

GEMS 

Growth & Employment in States (GEMS3)
Support Improved Business Environment



Growth and Employment in States 3

*A systematic approach to improving the
business environment*





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Project overview

The Growth and Employment in States 3 Programme (GEMS3), funded by the Department for International Development (DFID), was a seven-year project (2010-2017) that aimed to facilitate regulatory reforms for business environment that would reduce the cost and risk of private investment at the federal, state and local levels. The focus was on three core areas: 1) land administration 2) tax administration, and 3) investment promotion and facilitation within the four States of Kano, Kaduna, Lagos and Cross River. The project later scaled up to numerous states within Nigeria.

GEMS3's Business and Investment Climate component, funded by the European Union, commenced in November 2014 and focused on Business Licensing Reform; establishing a competition framework in Nigeria; and land administration reform in Kano.

GEMS3's Business Environment Improvement Framework was a dynamic tool for implementation, instituting a culture in which assumptions were consistently tested and validated with stakeholders. The central feature of the project was the use of small-scale pilots to introduce new ideas in focal state, exiting quickly from those that did not yield results. By making room for creativity and destigmatising failure, this approach led to GEMS3 achieving results far beyond its initial four focal states.

The Business Environment Improvement Framework Cycle

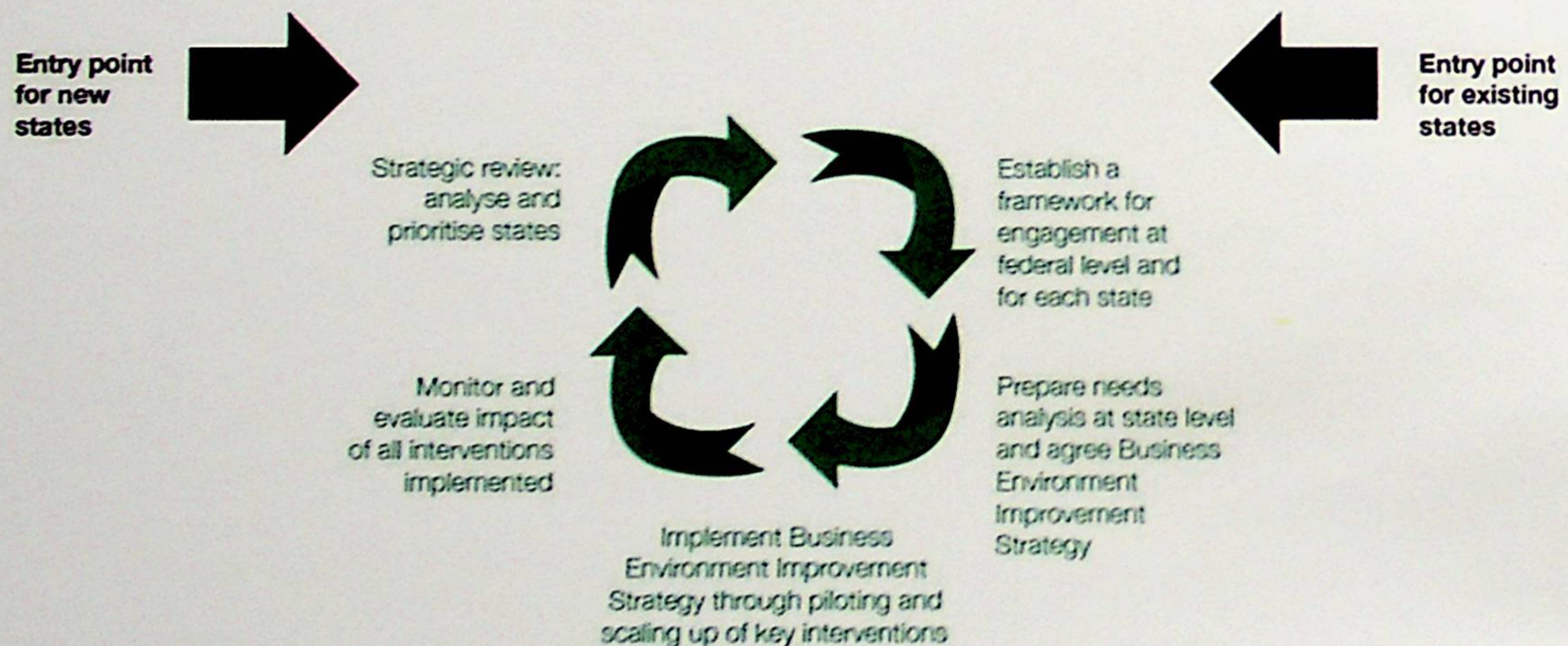


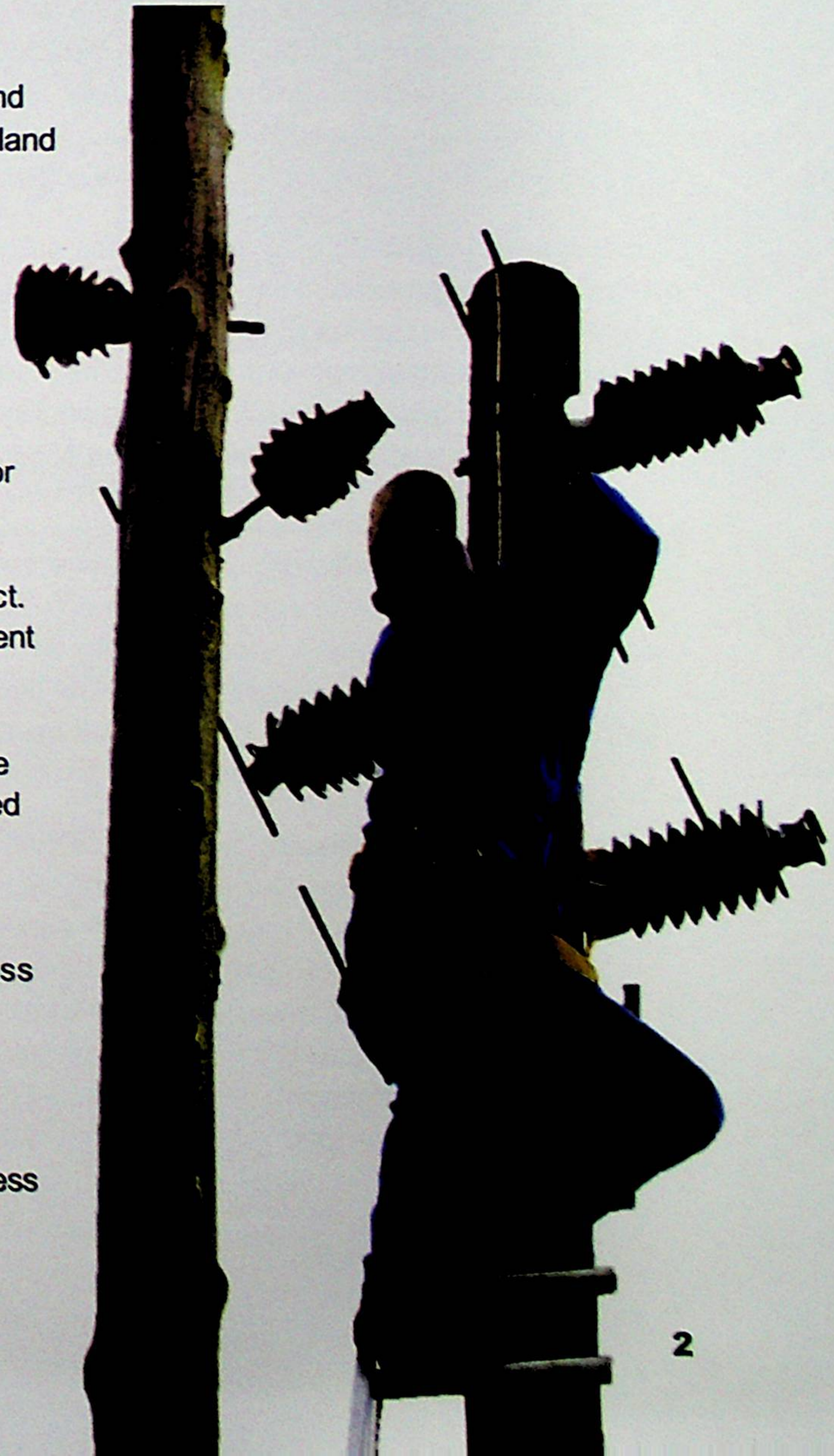
Figure 1: Business Environment Improvement Framework

GEMS3 delivered outputs and/or impact in over 24 states in Nigeria and achieved and outperformed against the majority of its logframe targets. By May 2017, GEMS3 recorded a total of 1,338,881 beneficiaries. On a conservative estimate, these were the individuals who were assumed to have benefited directly from reforms in tax, land administration, business licensing requirements, and investment promotion activities. Of these beneficiaries, 40% were women,

demonstrating the project's determination to inclusive reform. As a result of our interventions, nearly 60,000 enterprises within our target group recorded increased sales, much of it a result of their ability to plough back savings from taxation into business diversification and growth. The results attracted attention outside of our focal states. At project closure, we recorded 48 instances of new states or other entities independently implementing one of GEMS3's reforms.

However, the project's most significant achievements were those that occurred outside the logframe:

- As a result of tax reforms that have offered win-win solutions for taxpayers and tax authorities, voluntary compliance has been enhanced; leakages have been reduced; and tax administration has become more productive, increasing internally generated revenue for better public service delivery. These states, where taxes have been harmonized, have become a more interesting destination for national and foreign investment hence further encouraging private sector development.
- Despite an initial mandate to improve land administration processes in Nigeria, the land workstream produced data on property, skills, education, demographics, infrastructure, and business opportunities. It demonstrated that a significant result of improved land administration is information that offers increased revenue, better employment prospects, and competitive advantage for states when managing investors. The implications are far-reaching and will endure well beyond the end of the project.
- The project refined the focus of investment promotion activities, successfully demonstrating to a number of states the value of creating frameworks that ensure that all rights are recognised and factored into large-scale investments.
- The project applied a multi-pronged approach to a number of seemingly intractable problems, most notably access to finance. The consistent testing of assumptions, scaling only those interventions that significantly improved financial prospects for micro, small and medium enterprises (MSMEs) is a process

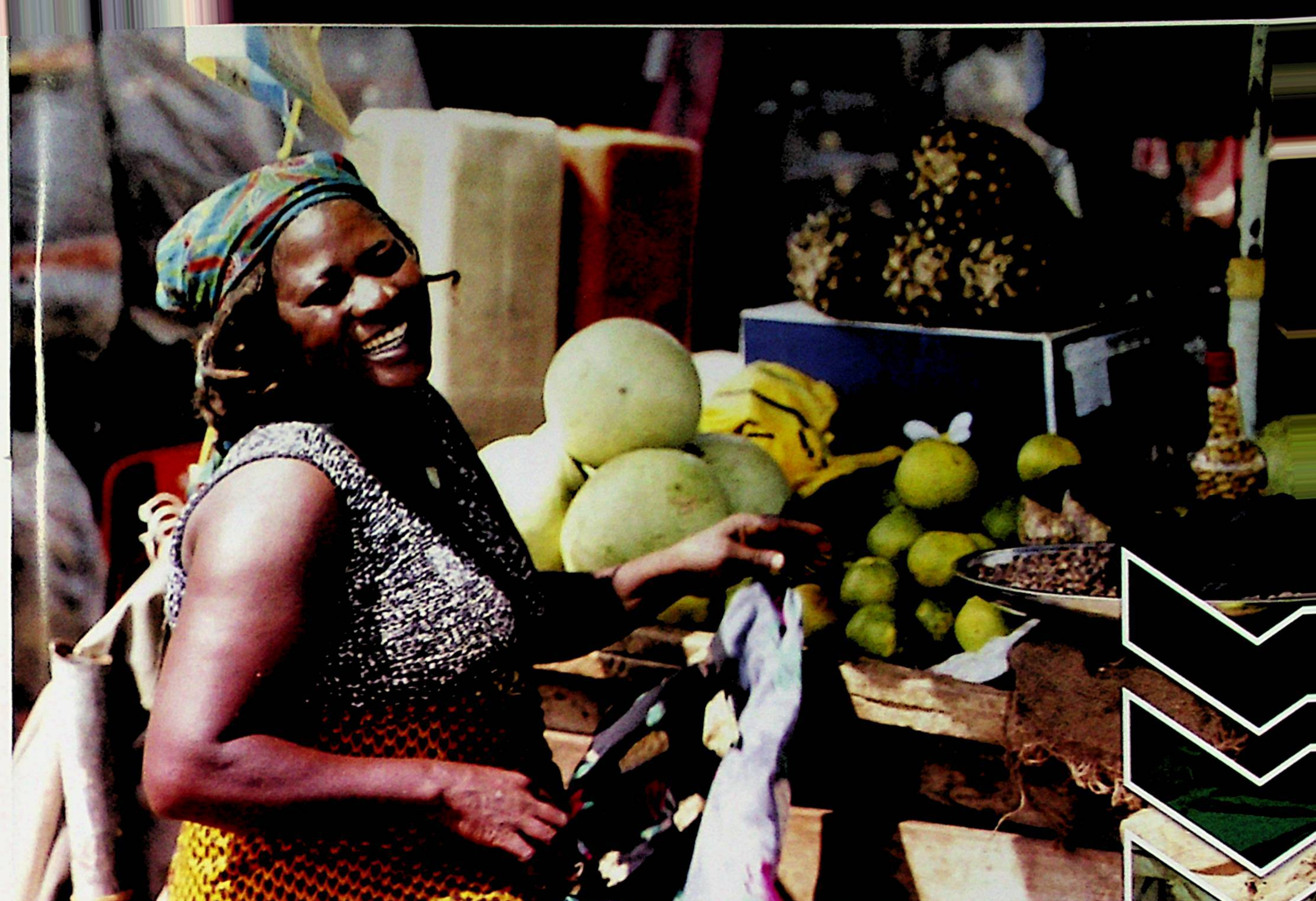


that should be applied more regularly to development initiatives.

Whether at federal, state or local level GEMS3 has been able to demonstrate how the most significant challenges can be approached systematically, in small sections. We developed strategies to produce solutions at the local, state and federal levels to meet the medium and longer term needs of Nigeria. These encompass innovation in approaches to agriculture; land solutions that create tenure security for the people, revenue for the state and a better business environment for investors; investment promotion strategies; better and more accountable revenue generation; and holistic development policies aimed at creating a more compelling and competitive economic environment to attract and support sustainable growth.

The systems are now fully formed. They have the capacity to be implemented at local ward level by individual LGAs or to be adopted by states for total coverage. Training schemes are fully developed with all supporting material; grievance redressal mechanisms are in place; outreach strategies are catalogued for all media; change management solutions exist to carry along ministry staff that might be concerned at the radical changes offered by our interventions; PPD mechanisms are in place; and private sector advocacy organisations have been empowered. Every aspect of our interventions has been tested and proven in the field. We have focused on pilot and focal states, but the systems are applicable countrywide, with little adaptation required.

GEMS3 has changed the way Nigeria does business. We would like to express our sincere gratitude for the assistance offered by all institutions, without whom such achievements would have been impossible. Together, our interventions have helped government to generate sustained and transparent revenue streams, improve service delivery, create jobs and begin to think about how best to address pressing social concerns. This not only serves Nigeria well internally; it demonstrates to the world that Nigeria is serious about reform.



1. Women's economic empowerment

Approximately 40% of Nigeria's women are entrepreneurs; this is more than in any other country world-wide. Nigeria is one of the few countries where the rate of female entrepreneurship exceeds that of men. Despite their large numbers, Nigerian women operate in an environment in which cultural limitations, limited literacy and training, social discrimination and lack of representation are significant challenges for women. It is against this backdrop that GEMS3 developed its approach to women's economic empowerment.

On GEMS3, women's economic empowerment (WEE) was not a separate intervention, but provided cross-cutting support across our workstreams. We took into account the special challenges facing women to ensure our interventions were designed to empower women, implemented in a gender-sensitive way and monitored appropriately. In addition to the disaggregation of logframe indicators, which ensured that all implementation staff were aware of the need to incorporate WEE into our activities, we launched a WEE Learning Series on empowerment outcomes which are not recorded by our logframe. Concepts such as 'voice' and 'agency' and 'peace of mind' were given new life and placed at the front and centre of our implementation.

Our three primary WEE principles were:

Inclusion

We were sensitive to any implementation approaches that might alienate women. We sent female field teams to rural areas in northern Nigeria to reduce the risk that our workers would fail to capture female participation in those states. In so doing, we were able to acquire a nuanced view of female land rights in our focal states that has previously been missing.

Empowerment

Where we noted a gendered element to a particular constraint, we allocated increased resources to its resolution. For instance, women were significantly more likely to face harassment from illegal tax collectors and more likely to acquiesce and make irregular payments. As a result, we strongly encouraged state partners to implement receipting systems and harmonised notices, items that would empower women in awkward encounters. Our female beneficiaries have alluded to the immeasurable benefits of being able to ward off rogue claims with documentary evidence.

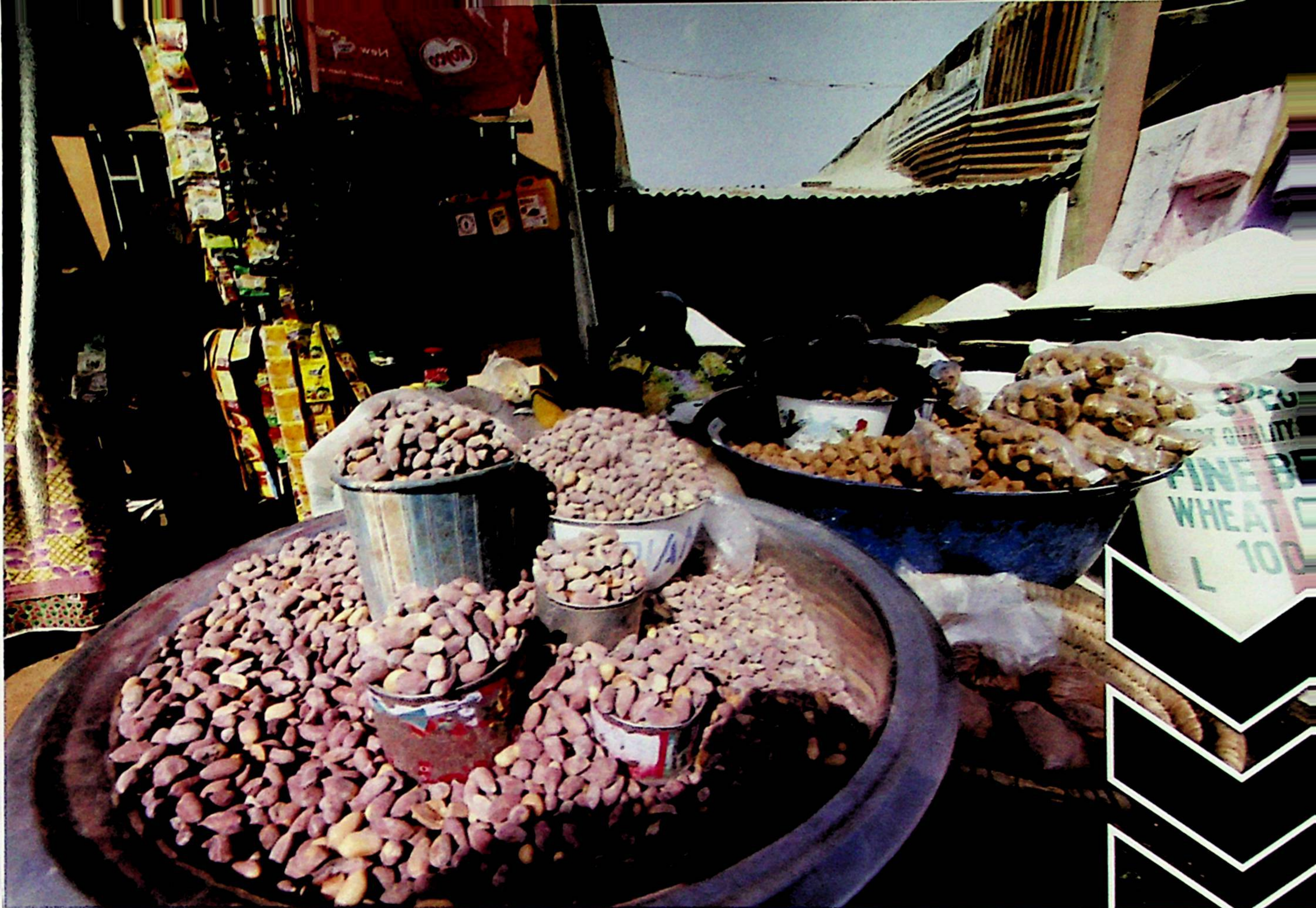
Mainstreaming

This enabled us to set the tone for the project from the outset. The task of recording gender positive outcomes did not belong to a single individual, but was the collective responsibility of the team. A disaggregated logframe placed all technical leads on notice that gender-sensitive impact was every bit as important as impact per se. Through WEE inductions for incoming associates and WEE review of every concept note, we placed gender inclusion at the forefront of our interventions.

The project's WEE Learning Series is a significant achievement. By identifying those aspects of women's wellbeing that are often not captured in logframes, we hope to contribute to more gender-sensitive programming in future. Using a series of small-scale qualitative studies, we acquired a granular understanding of the programme's contribution to transformative empowerment outcomes. By meeting with female beneficiaries who invested savings generated by tax interventions to move their children to better schools, we began to understand not only how women's empowerment manifests itself, but also why this is significant for future generations.

**Female GEMS3
Beneficiaries
expressing their
wishes for
International
Women's Day 2017**





2. Tax workstream

2.1. Context

In 2010, many Nigerian state governments, were yet to develop comprehensive, systematic taxation systems. Although the efficiency and fairness of taxation varied from state to state, all systems presented enterprises at all levels with some common drawbacks:

- Multiple and obsolete taxes. An absence of harmonised legislation meant that enterprises often paid duplicate and unfair charges at the local government and state levels. The multitude of laws and byelaws regulating taxation often meant that businesses risked paying charges they were not liable for. Some taxes had not been reviewed for long and the cost of collection made no sense in the current context.
- Low capacity in revenue collection agencies. These organisations lacked the capacity to implement simple revenue collection activities, often overlooking whole areas and over-collecting from others.
- Weak social contract. Inefficiencies in the system and an extremely low level of public service provision provided little incentive for taxpayers to pay their taxes. The absence of a feedback loop further entrenched the issue, making evasion the best mechanism for

taxpayer protest. The central tenets of rights and responsibility barely featured in decision-making.

- Lack of awareness. This affected both the private sector and the revenue officers since previous laws were not properly implemented nor properly disseminated for everyone's full understanding and compliance.
- Leakages. Weak official monitoring and enforcement mechanisms affected both taxpayers and government. States were deprived of a significant source of revenue, while enterprises made payments that would not ultimately be reflected in improved public services.
- Harassment. An uncertain regulatory environment facilitated the harassment of taxpayers by both official and illegal revenue collectors. There was a gendered element to harassment as women were more likely to be targeted and more likely to make payments to ensure their safety.

The context was dynamic, requiring GEMS3 to amend its approach and the content of its technical assistance regularly in response to social, economic and political changes. Over the lifetime of the project, governments once more reticent to engage became the most enthusiastic adopters of reform; in 2015, a surprising election result took power away from the incumbent People's Democratic Party and announced a zero-tolerance approach to corruption; and in 2016, a worldwide crash in the price of oil generated interest in increasing the proportion of state revenue acquired through taxation. At the time of closure, a critical concern was reminding agencies, eager to implement reforms, that citizen engagement and public services remained essential features of an effective taxation system.

The change in attitudes over seven years has been encouraging and the impact of GEMS3 interventions around tax are still being felt and will remain a success story for many years to come as GEMS3 demonstrated a win-win approach for everyone involved.

2.2. Approach

GEMS3 developed a tax toolkit providing step-by-step guidance to governments and projects seeking to implement meaningful tax reform. Although the package of support provided varied from state to state, the toolkit had a core of immutable requirements.

Legislation

We encouraged government to harmonise and streamline revenue collection laws at the local and state levels. To ensure that ensuing legislation took into account taxpayers' concerns, we facilitated inclusive and participatory public-private dialogues. Our tax experts facilitated the passage and/or supported the implementation of three types of legislation:

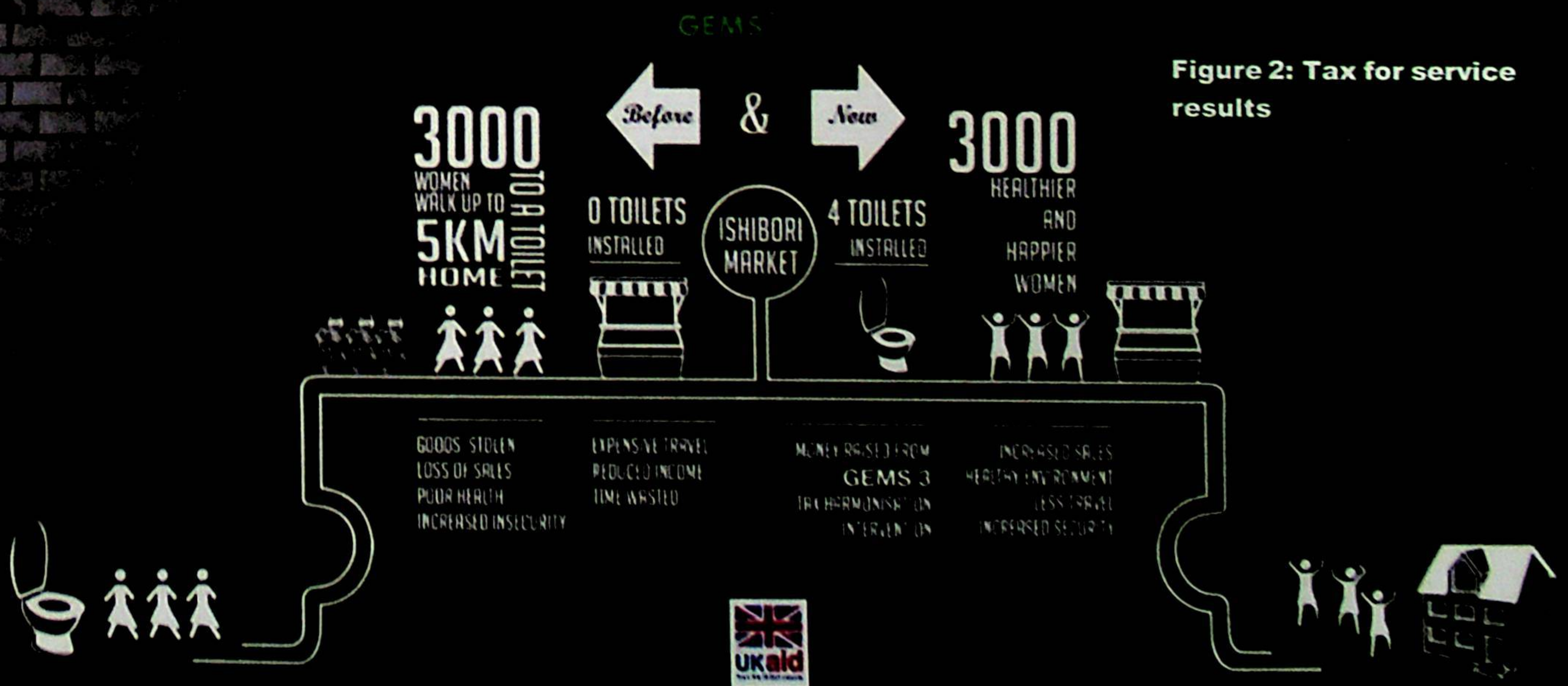
- Local Government harmonised rates and levies: despite being the level of government closest to our MSME target group, revenue collection at this level was most likely to involve harassment (often by non-government workers capitalising on inefficiencies in the system and low taxpayer of their rights). We worked with state and local governments to draft and implement laws to improve revenue collection at the local level.

- State harmonised rates and levies: state levies more often than not risked duplicating local government levies and a non-centralised system for collection increased the compliance burden on taxpayers and increased the likelihood of improper allocation of funds collected. GEMS3 proposed the harmonisation of revenue collection at the tax level and worked with Ministries, Departments and Agencies to set appropriate tariffs.
- Presumptive tax legislation: with more than 80% of Nigerian business operating in the informal sector, there was significant difficulty in developing a fair, comprehensive income tax for the country. In 2015 the, Federal Government of Nigeria introduced presumptive tax regulation to broaden the tax net. GEMS3 supported implementation of this legislation in Kano, Kaduna and Cross River, to ensure that systems developed did not worsen operating conditions for businesses, particularly those in the informal sector.

Taxpayer incentives

We recognised that governments were unlikely to maintain important practice changes if there were not a corresponding improvement in compliance levels. By interviewing representatives of our target group, we discovered that taxpayers had two major grievances with revenue collection.

- Minimal public services: taxpayers within GEMS3's target group often lived and operated in difficult conditions. The lack of simple amenities in areas of business could mean losing two hours' worth of sales should a market trader need to make the journey home or to other premises to use a toilet. The frustration also extended to a more general lack of investment by states and local governments in overall conditions such as bad or no roads and infrequent waste collection. Tax payers needed some assurance to encourage voluntary compliance and tax for service provided this confidence and materialized in the building of boreholes, gates, fences and sheds in markets shortly after the laws were passed.



In response, GEMS3 included tax-for-service provisions in every draft law. This required lawmakers to commit to investing a fixed proportion of revenue collected under the law in projects requested by the local community. We facilitated multiple public-private dialogues between government and taxpayers, in which the latter were given an active role in the identification and prioritisation of such projects.

- Complaints procedures: compounding issues of harassment and bribery was the absence of procedures through which taxpayers could resolve their issues. GEMS3 experimented with a range of mechanisms for remedying this. We recommended that each Local Government Area (LGA) create and maintain a complaint register in which taxpayers detailed their complaints and provided contact details. We trained tax officials in efficiently resolving these claims. We also encouraged the frequent use of public-private dialogues so that taxpayers who could not make the journey could raise their problems periodically either in person, or through their representatives.

Payment systems

Much of the inefficiency in the system was driven by the absence of reliable revenue collection systems. A lack of publicity meant that taxpayers were rarely sure of what they were liable to pay. Cash was the primary method of collection, providing multiple opportunities for theft or loss.

- Harmonised demand notices: we supported the development of notices that made clear the taxes and levies required from different kinds of taxpayer. These empowered taxpayers to identify fraudulent claims and to back up their refusal to pay above a certain amount. It also introduced some of transparency into the system, addressing to an extent the mistrust that had arisen between revenue collectors and citizens.
- Point of Sales (POS) machines: point of sales machines increased the legitimacy of revenue collectors. Taxpayers, still unsure that they were paying money to actual local government officials, were reassured by the professionalism that the machines represented. They also introduced receipting into the process of revenue collection. These, combined with harmonised demand notices, allowed taxpayers to ward off additional claims until the next instalment was due.
- Direct lodgement: direct payment of rates/levies into an LGA account at a designated bank, using a customised bank teller, provided taxpayers with proof of payment. For the LGAs, it reduced revenue leakages; provided a good platform for building effective data base of tax payers; and offered a reliable budgetary tool.

Awareness building

We used a range of communication and capacity building tools to increase transparency and accountability on both sides. By developing a comprehensive series of trainings for revenue collectors, we were able to institutionalise the tools we had introduced into the system. Revenue collectors were taught not just how to collect taxes efficiently, but how to engage citizens who had grown distrustful of the system. Similarly, we used wide-ranging awareness campaigns to foster a sense of ownership in taxpayers. Through radio jingles and talk shows, market meetings, roadshows and local language dramas, we created understanding on the need for compliance and the steps taken to ensure that compliance would be rewarded. This extra

awareness not only increased voluntary compliance but positively encouraged investment in the states as private sector had more certainty around the taxes that needed to be paid.

2.3. Scale-up

A critical element of GEMS3's delivery approach was the scale-up of our initiatives to non-target states. Whilst we celebrated supported reforms, we believed that transformational reform would only take place when states began to implement reforms autonomously or semi-autonomously.

In the last three years of the project, we received requests for collaboration from other donors, projects and also state governments (e.g. the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Mobilising for Development and the World Bank). As a result of these partnerships, we contributed to tax harmonisation and presumptive tax implementation in Niger, Ogun and Plateau.

Most encouraging were requests for support and demonstrations of interest by governments in the south and the south west of the country. In these states, we provided light-touch support and technical assistance to governments, who were eager to incorporate GEMS3's approach into increasing internally generated revenue. The main criterion for scale-up at this stage was that states had political buy-in at the highest level were prepared to contribute significantly to the intervention. This improved value for money significantly by broadening our outreach at reduced costs.

Such success would not have been possible without regular engagement with the Nigerian Governor's Forum and the Federal Joint Tax Board. These bodies were critical in providing visibility for the project and its successes.

Results

By balancing our tax teams with subject matter experts and politically skilled consultants, GEMS3 contributed to the facilitation of the passage of eleven Local Government Area harmonised tax and levies laws (covering more than 200 LGAs) and five state-level harmonisation laws. We trained over 2,500 revenue collectors in 11 states on the implementation of these laws, embedding capacity at the local level. The project also delivered a proof of concept in tax automation in Kaduna to increase the efficiency and reduce the cost of the tax administration while reducing the cost of compliance for small businesses. This automated system will also increase the State Government's ability to identify and address instances of fraud.

We additionally delivered significant increases in internally generated revenue across all the states where harmonized tax laws were passed and implemented and where Presumptive Tax was efficiently put into practice, demonstrating that the implementation of fair, transparent tax laws creates a win-win for all parties.

2.4. Lessons learned and recommendations for future programming

Tax reform can be implemented in a piecemeal fashion. At least in the revenue collection field, the creation of a step-by-step guide of tried and tested reform approaches has been enthusiastically received by stakeholders. The GEMS3 tax toolkit contains all the guidance that states and local governments need to develop effective tax systems. Its modular design means that any one of those reforms can be implemented in isolation of the others, allowing governments to design bespoke revenue collection models. Support to states should take this into account, allowing each government to build in new reforms at their own pace. This is especially important where states already have systems in place that are working well and able to complement other aspects of the toolkit. GEMS3's model was most successful when the implementation of reform was progressive, moving from the local to the state to the federal level.

Managing incentives and communication around incentives is of critical importance.

Whilst the project was exclusively focused on improving the business environment for MSMEs, it was clear that our government counterparts were most interested in reform where we could demonstrate that it held financial benefits for the state or local government. It was important therefore to develop mechanisms for attributing increases in internally generated revenue to improved revenue collection practices, whilst being sensitive in how such information was communicated to taxpayers. At all times, the project was careful to ensure that taxpayer welfare, and not internally generated revenue, was at the heart of interventions. Tax for service was essential in the improvement of the voluntary compliance as was the private sector involvement from the onset to ensure that their needs were demand driven as they would be the ones driving the demands for future reforms.



3. Land workstream

Nigeria's inefficient land sector is a constraint to doing business for MSMEs and large investors alike. With the overwhelming proportion of land in the country unregistered or incorrectly registered, enterprises risk losing property in which they have made significant investments. As with tax and business regulatory frameworks, land is governed by an intricate mix of federal law, state law, and customary law. The challenge was in identifying 'quick wins', meaningful changes in land administration that could deliver benefits to beneficiaries, while pursuing higher level reform at the federal and state levels.

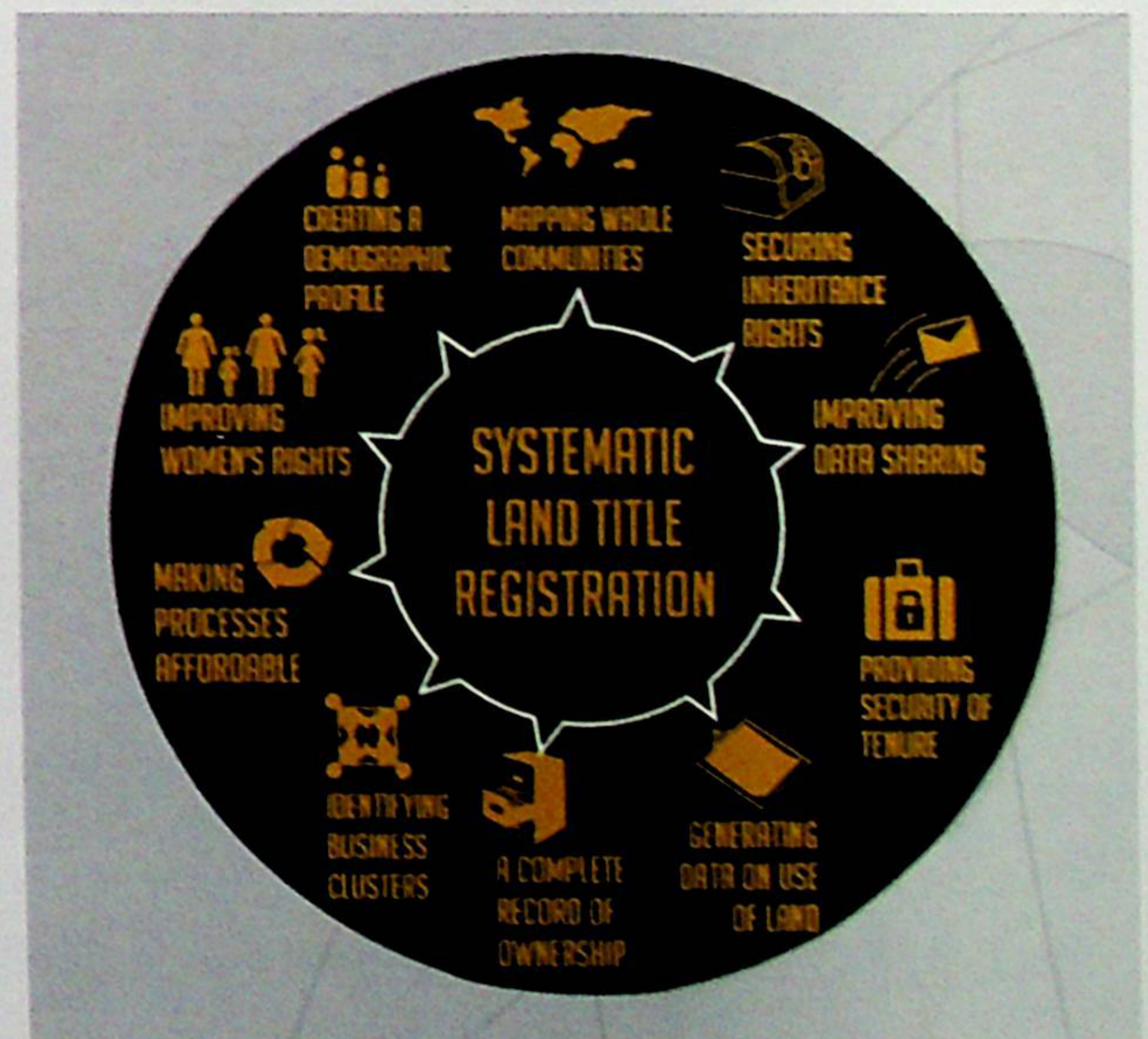


Figure 3: Benefits of SLTR

Fortunately, land reform was an integral part of the manifesto of all ruling political parties for the duration of the programme. The Yar'adua regime formally recognised the nascent Presidential Technical Committee on Land Reform (PTCLR) in 2011 and instructed it to implement a land reform strategy for the country. GEMS3 assisted PTCLR in several studies and promoted the Land Transparency Initiative among Federal Ministries, but in the run-up to the 2015 elections, it became difficult to secure firm commitments from politicians engaged with running for office. The APC 2015 manifesto incorporated many areas of reform attuned to the GEMS3 theory of change with a strong emphasis on transparency and agriculture. Whilst engagement has been constructive and comprehensive, the inherently cultural, political and economic aspects of land reform have meant that wide-ranging reform remains a distant goal.

This justified the project's focus on Systematic Land Title and Registration (SLTR) at the state level over the lifetime of its implementation. Our SLTR teams worked with State Ministries and fieldworkers to map land in five Nigerian states, identify and verify ownership in collaboration with local communities and generate Certificates of Occupancy at a lower cost than for those generated through the sporadic registration process.

3.1. Approach

GEMS3 sought to build on recent commitments toward land reform promoted at Federal and State level by supporting land regularisation schemes in various States. The basic framework adopted was the 'fit for purpose' approach promoted by the World Bank in the Voluntary Guidelines on Good Governance of Tenure espoused by the international donor community. The ultimate goal was a land administration system that offered significant improvements in service delivery to generate revenue; reduce the compliance burden on participants; serve sustainable growth; and recognise and improve the status of women in land tenure.

- Pursuit of these goals demanded analysis of existing approaches to:
- Property valuation
- Land administration service delivery
- Housing delivery
- Access to land for investment
- Social and environmental impact of large scale agriculture investment
- Brownfield site and urban land use policy
- Recognition of community tenure

We worked to ensure that the results of our work would generate a land regularisation model appropriate for all states. In pursuit of this we liaised with Federal and State Government and the PTCLR.

Legislation

The over-arching Land Use Act 1978 (LUA) is enshrined in the constitution of Nigeria. Lobbying to modernise the Act has been ongoing but, given the complexity of seeking to change the Constitution, the land reforms promoted by GEMS3 sought administrative rather than legal solutions:

- Creation of land regulations to embed regularisation within the LUA as an administrative function at State level
- Crafting of rules to facilitate delegation of tasks, simplify bureaucracy and reduce cost for all parties. The simpler processes would invite formalisation and so generate revenue while maintaining the essential property database to serve governance
- Development of community tenure systems to protect community interests in rural areas. Large scale agricultural investments necessitate a strong social compact between community, state and investor. Community tenure systems support transparency and dialogue and open and informed consent. GEMS3 demonstrated a system to effect registration of community tenure within the existing LUA framework to facilitate investment and improve legal redress for all parties. This mitigates many of the risks associated with investment in rural areas.
- GEMS3 developed a system of mass property appraisal in conjunction with its land regularisation model. This will allow LGAs to generate tenement rate at scale, or the state to generate a harmonised property levy, and then pursue collection annually at nominal cost.

Incentives

Land issues invite pushback from a huge cross-section of interests. Addressing the various arguments allowed GEMS3 to highlight the full range of benefits presented by formal land administration systems to all stakeholder. Typical examples are:

- Government: We demonstrated the economies of scale offered by mass land regularisation schemes and the potential for additional revenue outside of state allocations encouraged local institutions to embrace changes in practice.
- Communities: We offered persuasive arguments that formalisation generates better overall economic potential by simplifying and legitimising dealings with land and by generating stronger capacity within communities to demand better delivery of essential services by the state. As with tax, identifying correctly the contribution a plot makes to land revenue empowers citizens to demand corresponding services from government.
- Investment: We highlighted the opportunities that land reforms offer to investors by providing clear information on occupancy and facilitating clearer paths to legal redress for all parties.
- Traditional interests: We developed community tenure systems to assist stakeholders in recognising and formalising community interests as a means to facilitate investment. Community tenure allows all parties to gain a voice in the face of potential change and to factor in their needs towards a solution based on consensus in pursuit of sustainable and inclusive growth.

- Gender: GEMS3 encouraged policy and decision makers to better understand the importance of women to the economy and to demonstrate the potential benefit that might accrue through formal recognition of their rights to own land.

Awareness building

We used a range of communication and capacity building tools to increase transparency and accountability. Our comprehensive toolkit on land regularisation includes outreach material in all media and reflects the importance of effective engagement from initial engagement with state government communities through subsequent activities to encourage ongoing participation in formal land administration processes. Staff were trained to institutionalise these tools throughout the resulting system by engaging with citizens during data collection in the field through to embedding an improved work ethic among civil servants in MDAs. Jingles, market meetings, roadshows and local language dramas all helped to convey the 'bigger picture' that land administration reform offered to all citizens.

3.2. Scale-up

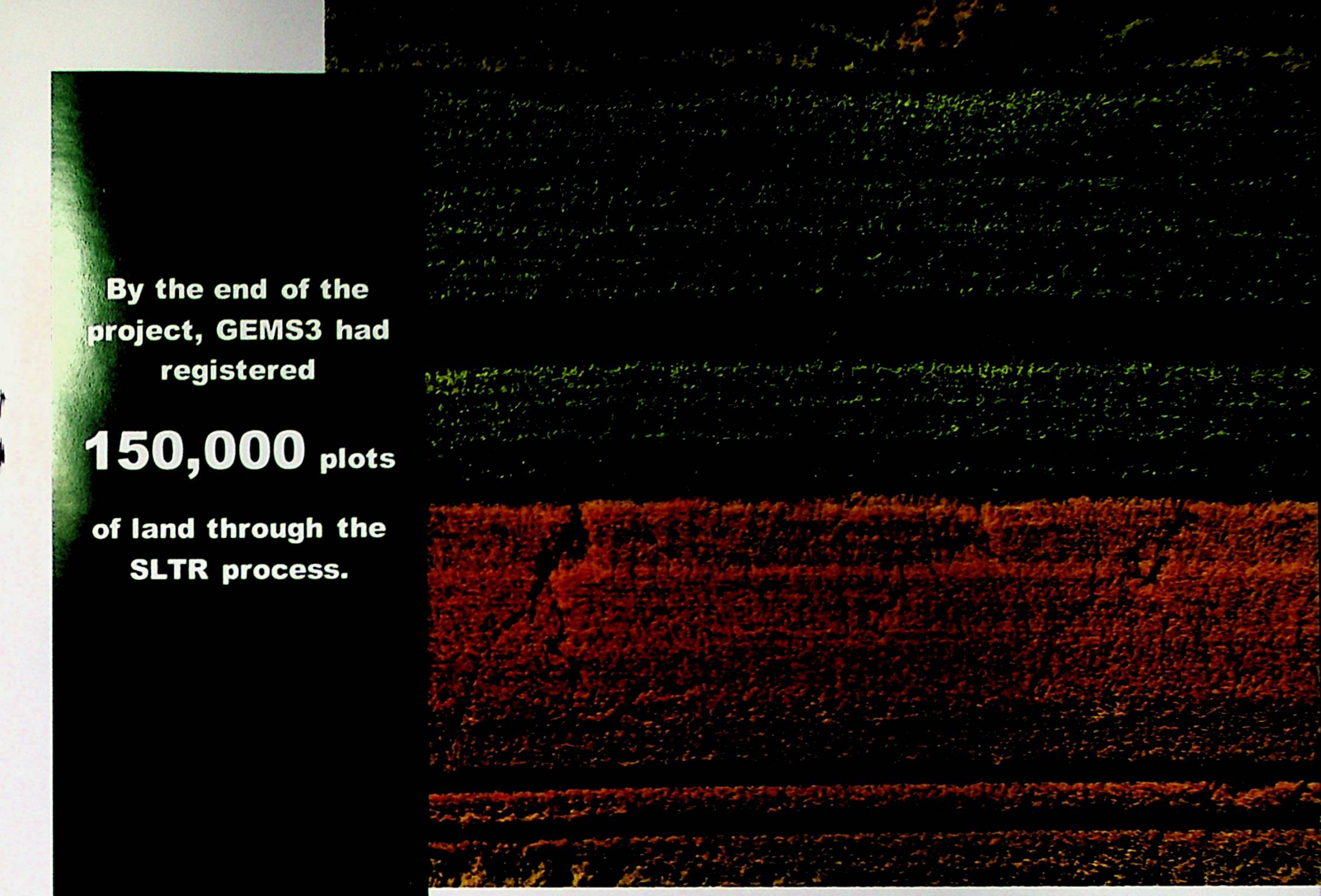
In 2015, GEMS3's land team developed a new theory of change that would better encapsulate the project's lessons learned in the logframe. In contrast to other workstreams where scale included new states and projects, it became clear that meaningful scale for SLTR required the comprehensive registration of states, one LGA at a time. Both DFID and the European Union agreed with this vision and provided funding for the new approach. Multiple teams began to concentrate on a single LGA in Kano. Using lessons learned from the more wide-ranging pilot and updated IT processes, it was possible to complete Tarauni within nine months and extend the optimised processes to complete both Dala and Fagge by March 2017.

With three complete LGAs now comprehensively registered, Kano State now has an incomparable data set to pursue a programme of social and economic reforms. Opportunity for the implementation of the roadmap document, A Pathway to Social and Economic Growth in Kano, now exists. Should this be implemented, it will go a long way to consolidating the legacy of SLTR in the state.

3.3. Results

By the end of the project, GEMS3 had registered 150,000 plots of land through the SLTR process. The registration of these plots has generated immense amounts of social data that will be of enormous use in creating employment opportunities for women and poor people in Nigerian states. We leave behind a comprehensive toolkit that provides a clear, step-by-step approach to implementing SLTR in new states. While this does not obviate the need for donor and other support for states, it means there will be no need to reinvent the wheel in developing new projects.

There are encouraging signs that land rights are taking an increasingly central approach in the conception of large-scale investments. Recent investments such as the Dangote rice project in Jigawa have preferred outgrower schemes to land purchase. Such compromises recognise the



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value communities attribute to their land and harness this to arrive at win-win solutions. SLTR's most significant achievement has been in demonstrating that the responsible management of land can deliver benefits across the board and offer solutions to some of Nigeria's most deeply entrenched problems.

3.4. Lessons learned and recommendations for future programming

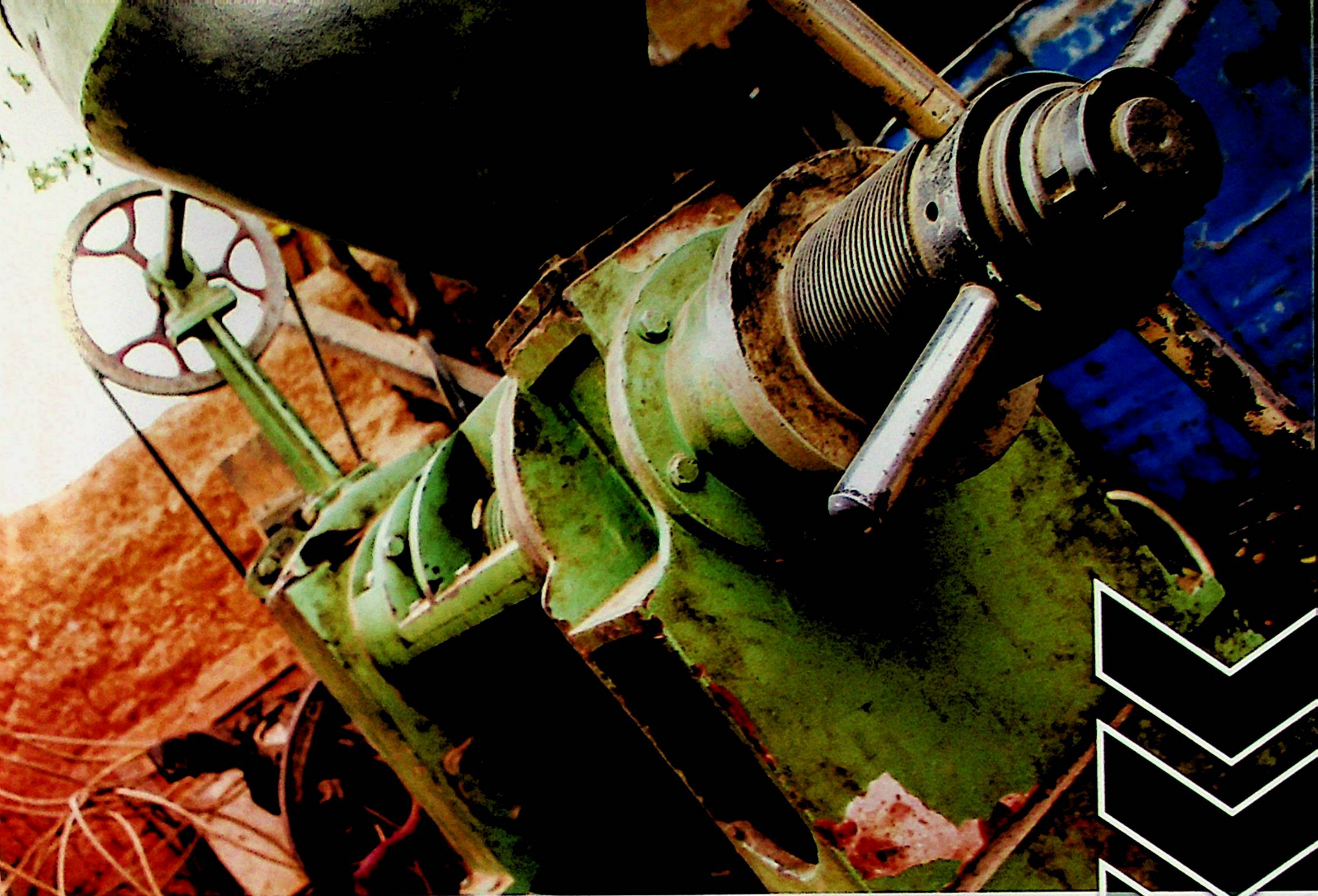
The scale of sensitisation and outreach necessary to ensure success cannot be over-estimated. Land reform, whilst always important and often contentious, demands the fullest appreciation of multiple competing incentives. Whether at federal or state level or with participants at grassroots level, a valid and compelling justification for land reforms must be explicit from the outset. It is crucial that the message is nuanced appropriately for the different expectations of the various stakeholder groups; the justification for land reform that may sway the attitude of a sceptical governor will typically centre on the prospect of revenue or eventual improvements in investment while for the property owner it is essential that some tangible benefit such as economic empowerment can be met. Striking the balance and offering a holistic package demands strong salesmanship on the part of project leaders.

Efficiency and attendant economies of scale demand strong management. The concentration of activity in a single LGA that allowed strong, coherent management oversight and a coherent sharing of experience and daily processes and gains among teams. Refining the approach culminated in a cost that was well below the expected revenue benefit to the state. That business model highlighted the need for a minimum of 350 staff per LGA generating at least 10 registrations per team per day. Teams were ultimately comfortably able to exceed that target because of 360-degree management feedback. This business model was refined and consistently tested over a number of pilots - any reduction in the number of team sizes or fragmentation of processes must be resisted.

Land regularisation in isolation does not address the needs of the government, the private sector or the citizenry. The land regularisation project was the first to acknowledge that land related data in isolation offered little developmental value. By embracing the opportunity to incorporate 'social data' at household level, it has become possible to promote the far broader potential of SLTR to all stakeholders. The inter-dependence of the social data with the physical data on land use and occupations allows the delivery of commercially viable solutions in virtually every aspect of land governance as the market need and market share are identifiable. By commercialising the land-related data, it allows the state to develop more flexible land policy to accommodate public and private sector service provision based on the expectations of future populations modelled from the SLTR derived baseline data.

Ministries of land will require continuous support to retain the gains made. Sustained donor support will be required to ensure that SLTR achieves scale. Ministries will benefit from the introduction of new revenue models such as mass appraisal property valuation and intensive training on how to deploy these. This will provide the missing link in the overall theory of change for the project, in which improved land administration triggers new investment in states.

Future reforms must generate data in support of sustainable growth. Investment by both the public and private sector demands information on the nature and scope of markets. That same data offers government and the donor community better oversight of impact and changing societal trends. Too limited a scope on land registration and revenue by Government fails to capitalise on the value of geo-referenced data in support of regional or national spatial economic development. Future land reform projects would benefit by being driven from the private sector's hunger for information than by the perceived solutions anticipated exclusively through bureaucratic reform or attempts to restore MDAs which, through lack of investment over several decades, may be irredeemable.



4. Investment workstream – investment promotion

4.1. Context

In May 2013, DFID and GEMS3 supported a major investor event organised and hosted by the Governor of Jigawa State. The event created a stir nationally and several large investors committed to investing in Nigeria. To build on the success of the event, the Governor created an Economic Advisory Council with an ambitious mandate to advise his administration on all aspects of economic development and attraction of investment to Jigawa. To support the Council an executive Agency, InvestJigawa, with responsibility for promoting and facilitating investment, was created. Recognising the potential this had for triggering transformational change in Jigawa, the GEMS3 Investment Promotion team was one of the earliest sources of technical assistance for the organisation.

By the end of 2014, InvestJigawa had established a pipeline of large investments with a potential value of \$1 billion, promising the creation of 50,000 direct jobs. DFID and GEMS3 agreed that replicating such success in other states was a priority and Investment Promotion Coordinators were appointed in Jigawa, Kano, Kaduna and Lagos. It was also agreed that support should be provided to the Nigeria Investment Promotion Commission (NIPC) as the

national Investment Promotion Agency (IPA) to encourage collaboration between the Federal and State Governments in the creation of a single narrative for investors.

As in other interventions, the collapse in the oil price refocused government at all levels on the need to reinvigorate non-oil related industries. This provided the momentum that the Investment Promotion workstream required to achieve results in GEMS3's last three years of implementation.

4.2. Approach

The priority for the Investment Promotion team was the creation of jobs and income generation through investment and firm growth. While MSMEs had demonstrated the ability to channel savings from tax reform into jobs, they alone could not trigger the level of growth that would keep pace with Nigeria's growing need for employment opportunities.

We used InvestJigawa lessons learned as a case study for creating a strategy for IPAs. We identified the following as critical features of a successful investment promotion intervention:

- **High-level government commitments.** Successful investment promotion requires that the IPA has a mandate to speak on behalf of the country or the state and speedy access to state resources to facilitate the progression of investment talks. Without buy-in, the IPA acquires a reputation for inertia and risks discouraging future investment.
- **IPA's configuration.** IPAs require legal personality and access to funding in order to be effective. The former is particularly important for sustainability. Investors can work with IPAs safe in the knowledge that the same body will manage their investment during its lifetime.
- **Public-private governing boards.** The composition of these boards is highly important to ensure a private sector focus. Although the IPA is run and funded by the government, private sector input provides a steer on when it is or is not appropriate for government to be involved in a process. It is also important that the government attracts private sector staff for the IPA to embed private sector thinking in all levels of the organisation.
- **Target-setting.** The setting of targets ensures clear focus across the organisation. These are critical in converting opportunities into results.

We delivered technical support in a number of areas:

Strategy development: We worked with stakeholders to design action plans with clear targets and deadlines. An initial activity with all IPAs was a sector scan. These sector scans identified potential areas of strength for each state and focused investor engagement on those sectors.

Organisational development: We created structures capable of delivering the final strategy, suggesting optimal legal foundations and budgets. As with the tax toolkit, we created a modular approach that allowed stakeholders to choose what best suited them, but were careful to stress that the full adoption of our approach would lead to optimal results.

- **Capacity building:** Through a mixture of embedded staff, training sessions and mentorship, we began the task of ensuring that IPAs had all the skills required to conduct successful investment promotion activities.
- **Communications and promotion:** We worked with IPAs to create material that would generate investor interest and provided training on holding conversations with investors at the initial stage and how to ensure proper follow up was provided during the whole process until the final materialization of the investment.
- **Policy advocacy and business environment improvement:** We assisted partners with the identification of constraints to doing business that would discourage investors from working in the state or country and demonstrated how successful advocacy could lead to these being removed.
- **Federal and state coordination:** We identified coordination at federal and state levels as critical to success and facilitated closer engagements between all parties. This was particularly important for ensuring that no single IPA was seen to be encroaching on the mandate of another.

The need to improve federal/state coordination led to our supporting the creation of the Nigeria Investment Certification Programme for States (NICPS). The NICPS initiative created clear targets for states seeking to improve their profile amongst investors to help states to become 'investor friendly' by meeting three critical standards around information - provision of accurate and detailed information about the state and its potential to meet investor needs; property - provision of information about available sites and buildings for agricultural, industrial or service activities and how to access them; and marketing - ability to document and promote opportunities to investors and to facilitate enquiries to operational status.

Similar to the tax toolkit, it created a blueprint for implementation after GEMS3's closure. It was also a first step in developing a signalling mechanism for states. Progress in the NICPS scheme would provide a clear message to investors about a state's willingness to improve the operating environment. The scheme was piloted in the six DAWN states in the south west (Ogun, Ekiti, Lagos, Ondo, Osun and Oyo) where states were working to improve their investment promotion activities in providing general information to investors, identifying and advertising available property, and marketing opportunities to investors.

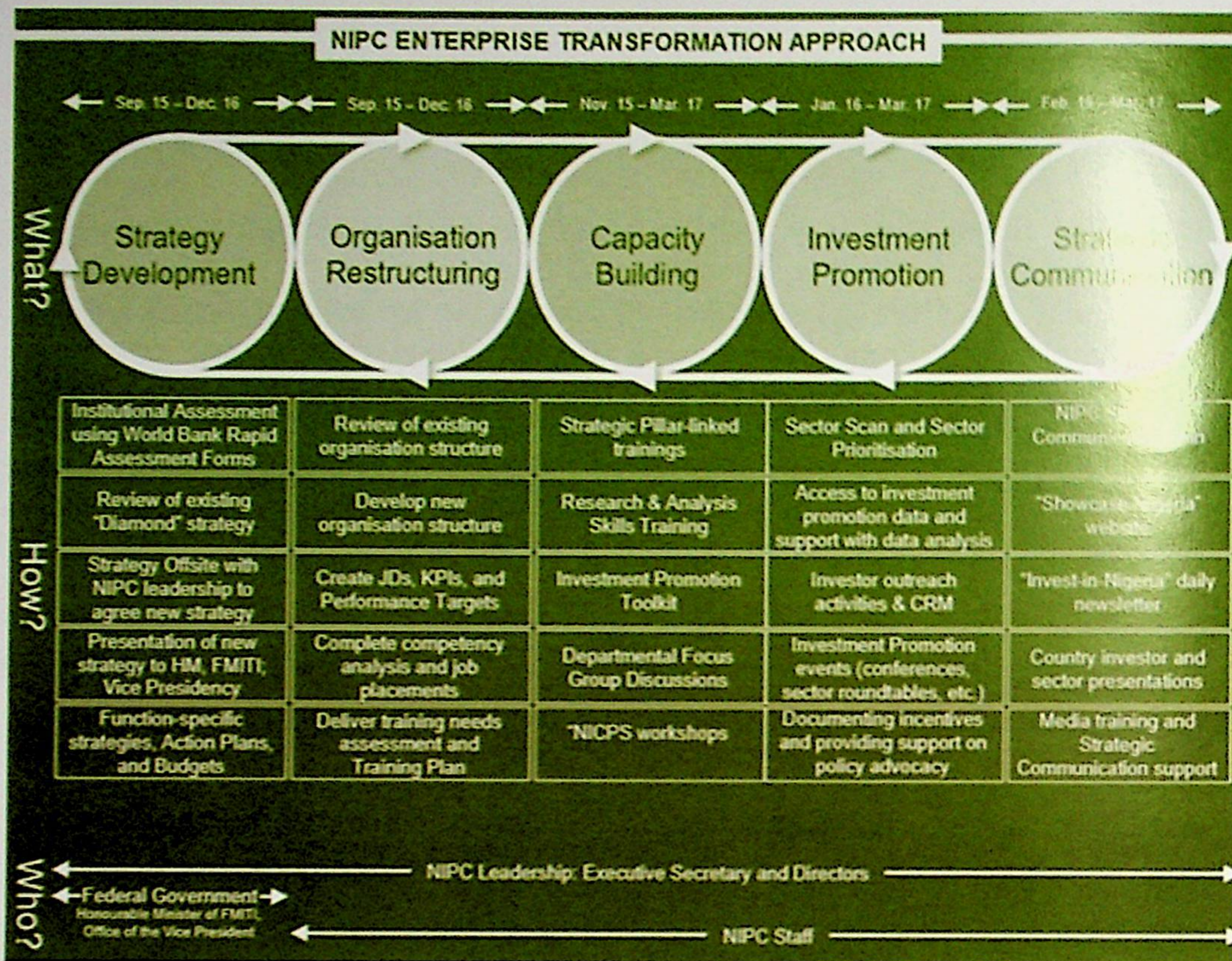


Figure 4: NIPC enterprise formation approach

NICPS supports participating states with a mixture of training and mentoring to achieve certification. It is planned that subject to resources, NIPC will over the coming years, attempt to certify all interested States. This will improve NIPC's ability to promote Nigeria and to direct investors to those States that offer the features most appropriate for the proposed project.

4.3. Scale-up

The workstream quickly demonstrated proofs of concept that stimulated interest from other states. The Governor of Bauchi State requested support in developing the regulatory framework for a state IPA. The law was followed shortly after a GEMS3 presentation to the State House of Assembly. We have had similar success with Katsina State – as a result of GEMS3's activities in other states, Katsina invited the project to make a presentation to a range of stakeholders, which resulted in the passage of a law. At the end of the project, we had received requests for support from Ondo, Adamawa, Anambra, Niger, Kogi and Zamfara States. Such interest is indicative that our overall theory of change was correct: states that are initially unwilling to reform their practices are encouraged to rethink when other states begin to report results. The fostering competition amongst states, particularly in a field in which the potential rewards are extremely high, is an important element of project design.

4.4. Results

Although the project's youngest, the Investment Promotion workstream achieved meaningful results in its time on GEMS3. Jigawa and Kogi States successfully adopted and implemented responsible agricultural investment frameworks that ensured the rights of landowners and provided clear guidance to new investors on land availability. This initiative has reached the federal level and worked with the Federal Ministry of Agriculture and Rural Development to create the National Agricultural Land for Investment Policy.

GEMS3 was also successful in facilitating the passage of three investment promotion laws (in Kano, Kaduna and Jigawa). InvestJigawa, the Kaduna Investment Promotion Agency and KANINVEST are important new additions to their respective state's investment promotion approaches.

4.5. Lessons learned and recommendations for future programming

There remains a need to increase collaboration amongst public sector agencies.

Despite widespread interest in generating investment promotion in Nigeria, the concept remains poorly understood. Public sector partners struggled to understand their role in the processes, resulting in over or under engagement with certain aspects of investor relations. The new IPAs will continue to require significant capacity building and on-the-job training if they are to remain relevant in future investment promotion activities. A significant contributor to this is the reduced capacity of public sector staff, who often struggle to adopt the private sector mindset required to engage with investors. These challenges are exacerbated by other public-sector agencies, who often view any activity by an IPA as a sign of mission creep. An important activity in this field would be a through mapping of mandates in the public sector in a given state to anticipate where interventions are liable to cause friction.

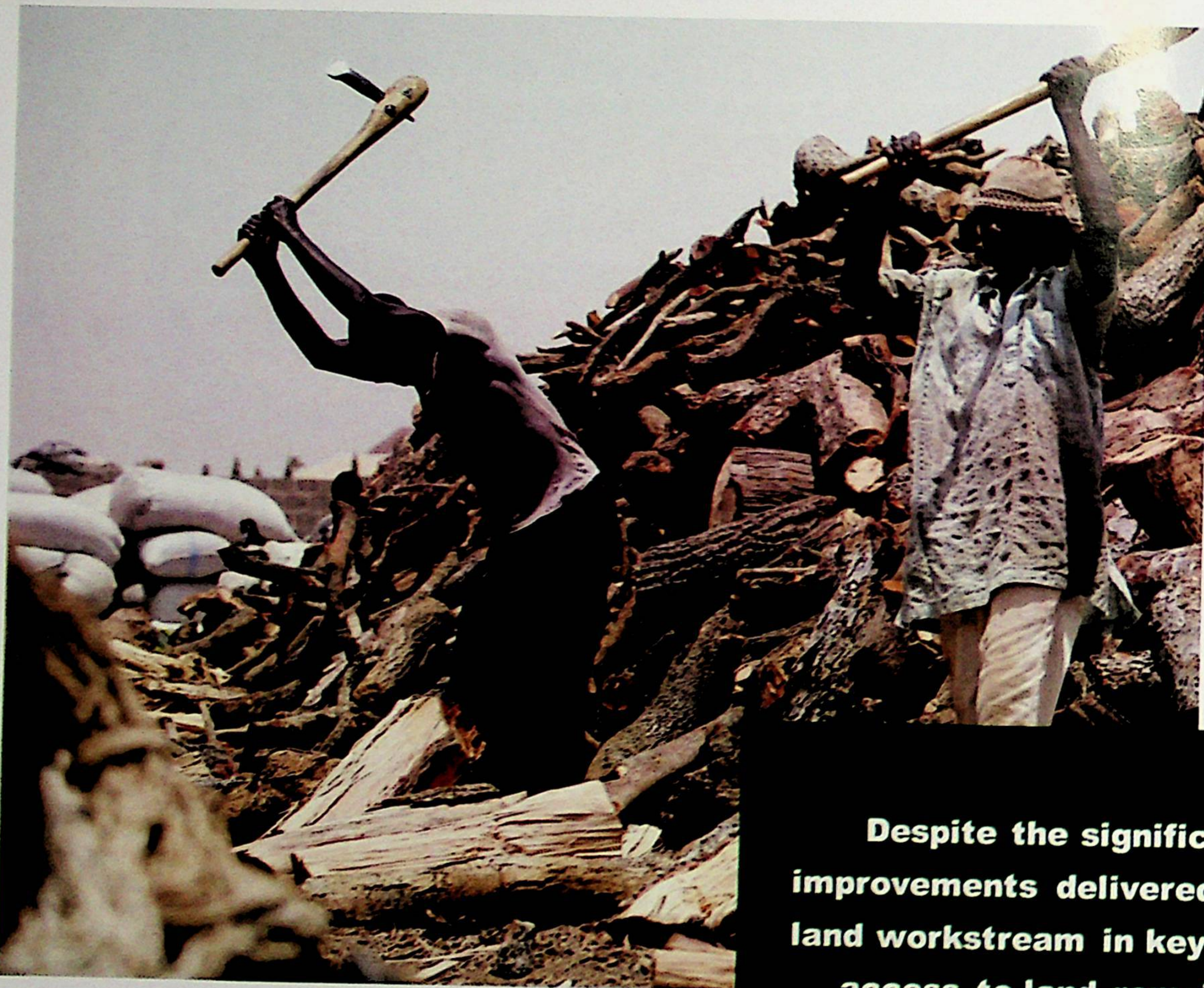
Interventions are more likely to succeed when incorporated into state budgets at an early stage.

Government is also yet to understand the significant budget commitments IPAs require to become truly effective. To generate interest amongst investors, IPAs must have world-class skills in marketing, research, sales, communication and advocacy. Such individuals are unlikely to be attracted to the relatively low salaries public sector work can offer. They are also unlikely to seek employment in organisations that continue to be managed or overseen by civil servants. Projects will do well to signal to government at an early stage in the project the budgetary implications of a given intervention. This reduces the risk of delay when these issues finally materialize.

Land reform remains at the centre of meaningful change.

Despite the significant improvements delivered by the land workstream in key states, access to land remains a barrier to investment in Nigeria. States fail to understand that their inability to guarantee the vacancy of plots of land is a deterrent to organisations that seek security before making investments. This also leave states vulnerable to widespread dissatisfaction in the event that investments are made without adherence to principles of responsible agricultural investment. In the absence of significant land reform, principles such as responsible agricultural investment should take centre

stage, as they create a good middle ground for investors and local communities who might otherwise struggle to understand their rights and responsibilities.



Despite the significant improvements delivered by the land workstream in key states, access to land remains a barrier to investment in Nigeria.



5. Investment workstream – federal investment

5.1. Context

The Federal Investment intervention was designed to provide responsive support to the Federal Government on initiatives that would improve Nigeria's performance in the World Bank's Doing Business rankings. We provided support in two major areas: ease of registering a business and access to finance. In the last three years of the programme, support was narrowed down significantly to focus on the following:

- Secured Transactions in Moveable Assets (Collateral Registry) Bill – GEMS3 supported the Central Bank of Nigeria with the passage of legislation that would unlock barriers to access to finance by allowing MSMEs to raise finance using their existing assets.
- National Business Development Service (BDS) Accreditation Framework – focus group discussions revealed significant shortcomings in the provision of business training to MSMEs. This resulted in their inability to create clear business plans and other documentation that are critical for building confidence in loan providers. Working with the Small and Medium Enterprises Association of Nigeria (SMEDAN), GEMS3 created a

framework for licensing business development providers. Such a framework would empower MSMEs to select only those advisers that had demonstrated their ability.

- **Credit Information Portal** – the Federal Investment team undertook a large-scale survey of financial institutions in Kano, Kaduna and Lagos. Working with SMEDAN, we built a database of available loan products in those states and created a portal that would provide information on loan requirements to MSMEs seeking funds. We worked in collaboration with an insurance comparison provider who showed interest in commercialising the portal.
- **Women in Investment and Enterprise (WinIE)** – the Federal Investment team used the WinIE initiative to test critical assumptions in the IP framework. We identified a vibrant braiding cluster in Kaduna and facilitated links between the women and an offtaker interested in using their services to procure braided wigs. Training and access to finance were successfully included in this intervention. The initiative attracted interest from the Federal Ministry of Industry, Trade and Investment, who showed interest in implementing at scale, and from large banks who offered financing mechanisms in support.
- **Private equity** – we played a major role in broadening the conversation on access to finance to include the use of private equity, by undertaking a large study on the market for private equity in Nigeria.

With support from the European Union, GEMS3 leveraged its relationships with legislators, Federal Ministries and other bodies to promote the passage of a competition law in Nigeria. The Federal Investment team succeeded in demonstrating to a range of stakeholders the benefits of passing a law that holds the key to liberalising the business environment significantly over the next ten years.

Despite the importance of political buy-in for all its activities, the Federal Investment workstream operated in an uncertain political environment. Reforms such as the competition and collateral registry initiative suffered serious setbacks during the change of government in 2015. As with other workstream areas, we noted a significant increase in engagement when non-oil revenue generation became an important area of reform for the Nigerian Government.

5.2. Approach

Despite implementing a variety of reforms, the Federal Investment team concentrated on two core initiatives:

- **Improving access to finance for MSMEs** – we implemented a multitude of approaches, including but not limited to, legal and regulatory frameworks, processes and procedures, and market linkages. The interventions each focused on various constraints along the access to finance value chain.
- **Improving regulatory frameworks for doing business** – this included collaborating with the Corporate Affairs Commission to make it easier and cheaper for businesses to register. Our work on the competition law is also now set to unlock access to inputs and markets for MSMEs who have traditionally struggled to compete with larger organisations.

5.3. Results

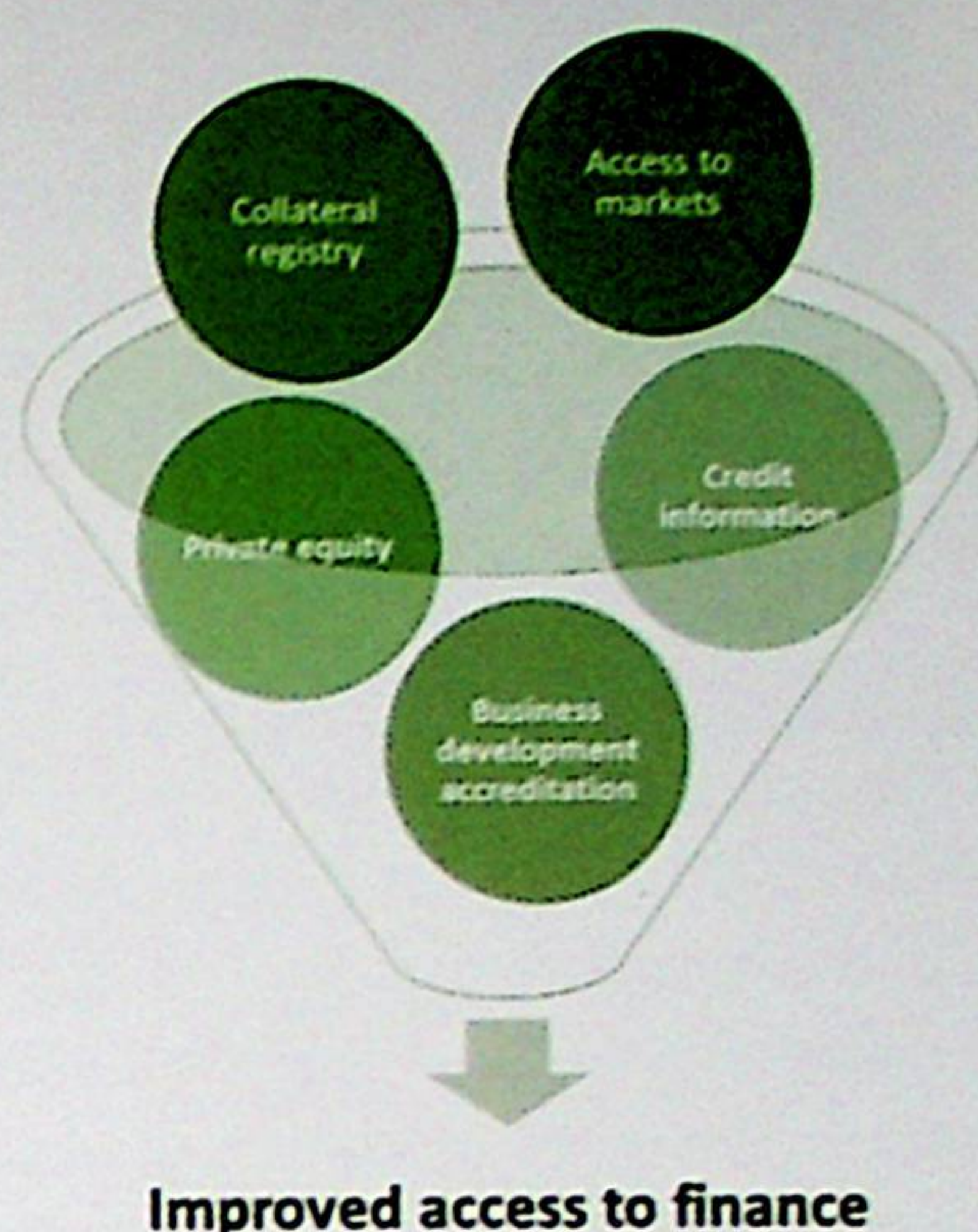


Figure 5: GEMS3 multifaceted approach to access to finance

The Federal Investment team contributed to a large number of reforms that are likely to deliver transformational change in Nigeria. By removing the need for a lawyer in registering a business, the workstream reduced start-up costs for MSMEs by 90%. This has taken away a significant barrier to formalisation, which has the potential to bring more organisations into the tax net. Organisations are poised to grow faster than ever before as the passage of the collateral registry law has now reduced requirements on MSMEs seeking loans. Businesses once required to identify guarantors or provide unavailable land collateral are now able to use their assets (vehicles, equipment, livestock, etc.) to generate investment.

The passage of the competition law is another huge achievement – an absence of competition in Nigeria has cost the country dearly. Effective implementation of the law is likely to yield considerable benefits for MSMEs seeking to enter formerly closed-off sectors, and potential large competitors who can create thousands of jobs for Nigerians.

In the course of a short pilot, GEMS3 created jobs for the 50 women who participated in the WinIE initiative. At closure, the offtaker received additional support from Mercy Corps and is today independently managing 320 braiders and seeking to expand to 1000 braiders by March 2018, to meet increasing demand for braided products. The workstream demonstrated that a small targeted donor investment can trigger meaningful market activity and improvement in livelihoods for beneficiaries.

5.4. Lessons learned and recommendations for future programming

Careful management of political and administrative changes can minimise disruptions to delivery. The 2015 elections created inertia in government in the periods leading up to and following the elections. While this had an impact on GEMS3's ability to

implement interventions, we learnt significant lessons in the process. Key was the need to develop strong communications pieces highlighting the benefits already secured by GEMS3 initiatives. We deployed public-private engagement mechanisms to great effect with the incoming administrations, agreeing an approach that placed GEMS3 initiatives at the top of the agenda, with any modifications required to fit them into new government strategy. In the months before the election, we broadened engagement in Ministries to include Permanent Secretaries, heads of departments and other individuals who would survive political change and assist in advocating for the uptake of GEMS3's initiatives. Projects operating at the political level are more likely to be successful when they incorporate these activities into delivery.

The private sector is a critical ally in maintaining momentum for reform. Judicious allocation of tasks between the private and public sectors can cover gaps in capacity in any one sector. Where government partners failed to understand the importance of competition laws, the private sector undertook a series of advocacy events that placed the issue at the heart of national debate. This momentum has carried the law through the National Assembly. Similarly, when we demonstrated to SMEDAN the revenue-generating capacity of the credit information portal, the organisation committed to full ownership of the platform, recommending staff for its implementation. Whilst being careful not to provide direct assistance to any one private organisation, projects should capitalise on the significant influence these organisations can bring to bear on reform processes.

Buy-in at the highest levels is no substitute for buy-in at all levels. There is a strong appreciation in the Federal Government for open, inclusive governance. We learned over years of implementation that the buy-in of a single powerful individual is insufficient to carry a reform through to the end. The Federal Investment team conducted extensive stakeholder mapping at all stages to ensure that even those only tangentially linked to a reform were consulted extensively on reform proposals. Maintaining a comprehensive, regularly updated stakeholder database is crucial for effective delivery. These should not be fixed – where stakeholders recommend new potential public agencies, projects should incorporate the recommendation into their database.



6. Investment workstream – business licensing reform

6.1. Context

Interest from the European Union in scaling the benefits of GEMS3's federal licensing reform to the state level led to the creation of the Business Licensing Reform (BLR) workstream in November 2014. The workstream began immediately in Kano immediately, extending technical assistance to Kaduna and the federal level in June 2016. The workstream specifically targeted the amendment or creation of regulatory frameworks for doing business in states that would reduce the compliance burden on new and existing businesses.

We selected four priority sectors (those that provided high levels of employment and whose reform would trigger knock-on benefits in other sectors): wholesale and retail, construction, road transport and manufacturing (food and drugs).

The interplay between the BLR and IP workstreams was critical for our success in this area. As states became increasingly receptive to investment promotion requirements, it became easier to convince them of the need to implement business licensing reform.

6.2. Approach

The first step in our planning was a thorough review of existing legislation, policies and other rules governing our chosen sectors. This allowed us to appreciate the scale of the regulatory burden on business and develop a priority schedule for reform. It was also a part of demonstrating to counterparts the importance of clearly documented rules and regulations, if they were to improve compliance.

After the review was completed, we facilitate public-private dialogues to validate our recommendations for reform. Such events were valuable for reorienting the workstream, to ensure that the roadmap to reform was focused on key constraints. The process was also essential for securing buy-in from the public sector and publicising its commitments to interested parties.

The final step in planning was to work with our public-sector partners on the creations of alternatives to existing laws and policies. In these engagements, we stressed the importance of clear, precise wording, to minimise confusion amongst target audiences.

Our work on reform with governments focused on four key areas:

Sustainability. We targeted reform at all levels, covering both administrative and legislative reforms. Our recommendations for legislative reform included representatives from the private sector (a significant driver of reform) and involvement from all affected public-sector bodies. Implementing reform at this level often triggered an interest in the outcome that isolated reforms would not have achieved. Whilst our primary achievements were at the administrative level, we succeeded in conveying the importance of legislative change.

Electronic registration. GEMS3 promoted the use of electronic registries in licensing practices. These registries are aligned with international best practice and introduce efficiency and transparency into the process of registering a business and acquiring additional licenses. They have the potential to bridge observed gaps in the availability and accessibility of information on required licenses, costs, and registration procedures for prospective businesses. Electronic registries are also a critical tool in identifying overlaps in regulatory requirements that can be synthesised in a single agency's approach.

Communications. Compliance is significantly reduced where there is a lack of information. Ad hoc requests for registration fees are also problematic for agencies who cannot budget adequately without regular, efficient collection activities. We encouraged the government to keep the private sector regularly informed using a range of readily available tools to deliver key messages and updates. Even where we were unable to implement the electronic registry, we built significant capacity to use factsheets, newsletters and other forms of engagement to provide information to the private sector.

Federal engagement. We facilitated sessions between our state partners and key federal agencies such as the National Agency for Food and Drug Administration and Control. This was in recognition of the fact that states are not always in control of the regulations that are having negative impacts on their citizens' ability to do business. By fostering engagement at this level, we ensured a more wholistic approach to reform.

6.3. Scale-up

We scaled the project up into Kaduna State, in recognition of the State Government's appetite for speedy reform. We focused on establishing an electronic registry for the state, a technological approach that would match the pace of reform in the State. The transition focused on building the capacity of Ministry of Commerce staff and the State IPA to manage the electronic registry, troubleshoot glitches that may occur on the platform, and support the states and a third-party agent to reach a private public partnership agreement to run the system from the back end. The BLR team also worked with the Ministry of Budget and Planning on recommendations to include the maintenance of the electronic registry in the next iteration of the budget.

6.4. Results

We developed an e-registry in Kaduna state with a unique portal connecting the major agencies involved in registering businesses in Kaduna state. Capacity building to government staff was delivered to run and maintain the e-registry that will serve as the one stop shop for business registration in Kaduna. Our work in Kano was well-received, and the State Government has demonstrated a willingness and capacity to significantly improve its communications with stakeholders in the licensing process.

6.5. Lessons learned and recommendations for future programming

- **Multiple layers of legislation and regulation make validation an indispensable activity.** Both representatives of the public and private sectors struggled to describe the licensing requirements for a given sector. The complexity of multiple pieces of legislation and regulation on a single issue created risks of duplicated levies and/or non-compliance. Small and large-scale validation activities were critical for building an accurate picture of regulation in our states and should be replicated in all projects.
- **Building cooperative and mutually beneficial links between Ministries, Departments and Agencies enhances teamwork and synergies.** It is important to foster collaboration amongst public sector agencies, especially where the proposed activity targets a key source of revenue. Demonstrating to agencies that collaboration on revenue collection can lead to more, not less, revenue will deliver significant success for a project.
- **Business licensing reform is an ongoing task.** As new sectors and therefore licensing schemes emerge, there is a risk that states will revert to systems of multi-

layered, overly complex regulation. A simple way to address this is to create a regulatory reform committee with responsibility for vetting proposed legislation or regulation and removing any duplications or inconsistencies with existing rule. Such a committee would also have a significant role to play in increasing inter-agency collaboration.



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