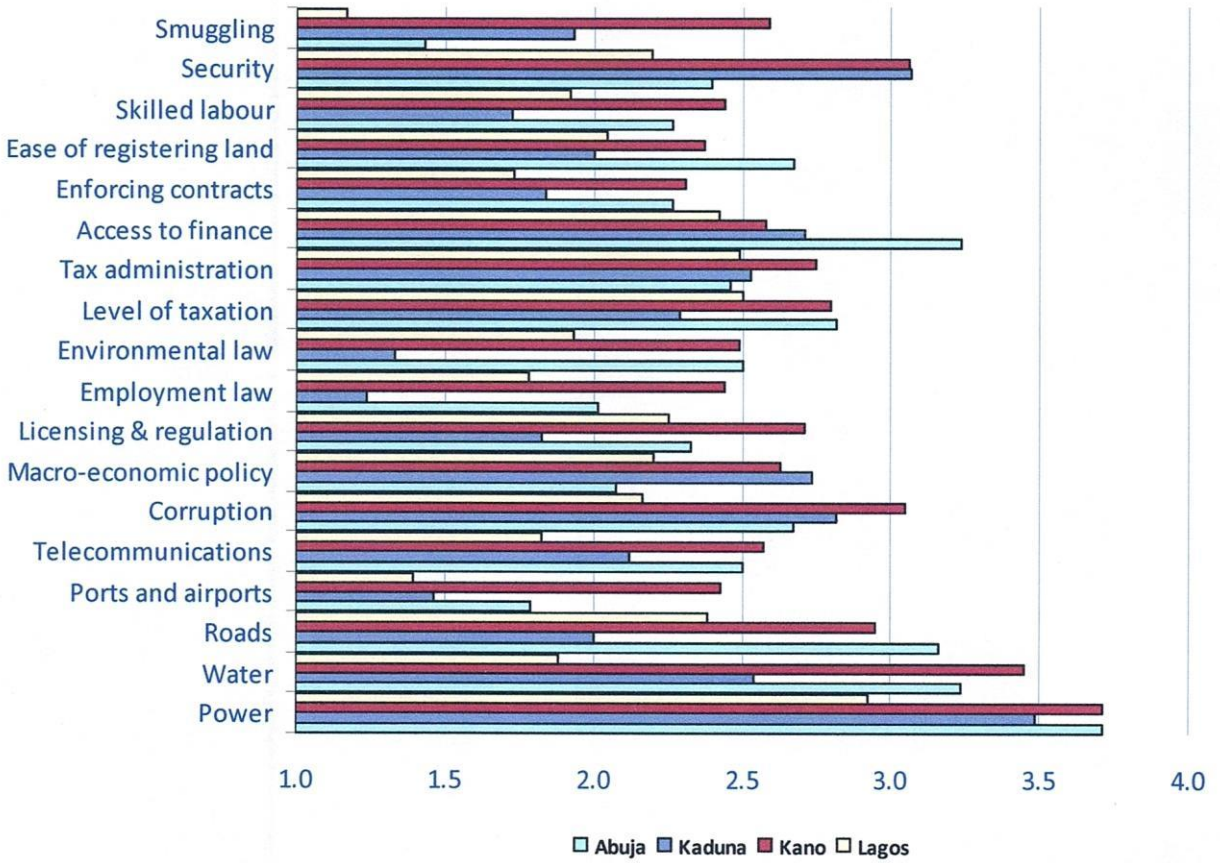




## 12. REVIEW BY LOCATION

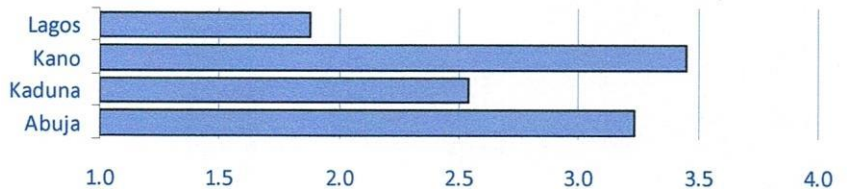
The survey has secured a good level of respondents from all four states in the survey, allowing us to compare views across the states. On the whole, the problem issues are the same across all states.

**Figure 44: Factors which make business difficult: by location**



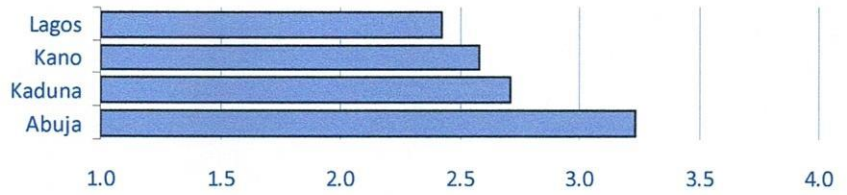
There are some differences however. For example, water is seen in Kano and Abuja as an issue that makes doing business very difficult. Only businesses in Lagos say it is not a problem (perhaps not surprising given the far greater rainfall in the south of Nigeria vis-a-vis the north).

**Figure 45: Water**



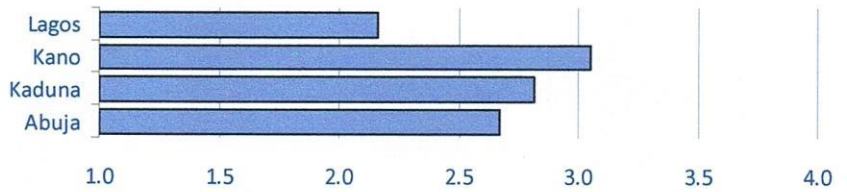
Access to finance is seen as making business somewhat difficult everywhere and as very difficult in Abuja.

**Figure 46: Access to finance**

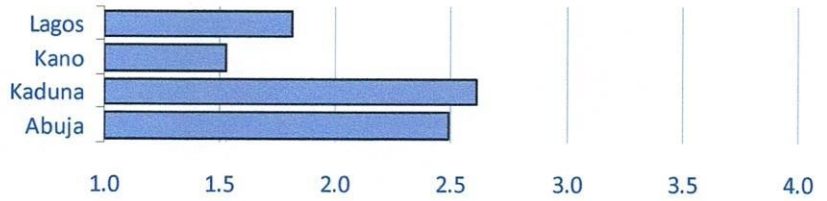


Corruption is seen to make business very difficult in Kano and somewhat difficult everywhere else. This is an interesting result: in 2009, Kano and Lagos saw it as much less of a problem.

**Figure 47: Corruption**



**Figure 48: Corruption in 2009**

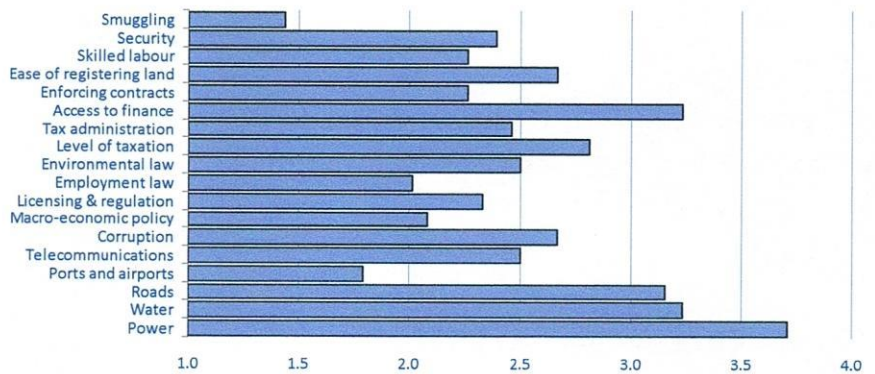


Source: ENABLE BLP survey 2009

### 13. ABUJA

The issues that make business very difficult in Abuja are power, access to finance, water and roads.

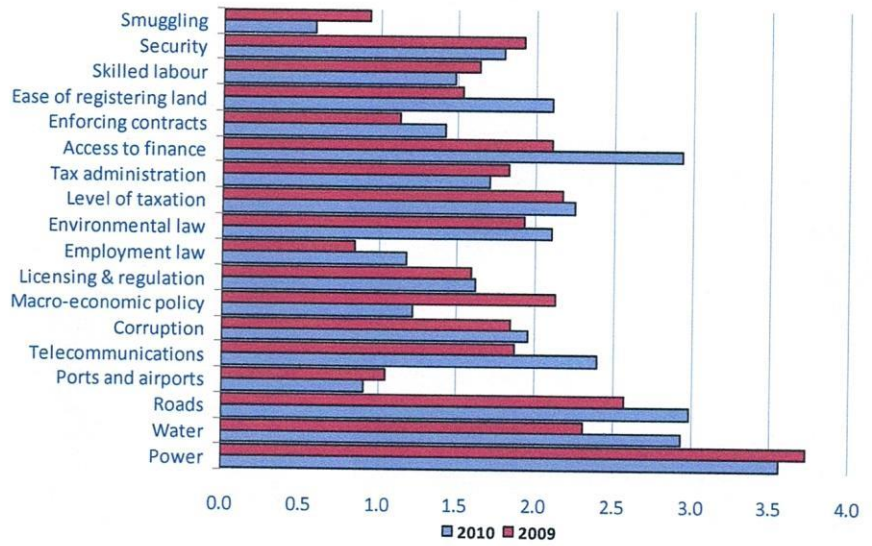
**Figure 49: Factors which making business difficult**





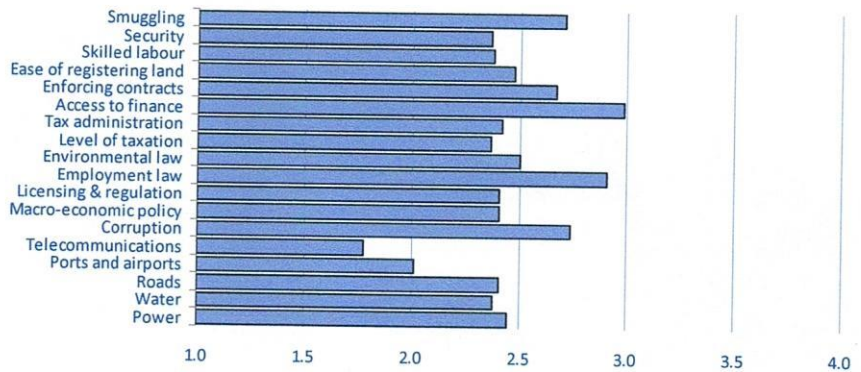
Most issues are now seen to be causing more problems than in 2009. This is particularly the case for access to finance which, when weighted by its importance to business, has gone from just over 2 to almost 3. The average weighted difficulty has deteriorated a little from 1.8 to 2.

**Figure 50: Factors that make business difficult weighted by importance**



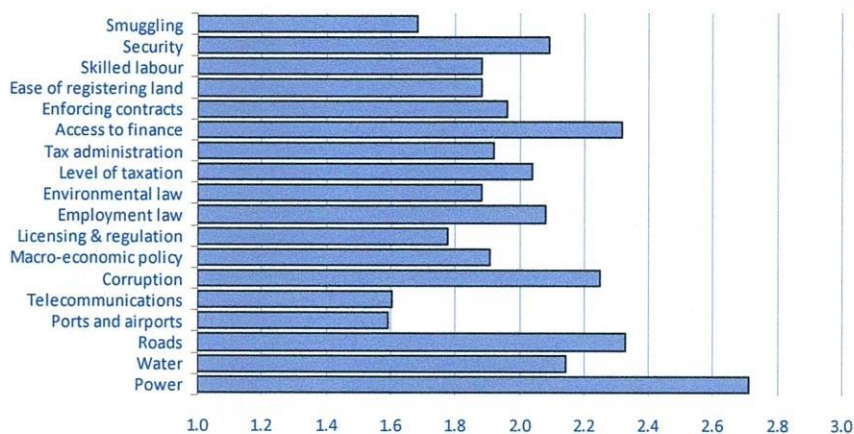
The government is not perceived to be making most issues worse, except for access to finance. It is perceived to be making some effort with telecoms.

**Figure 51: Government performance in addressing key factors**



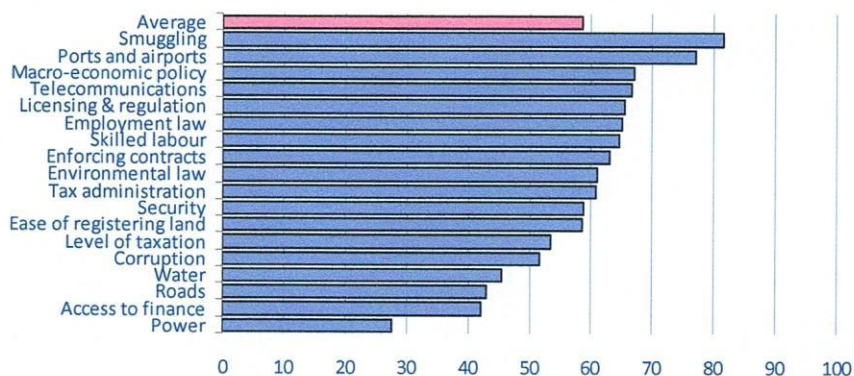
Respondents are deterred from making further investment by power, access to finance, roads, water, security, employment law and level of tax.

**Figure 52: Factors which affect investment decisions**



The priorities to be addressed by government, as revealed in the enabling environment priority index, are power, access to finance, roads, water and corruption.

**Figure 53: Enabling environment priority index**

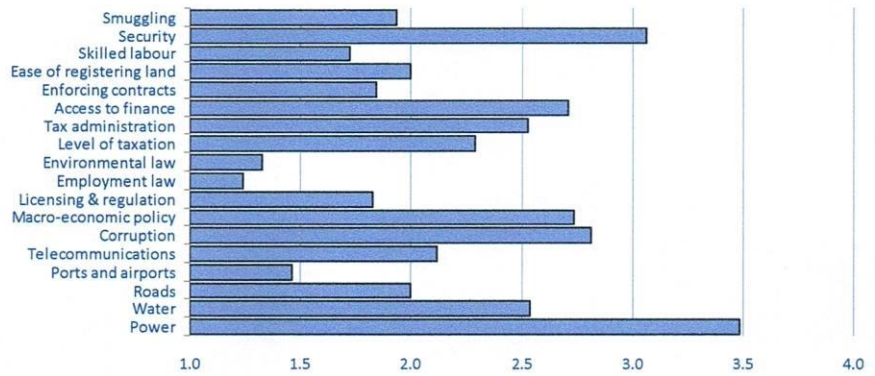


## 14. KADUNA

The issues that make business very difficult in Kaduna are power and security. Issues that make business somewhat difficult include corruption, macro-economic policy and tax administration.

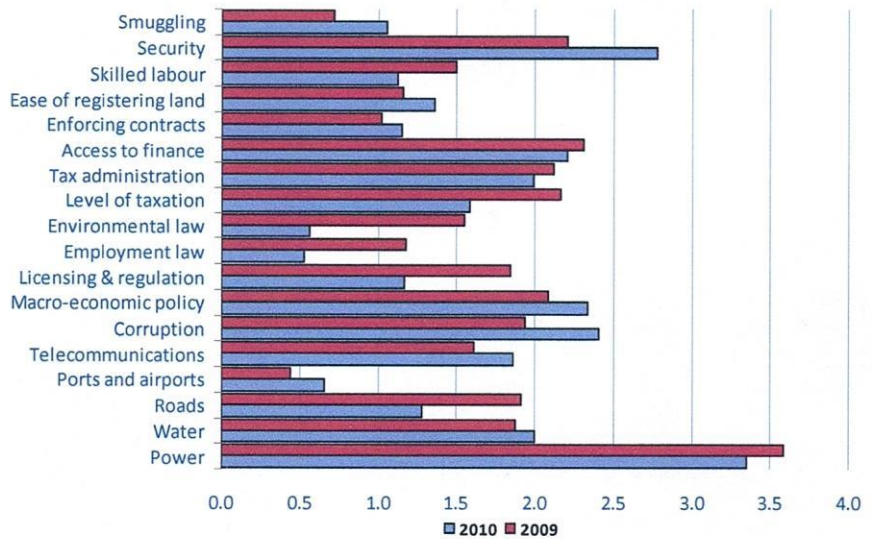


**Figure 54: Factors which make business difficult**



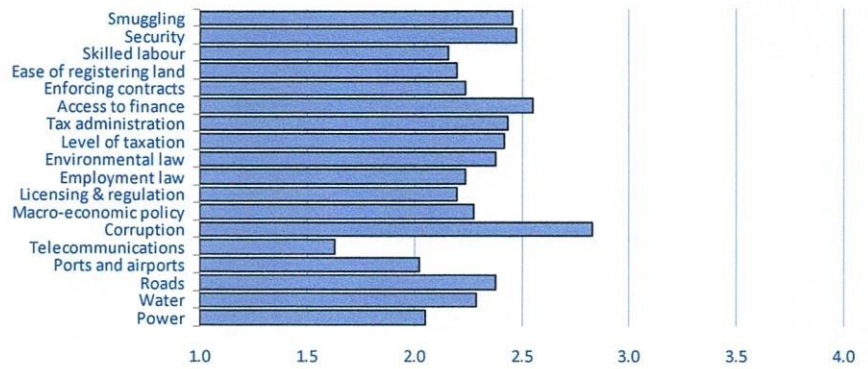
There are a number of problems that have become worse, especially when weighted for their importance to the business. This is particularly the case for security and corruption, but telecoms, smuggling, macro-economic policy and ease of registering land are all perceived to be more of a problem now than in 2009. However, a number of issues are perceived to have improved, including roads, licensing & regulation, employment law and environmental law. The average weighted difficulty has improved a little from 1.7 to 1.6.

**Figure 55: Factors that make business difficult weighted by importance**



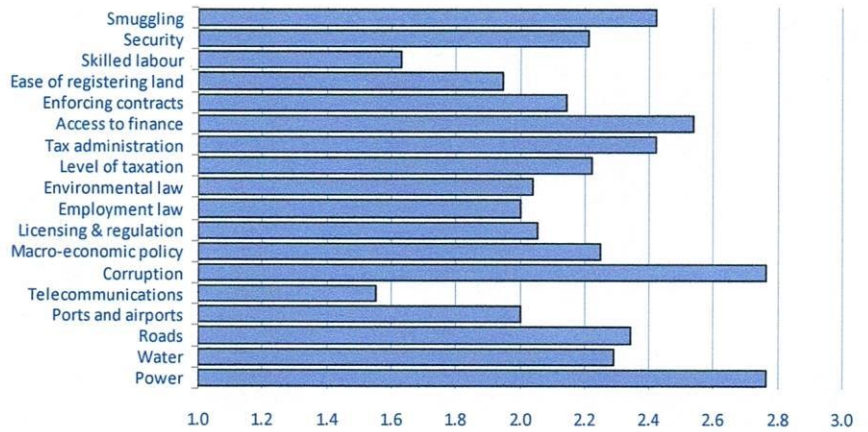
The government is not perceived to be making any of the issues worse, but most respondents think that it is making no effort for any issue except telecommunications.

**Figure 56: Government performance in addressing key factors**



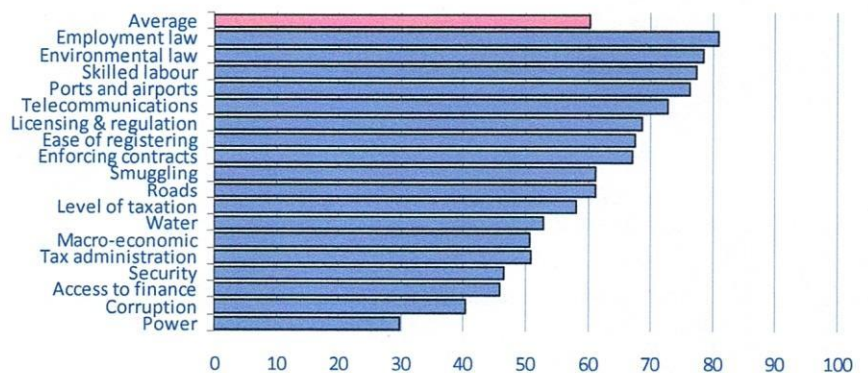
Respondents are deterred from making further investment by a large number of factors headed by power and corruption.

**Figure 57: Factors which affect investment decisions**



The enabling environment priority index reveals the priorities to be addressed as power, corruption, access to finance, security and tax administration.

**Figure 58: Enabling environment priority index**

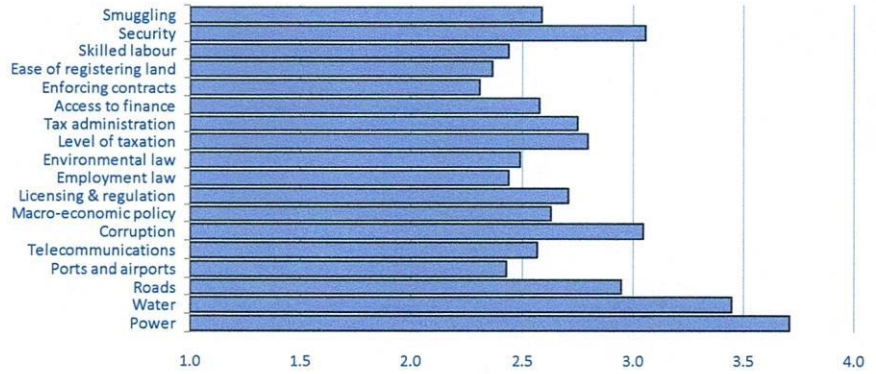




## 15. KANO

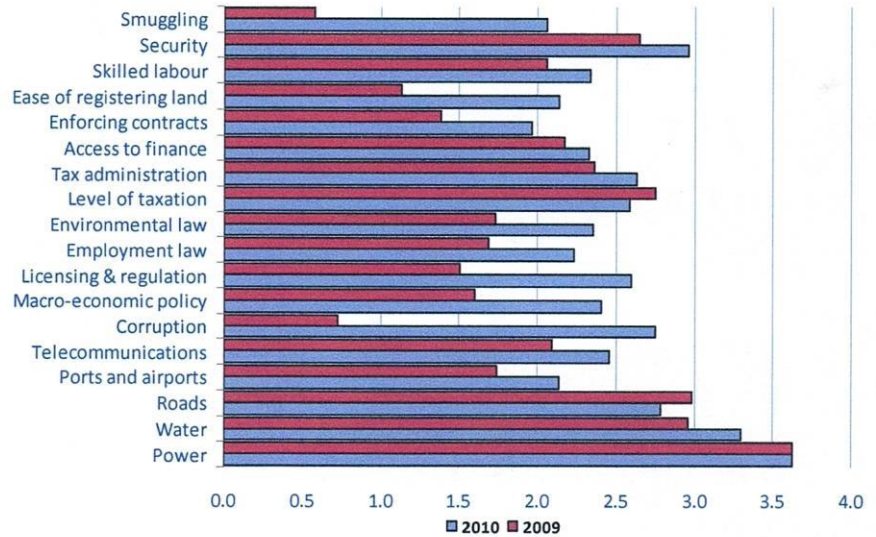
In Kano, there are four issues that are regarded as making business difficult: power, water, corruption and smuggling. Every other Issue is perceived as making business somewhat difficult.

**Figure 59: Factors which making business difficult**



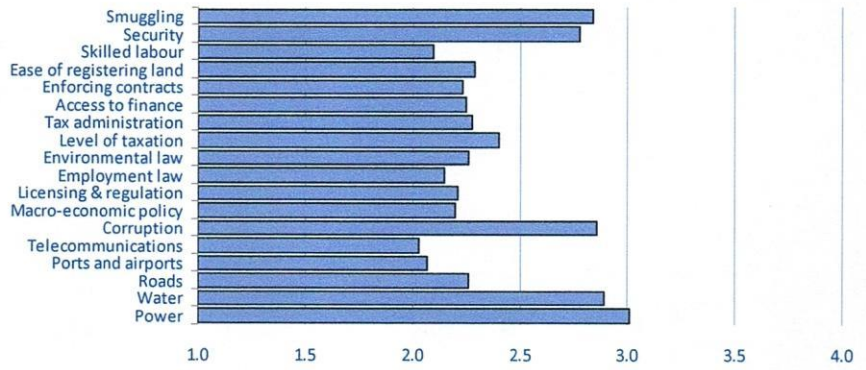
In Kano, it seems, almost every factor has got worse – confirmed by the average weighted difficulty deteriorating from 2.0 to 2.5. Power is not perceived to have got worse, but is already perceived to be making business very difficult. Corruption is perceived to have got much worse, with its weighted difficulty deteriorating from 0.7 to 2.7; smuggling has deteriorated from 0.6 to 2.1. Ease of registering land, licensing & regulation, employment law, environmental law have all got worse.

**Figure 60: Factors that make business difficult weighted by importance**



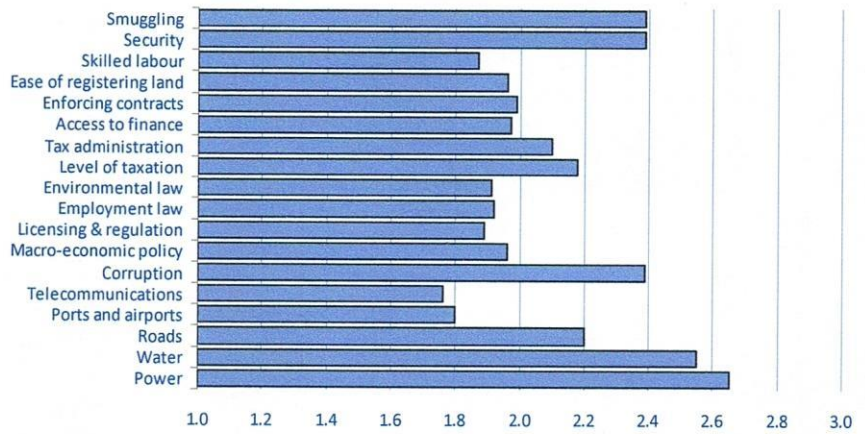
The government is perceived, just, to be making the issue of power worse. They are perceived to be making no effort for every other issue.

**Figure 61: Government performance in addressing key factors**



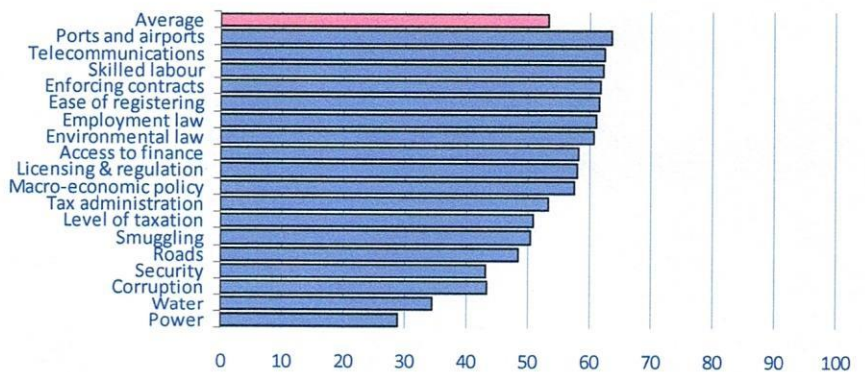
Respondents are deterred from making further investment by eight issues headed by power and water with corruption, smuggling and security all close behind.

**Figure 62: Factors which affect investment decisions**



The priorities to be addressed by government, as revealed in the enabling environment priority index, are power, water, corruption, security and roads.

**Figure 63: Enabling environment priority index**

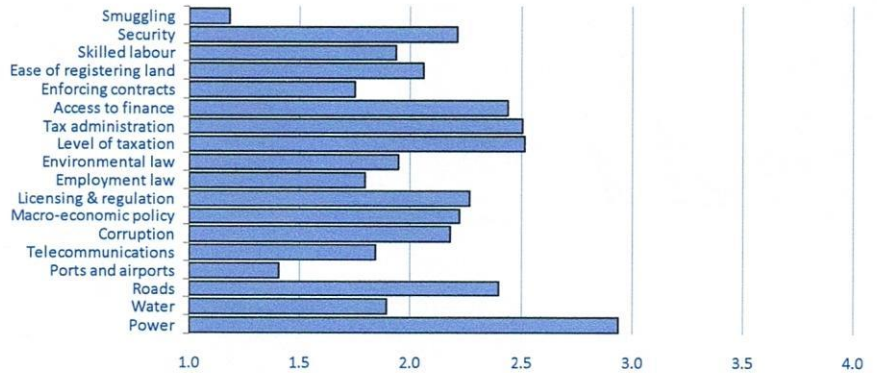




## 16. LAGOS

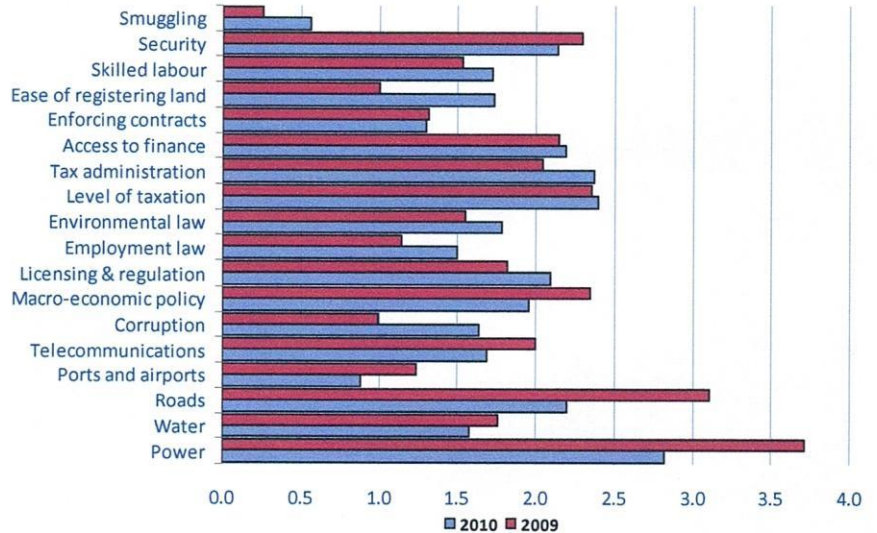
It seems that businesses in Lagos find it easiest to do business. No issue is seen as making business very difficult, though power comes close. Some issues are seen as not being particular problems, though could be improved, including water, ports and smuggling.

**Figure 64: Factors which making business difficult**



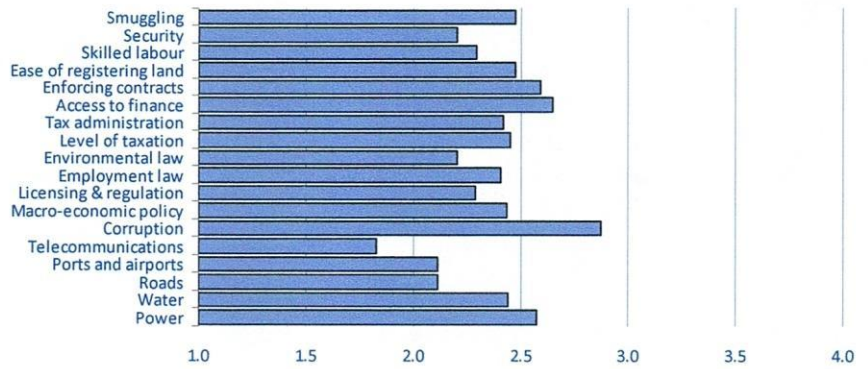
In Lagos, whilst there are some ups and some downs, the overall position is one of no change – with the average weighted difficulty staying on 1.8. Power and roads are perceived to have got better. But smuggling, ease of registering land, licensing & regulation, and corruption are all perceived to have got worse.

**Figure 65: Factors that make business difficult weighted by importance**



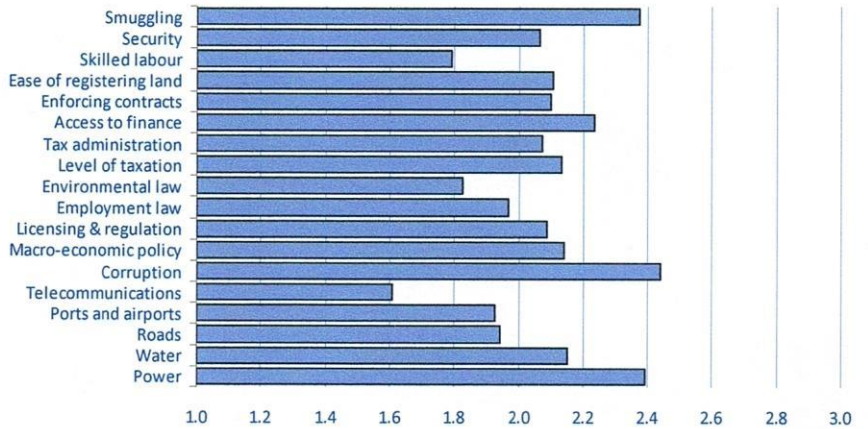
The government is not perceived to be making any of the issues worse, but most respondents think it is making no effort for any issue except telecoms.

**Figure 66: Government performance in addressing key factors**



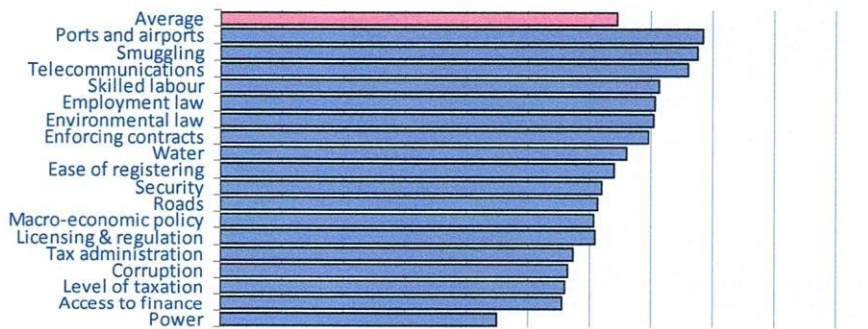
Respondents are deterred from making further investment a number of issues including corruption, power and smuggling, which is the same result as 2009.

**Figure 67: Factors which affect investment decisions**



The priorities to be addressed by government, as revealed in the enabling environment priority index, are power, access to finance, level of taxation and corruption.

**Figure 68: Enabling environment priority index**

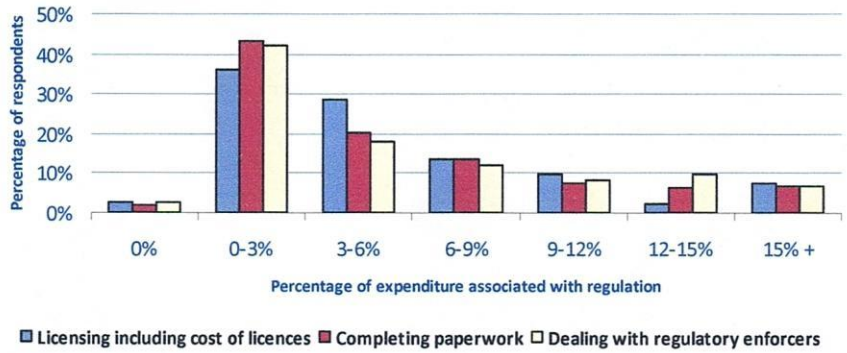




## 17. COST OF RED TAPE

Respondents were asked about the costs of regulation – split into three groups: the direct cost of licensing including the cost of the licences themselves, the effective cost through the staff time required to complete paperwork associated with regulation, and the effective cost through staff time of dealing with the enforcers of regulation. Respondents were asked to say in which band they believed that each of these categories of cost fell.

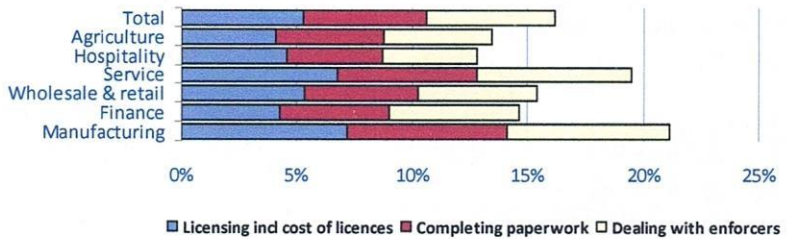
**Figure 69: Cost of red tape and regulation**



As can be seen from figure 82, the category achieving the highest proportion of respondents was that for less than three per cent. This is fairly modest, though when you add the three together they can quickly mount up. And the majority of respondents thought that the cost was above three per cent.

The manufacturing and service sectors think that the costs are higher than in the other sectors. The average across the entire sample is around 10 per cent which, if respondents have answered accurately, is a high proportion of costs to be spending on red tape and regulation.

**Figure 70: Cost of red tape and regulation**



The problem with red tape and bureaucracy is that it is very easy to underestimate the true costs. If a business, for example, sends a member of staff to renew a permit or pay a tax, and the person has to queue all day, that cost will not be accurately captured by the business. If the owner takes paperwork home and completes it in the evening, there is a good chance that the cost will not really be captured. And if enforcers, tax inspectors, say, come to visit the business, disrupting the day to day business, it is likely that the cost of lost production will not be adequately captured either. So whilst the costs appear

*The cost of red tape in Nigeria is high. Reducing the cost to business of red tape would free up resources for investment*

high from the survey, there is a good chance that they will actually be higher still.

Getting this down would not only make businesses feel that the government was really trying to make a difference, but would free up a lot of resource that could be invested in business expansion – leading to more wealth creation and more jobs.