



PRESENTATION OF THE SUBNATIONAL BUSINESS ENVIRONMENT SURVEY – KEY FINDINGS

NEC MEETING | JANUARY 2021

**BUSINESS
MADE 
EASY**



**PRESIDENTIAL
ENABLING BUSINESS
ENVIRONMENT COUNCIL (PEBEC)**
ENABLING BUSINESS ENVIRONMENT SECRETARIAT



► For Council's Consideration and Action

For Consideration

- The key opportunities identified in the Subnational Baseline Environment Survey for improving the business climate across the States of the Federation are presented for council's consideration and approval.

For Action

- Implement report findings through business climate reforms



Content

- ▶ Subnational Baseline Environment Survey - Background
- ▶ Survey Methodology and Objectives
- ▶ Key Findings
- ▶ Next Steps



▶ Subnational Baseline Survey – Background & Approval



- In July 2017, the National Economic Council adopted and approved PEBEC recommendations on the replication of the PEBEC model across State Governments and the implementation of ease of doing business reforms across the States of the Federation.
- Led to partnership with States to identify and implement reforms at the subnational. A Subnational Technical Working Group was set up to coordinate the subnational reform implementation process.
- As a result, Nigeria, for the first time, recorded 100% participation of states in the Right of Reply data verification exercise.
- Nigeria's Subnational governments continue to play a critical role in business environment.
- Exclusive responsibility for some areas where urgent reforms are required to unlock the Nigerian economy - property registration, issuance of construction permits.



► Subnational Baseline Survey: Background & Approval

May 2018 - The NEC approved the development of a baseline Business Environment Survey across all Nigerian states and regions. The key objectives of the report are to:

- provide a status report on the current attractiveness of States' business climates.
- provide a baseline on the business climate of each State for State EoDB reform agendas.
- showcase success stories of SMEs and clusters across States and regions benefiting from an enabling business environment as a result of implemented EoDB reforms.
- serve as an informative resource document for businesses and investors at home and abroad.
- Prepare states ahead of the 4-yearly World Bank Subnational Doing Business report on Nigeria.

After inauguration in October 2017, the Subnational Technical Working Group commenced work on:

- Conceptualizing the project
- Finalizing the methodology
- Identifying suitable consultants

- The groundwork was completed in Q2 2018 and presented to the NEC for approval.
- The survey was initially due for release in 2019 but was delayed due to funding constraints and the election cycle.

► Cost of Compliance Survey – Background & Approval



- The understanding of the subnational baseline will enable evidence-based recommendations on how to improve the business environment and position Nigeria to reap the gains of AfCFTA.
- The survey was initially due for release in 2019 but was delayed due to funding constraints and the election cycle.
- The project is being implemented under the Policy Development Facility (PDF) Bridge programme funded by DFID.
- KPMG emerged as the preferred bidder on the competitive selection and the survey was commissioned in October 2020.

► KPMG Consultants' Profile

Ms Ngozi Chidozie

- Engagement Partner & Partner in KPMG Management Consulting
- Extensive experience in market studies and transformational projects for SMEs.
- Leads Nigeria's foremost annual banking industry customer satisfaction survey (BICSS) involving more than 28,000 retail customers and over 4,000 SMEs and large corporate organisations

Mr Wole Adelokun

- Associate Director, Management Consulting at KPMG
- Professional experience advising clients across the private and public sector.
- Part of the team that developed the Economic Growth and Recovery Plan (ERGP).
- Supported the development of the National Industrial revolution plan (NIRP) and the Nigeria Industrial Policy and Competitiveness Advisory Council (NIPCAC).

Mr Lanre Adepoju

- Associate Director & Head, International Development Assistant Services (IDAS) at KPMG
- Leads KPMG International Development Advisory Services (IDAS) practice.
- Over 18 years' experience in business advisory services covering public policy advisory and sector reform, and strategy and transformation projects.

Ms Adaobi Ikeh

- Manager, Management Consulting at KPMG
- Deep expertise in feasibility studies & market assessments.
- Supported the NIPCAC and the NEC

Mr Wale Abioye

- Project Manager, Management Consulting at KPMG
- Deep expertise in feasibility studies and market assessments.
- Provided support to the NIPCAC and the NEC on issues requiring State Government intervention.



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- ▶ Subnational Baseline Environment Survey - Background
- ▶ **Survey Methodology and Objectives**
- ▶ Key Findings
- ▶ Next Steps

► Framework of the baseline Subnational Business Environment survey Objectives, process and methodology

Objectives	<ul style="list-style-type: none">▪ To provide a status report on the attractiveness of states in terms of business climate reforms as a reference resource for SMEs and the general business community.▪ To showcase regional attractiveness backed up by success stories of SMEs across the states.
Methodology	<ul style="list-style-type: none">▪ State Proxy: Most commercially viable city within the state▪ No. of Indicators: 4 Homegrown Indicators▪ Data Sources and Instruments: Focus Group Discussions - discussions with representatives of different types of firms in each state Secondary sourcing from NBS, NCCN, NIPC, NEPC,...

Home grown Subnational indicators

1



**Infrastructure
& security**

2



**Transparency &
accessibility to
information**

3



**Regulatory
environment**

4

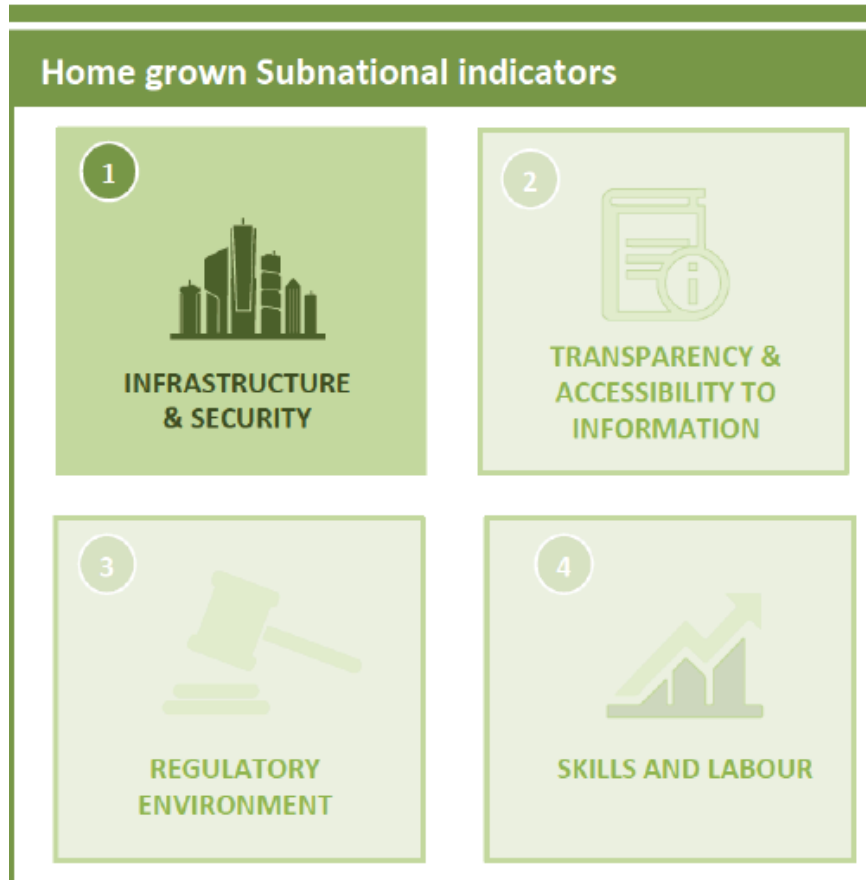


**Skills and
labour**

**Publish the Nigeria Subnational
Business Climate Report (baseline
edition).**

► Framework of the baseline Subnational Business Environment survey
Objectives, process and methodology

What are we measuring?



Infrastructure and security Indicator measures:

- *Electricity* – the connection of households to the grid and what percentage of business operating costs are spent on power.
- *Transportation* – triggers the introduction of more efficient transportation systems and highlight the importance of transportation cost and accessibility to business.
- *Primary Health Care* – highlights the achievements of universal health coverage.
- *Security* – report of incidents of regular business crime – burglary.

► Framework of the baseline Subnational Business Environment survey
Objectives, process and methodology

What are we measuring?

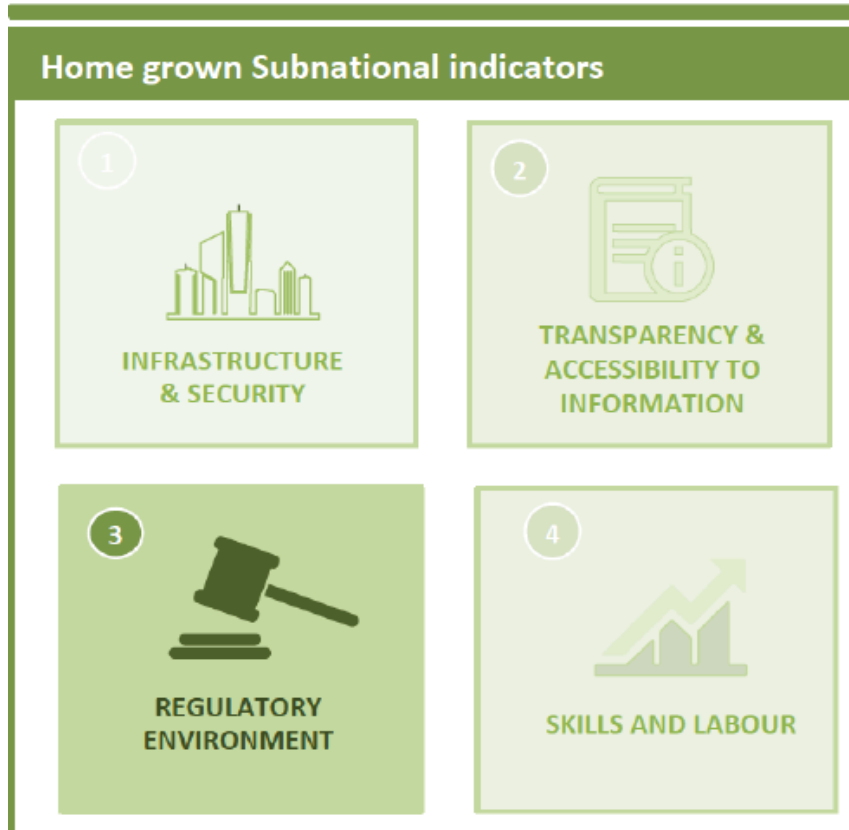


**Transparency & Accessibility to Information
Indicator measures:**

- *Investment promotion* – the existence of an investment promotion agency and the ability of the state government to actively plan to attract investments and spur growth.
- *State Information Structures* – existence of a state website that collates government information, processes, taxes and ensures that businesses and investors can find information easily and quickly.

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What are we measuring?



Regulatory Environment Indicator measures:

- *Paying Taxes* – Greater adoption of technology and Harmonization of taxes/ development of one tax schedule publicizing legal taxes, rates, tariffs and levies payable for State and local governments.
- *Starting a Business* – business names registration processes; additional steps by states.
- *Enforcing Contracts* – Small claims courts, speed and ease of judicial process.
- *Land, property acquisition and development* – cost, procedures and timelines for registering properties. E.g., time for Governor’s consent.

► Framework of the baseline Subnational Business Environment survey Objectives, process and methodology

What are we measuring?



Skills and Labour Indicator measures:

- *Technical and professional skills* – existence of a job centre/labour directory of registered skilled, semi skilled and unskilled persons to reduce time and cost of sourcing employees.

▶ Subnational Business Environment Survey: Project Scope

S/N	Scope of service (Terms of Reference)
1	Develop a data collection model for future data collection
2	Identify reputable and objective secondary data sources that adequately already covers the areas of interest
3	Provide status report on the attractiveness of states and success stories of SMEs across the regions in
4	Determine and rank constraints to competitiveness in the four homegrown indicator areas across the States of the Federation
5	Identify and rank opportunities for enhancing business competitiveness
6	Highlight success stories of regional attractiveness across all 6 geopolitical zones
7	Provide an update on the general business climate condition in the leading commercial city in each state
8	Highlight success stories of SMEs and clusters benefiting from the business environment within the state
9	Compile list of Agencies (both federal and state) most relevant to the four home-grown indicator areas
10	Assess SMART metrics by which we can track improvement of the business environment



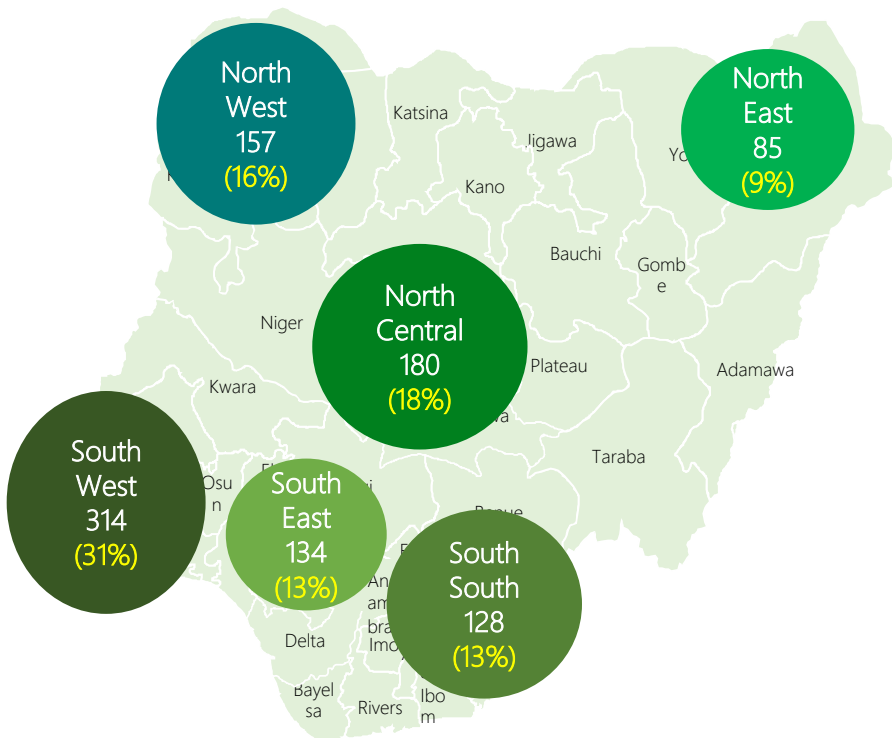
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▶ Over the last few months, we have evaluated the ease of doing business across the country using the homegrown indicators

998 SME respondents across the country*



25+

Case study features highlighting the business environment

40+

In-depth interviews with respondents



Developed a data collection model for future data collection



Determined constraints to competitiveness in the four homegrown indicator areas across the all states



Identified opportunities for enhancing business competitiveness

*Survey respondent distribution aligned with national distribution of SMEs

▶ Key Findings

Infrastructure & Security



4.94/10

Transparency & Accessibility of Information



4.72/10

Regulatory Environment



4.92/10

Skills & Labour



5.32/10

1

Power supply remains a key challenge for businesses – SMEs report that only two states provide an average of 10 or more hours of electricity per day

2

Ineffective communication among agencies involved in multi-agency interactions negatively impact the ease of transactions with them

3

Tax policies need to be clearer, and communication between agencies improved to eliminate multiple taxation

4

In 26 states and the FCT, many SMEs are either not aware of any investment-friendly and funding strategies or say they have not benefited from them

5

Provision of formal structures such as a talent database would improve access to talent, reduce the cost of hiring talent and improve business effectiveness

► Infrastructure & Security



9%

Of business revenue is spent on electricity costs

It takes an average of **31 days** to connect to the national grid and an average of **49 days** to set up and receive a meter.



38%

of business covered by either or both NHIS and private Health Insurance

17% of businesses are registered with the NHIS nationwide.



9%

Proportion of business income spent on transport costs



5/10 Satisfaction with transport infrastructure.



27%

Reported an occurrence of a security incident (%)



26% reported a disruption from state agencies.*



SMEs in the North East report receiving public power for the longest period (7.98 hours per day), while SMEs in the South South report receiving only 5.37 hours of electricity.




SMEs in North East report spending the highest on transport at 11%, while SMEs in the North West report spending the lowest at 7%.





Only 13% of SMEs in the North East reported security incidents while, 32% in the South West reported at least one business-related security incident in the last year.

*Business disruptions by state agents range from multiple taxation to extortion by policemen, and threats to seal a business premises, to seizure of goods, and to locking a market.

Infrastructure & Security – Key Opportunities

 Commission private players to use available land to build small-scale solar grids, using locally-produced inputs

 Design incentives for private companies to invest in alternative transport modes. Incentives may include tax breaks for a defined period of time

 Roll out cost-effective alternative modes such as affordable rates for trains and public transportation

 Roll out incentivised registration on the NHIS; accelerate expansion and coverage of state health insurance schemes

 Adopt an integrated platform that provides a full view of business taxes across all relevant state agencies to avoid multiple taxation

▶ Transparency & Accessibility of Information



10%

of businesses are aware of any funding/credit alternatives



4% of businesses have benefitted from investment-friendly strategies.



3 in 5

Businesses are not aware of any state website that collates relevant information on operating a business in the state



4 in 10 businesses report that the information shared on the state website is relevant.

Key Opportunities



Leverage the network of agencies within the state to disseminate information on the existence, activities and initiatives of the state IPAs



Increase awareness of the availability of digital options through offline and online ads, sponsorships, radio jingles, etc.



Update website with modifications to regulation, processes, policies, practices, etc. on an ongoing basis

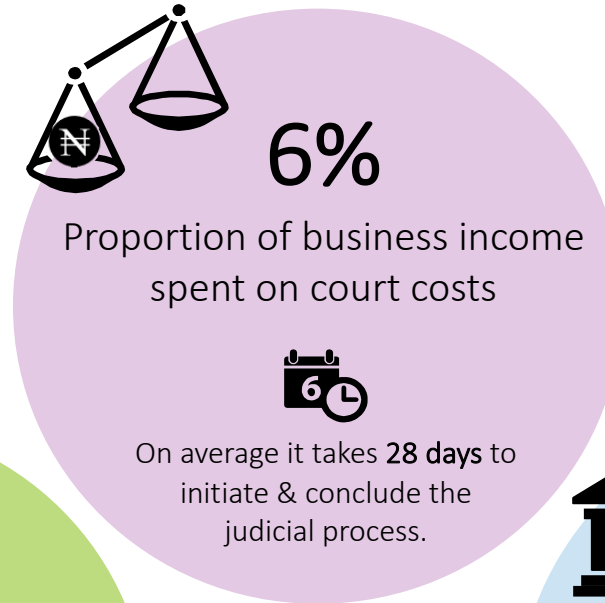
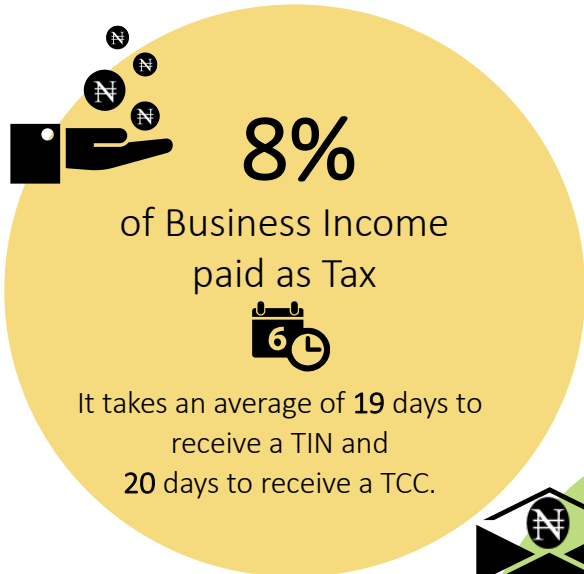


Develop alternative financing strategies for businesses with an effective collection strategies



35% of SMEs in the North East reported receiving the greatest support from IPAs, while no business in the South East report receiving any support from IPAs.

▶ Regulatory Environment



SMEs in the North West report spending the highest to register a business, while SMEs in the North East report spending the lowest.



The longest time to receive a C-of-O was recorded in the North Central region (94 days), while the shortest time was recorded in the South East (14 days).

Regulatory Environment – Key Opportunities



Enable the end-to-end completion of tax processes via digital platforms



Outline additional registration activities required by the state and their costs on the state website and other channels



Produce downloadable copies of fliers, pamphlets and checklists that provide holistic information on registering a business in the state



Establish a small claims court in every state to reduce the time taken in larger courts



Create a digital path for completing the property registration processes end-to-end

► Skills & Labour



43%

Proportion of talent pool sourced from within the state



74% are satisfied with availability of talent



In the South West, 61% of employees are sourced from within the state, while only 16% of employees in the South East are sourced from within the state.

Key Opportunities



Collaborate with developers/founders of talent databases to train and onboard local talent onto the platform to improve ease of access of employers to such talent



Develop and roll out state-sponsored, privately-managed training and capacity building programmes/ institutes for different skillsets for talent



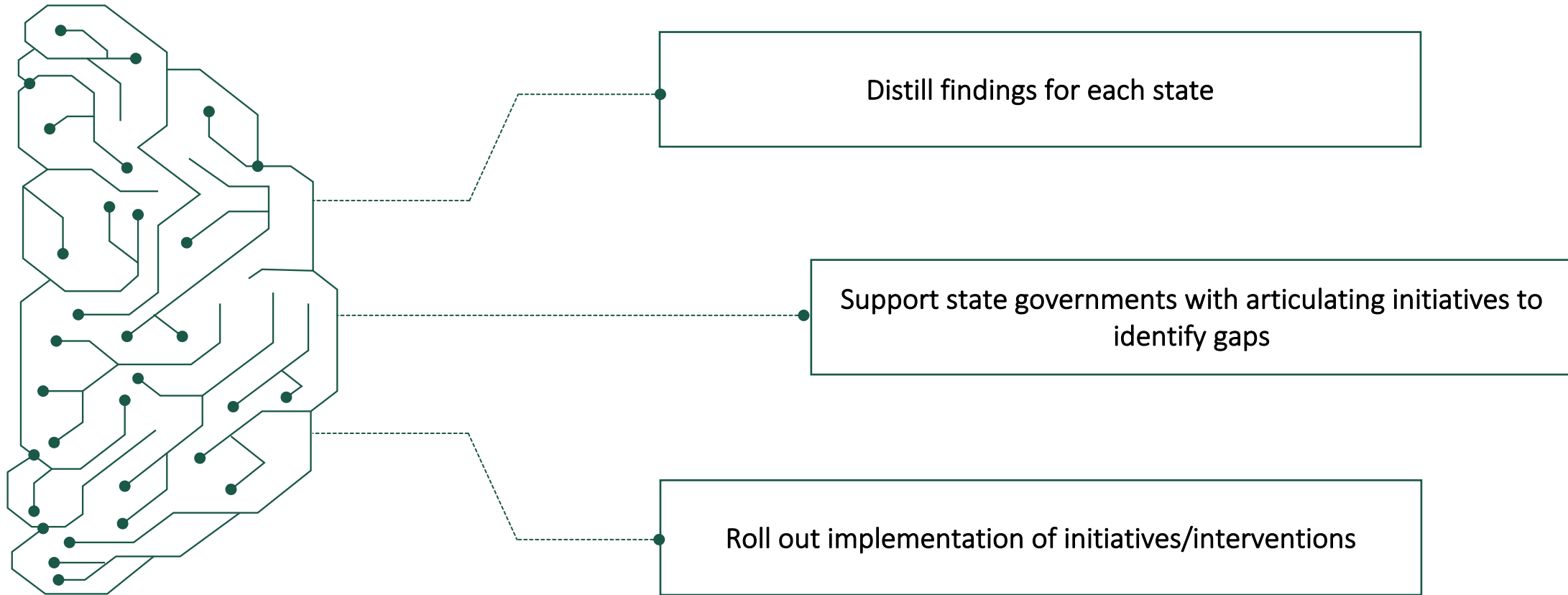
Establish/optimize a state vocational training institute to upskill willing talent. Register graduates of the institute on the digital employment platforms



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▶ Next Steps





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For Action

- Implement report findings and embrace the opportunities identified in the report



THANK YOU

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