

EASE OF DOING BUSINESS SUBNATIONAL BASELINE SURVEY | JANUARY 2021



**BUSINESS
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**PRESIDENTIAL
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COUNCIL (PEBEC)**

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PREFACE

Today, micro, small and medium sized enterprises (MSMEs) account for 47.8% of Nigeria's GDP, despite binding constraints on productivity due to a challenging business environment. The identification and implementation of various policies and operational levers to unlock SME competitiveness and growth have remained a central economic development theme led at the highest level of the Federal Government of Nigeria—primarily because of its ability to deliver transformative impact such as job creation, poverty reduction and gender inclusivity. Since the inauguration of the Presidential Enabling Business Environment Council (PEBEC) in 2016 by President Muhammadu Buhari to remove critical bottlenecks and bureaucratic constraints to doing business in Nigeria, the business climate reform initiative has recorded tangible impact and measurable progress. This includes improvements in Nigeria's World Bank Doing Business ranking by a 39 place, and being twice recognized as a top 10 global reformer in the last three recorded years. Without a doubt, Nigeria's Subnational governments continue to play a critical role in business environment as State Governments have exclusive responsibility for property registration, issuance of construction permits, areas where urgent reforms are required to fully unlock the Nigerian economy.

In July 2017, the National Economic Council (NEC) unanimously adopted and approved the replication of the PEBEC reform model across State Governments and the implementation of ease of doing business reforms across all the States of the Federation and the Federal Capital Territory (FCT). The Enabling Business Environment Secretariat (EBES) subsequently partnered with State Reform Champions and their colleagues to identify and implement reforms. As a result, Nigeria, for the first time, recorded significant improvement in the 2018 World Bank Subnational Report on Nigeria underpinned by 100% participation of states in the Right of Reply data verification exercise.

In furtherance of the ongoing reform agenda to improve the business environment in the country, this Ease of Doing Business (EoDB) Subnational Baseline Survey was undertaken as a status report on the current attractiveness of States business climates for small and medium sized enterprises (SMEs). In May 2018, the NEC approved use of a subnational survey methodology framework based on four homegrown indicators developed by the PEBEC-NEC Technical Working Group comprising representation from six states embodying the six geopolitical zones, the NEC Secretariat, Nigerian Governor's Forum, the Nigerian Bureau of Statistics, the Nigerian Investment Promotion Commission, the Nigerian Export Promotion Council, the Nigerian Economic Summit Group, and other private sector representatives. These homegrown indicators are: Infrastructure & Security; Transparency & Access to Information; Regulatory Environment and Skills & Workforce Readiness. The empirical field survey was conducted by KPMG Professional Services between November 2020

and January 2021, and report findings prepared. EBES also acknowledges the support of UKAID through its PDF Bridge Programme, whose management team provided invaluable guidance and technical input to design of the survey, compilation and drafting of this report.

The survey is a dividend of the ongoing collaboration between the PEBEC and the NEC, both of which are Chaired by His Excellency, Vice President Yemi Osinbajo SAN, GCON, and captures the reforms baseline enabling each State's Ease of Doing Business Council to craft their reform agendas and implementation roadmaps based on empirical data and feedback from a cross-section of SMEs across the 36 States and the FCT. These independent experiences and perceptions of doing business in Nigeria will help determine enablers to subnational competitiveness opportunities and identify constraints, which will facilitate dialogue and drive policy making.

“ The report captures the different business environment realities across the country, backed up by success stories of SMEs from all regions, to encourage peer learning and review, healthy competition and provide guidance for investors. It is expected that the report of the survey will serve as an information resource document for businesses and investors at home and abroad. ”

The Enabling Business Environment Secretariat team of the PEBEC is indebted to the Chair and members of the NEC for their unwavering commitment and support for the Subnational EoDB Intervention, and looks forward to continuing to collaborate with State Governments' Ease of Doing Business Executive Councils, and their designated Reform Champions, in the development of their respective State Reform Action Plans and implementation roadmaps. Collectively, the Government of Nigeria across all arms and levels is poised to deliver tangible impact for enhanced productivity of the Nigerian economy as we support Nigerian businesses to gain more competitiveness momentum for the African Continental Free Trade Area (AfCFTA) as well as ahead of the next World Bank Subnational Report on Nigeria to be released in 2022.

Dr Jumoke Oduwale

*Special Adviser to the President on Ease of Doing Business
Secretary, Presidential Enabling Business Environment Council (PEBEC)
Enabling Business Environment Secretariat (EBES)*

January, 2021



EXECUTIVE SUMMARY

Improving the business regulatory environment across Nigeria will be key for the country's economic growth. Nigeria's heavy dependence on oil poses structural challenges that have made it difficult to achieve sustained growth, create jobs and reduce poverty. Over the past four years, the business regulatory reform agenda has taken on an inclusive approach with the involvement of the federal and state governments in the design and implementation of reform initiatives.¹

Nigeria has moved up 39 places in the World Bank Doing Business rankings since 2016 and has improved 11 places in the World Economic Forum Global Competitiveness rankings within the same period. In the World Bank Doing Business 2020 report, Nigeria moved up 15 places to 131st position and was named one of the top 10 most improved countries for the second time in three years. These improvements are indicative of the infrastructural, policy-based reforms and frameworks being implemented at the national level. This has also served as the basis for much deeper business reforms at the subnational level, with improvements recorded in 32 Nigerian states – led by Kaduna, Enugu, Abia, Lagos, and Anambra states.²

To advance the progress made to date, the Presidential Enabling Business Environment Council (PEBEC) commissioned a subnational Ease of Doing Business Baseline Survey to map business environment conditions across the thirty-six states of the Federation and the Federal Capital Territory (FCT) to ascertain the impact of reforms on competitiveness and to develop an approach for regularly tracking challenges and improvements across the country.

Four homegrown indicators were developed for this assessment namely: *Infrastructure and Security, Transparency and Accessibility to Information, Regulatory Environment and Skills and Labour*.

Homegrown Indicators

Infrastructure and Security



Electricity



Transportation



Primary Healthcare



Security

Transparency and Accessibility to Information



Investment Promotion



State Information Structures

Regulatory Environment



Paying Taxes



Starting a Business



Enforcing Contracts



Land, Property Acquisition & Development

Skills and Labour



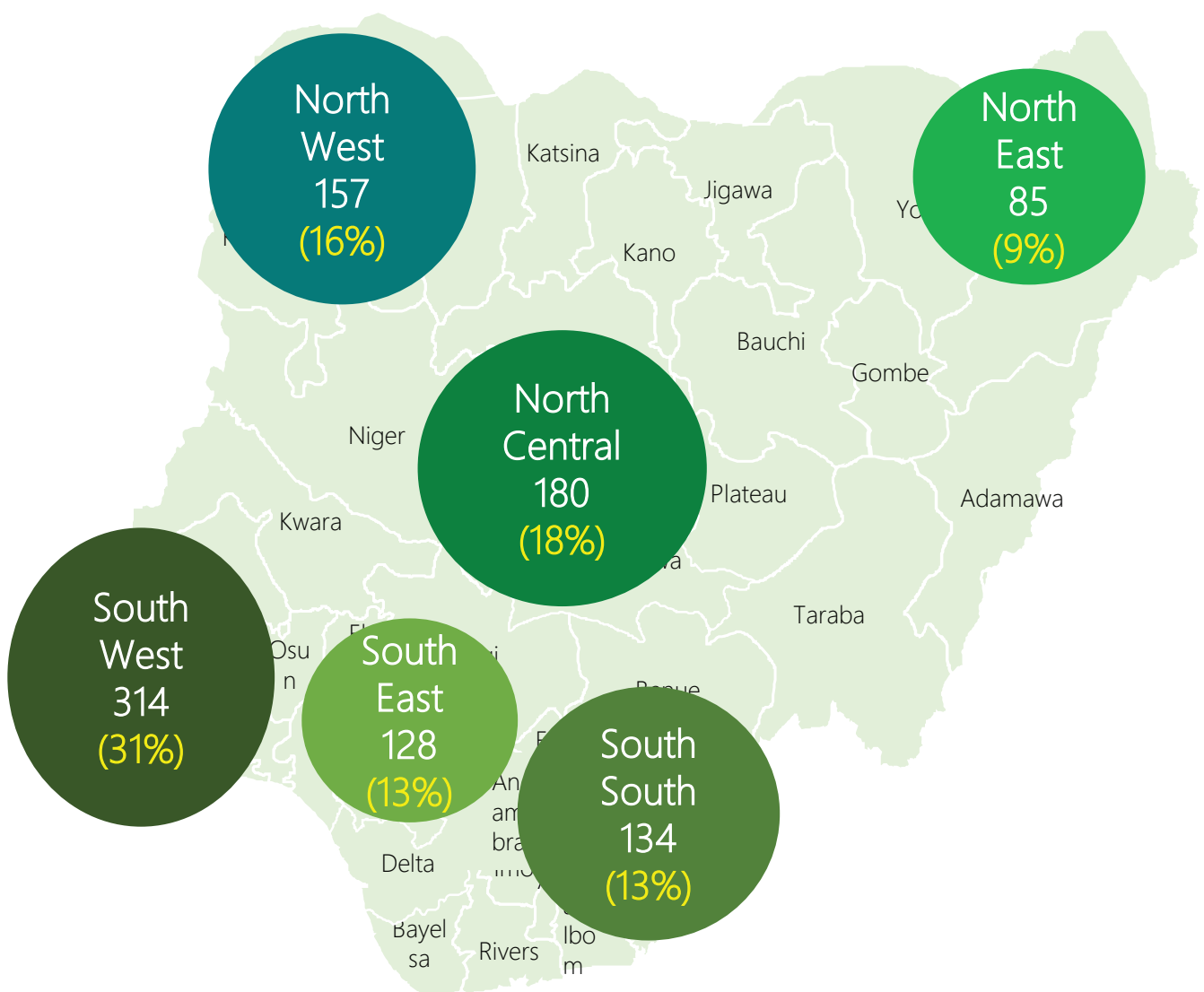
Technical & Professional Skills

Approach and Methodology³

The study presents feedback from surveys administered to 998 Small & Medium Enterprises (SMEs) across the country exploring their experiences and perceptions of doing business in Nigeria. In addition, the team interviewed 33 selected businesses and the documented case studies are presented in different sections of this report.

Small & Medium Enterprises (SMEs) Distribution

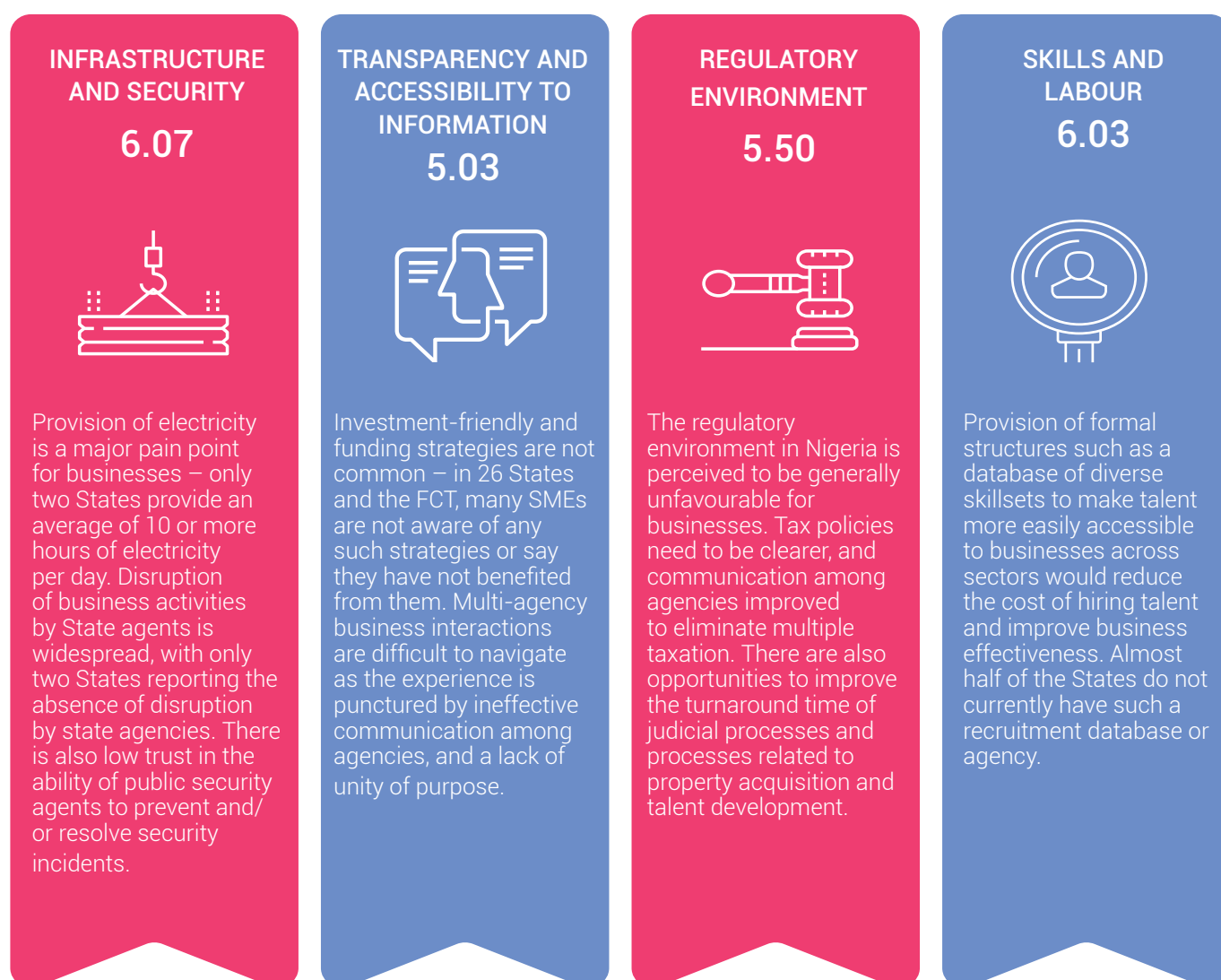
998 SME respondents
across the country*



*Survey respondent distribution aligned with national distribution of SMEs

Each of the four homegrown indicators has been further distilled into sub-indicators to provide deeper insights on the drivers for improving the experience of businesses in the operating environment. Each State has been rated on a ten-point scale across the sub-indicators under each homegrown indicator. For each sub-indicator and homegrown indicator, we have calculated national and regional averages. The study also allows for identification of good practices from one State to another which can be shared to drive improvement in the overall business environment across the country.

Main Findings With Overall Results

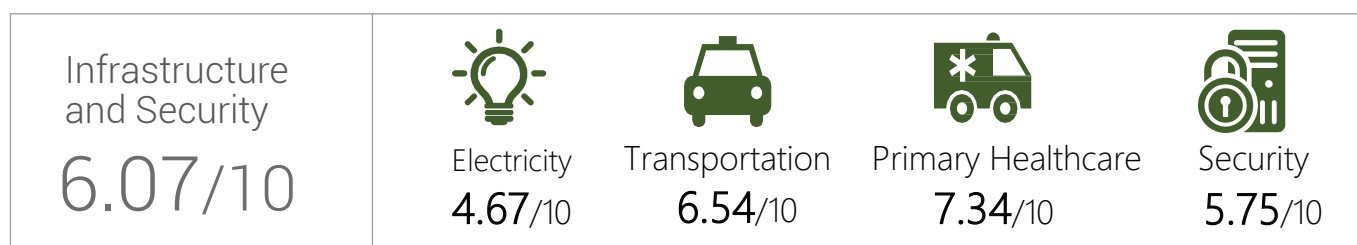




Infrastructure and Security

The *Infrastructure and Security* indicator focuses on the availability of the requisite infrastructure that improve the business environment and collectively reduce the operating costs for a business. Poor infrastructure is one of the main deterrents to doing business in Nigeria. Upon starting a business in Nigeria, aspiring and current entrepreneurs are faced with several challenges because of the infrastructure deficit. These challenges range from unreliable power supply, to heavy dependence on deteriorating transport networks, and from insecurity to poorly equipped hospitals.

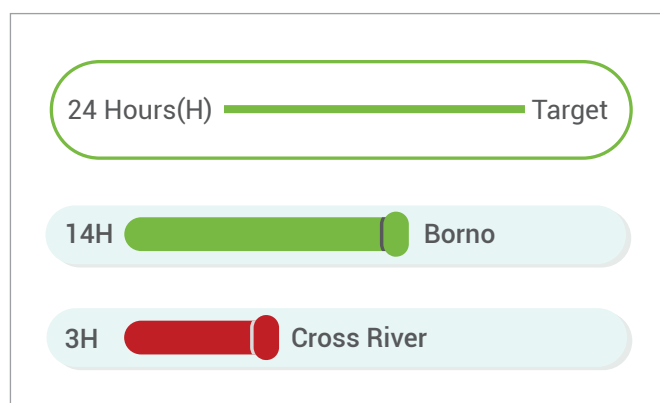
Infrastructure & Security Scores



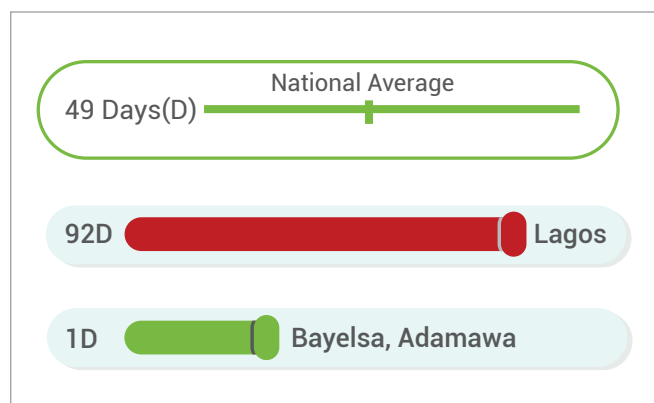
Borno and Kebbi lead the *Infrastructure and Security* indicator with scores of 7.36 each, while Lagos sits at the bottom with 4.23. The high score in Borno is driven by the state's performance in *Electricity* where businesses report receiving an average of 14 hours of power a day from the national grid, the highest in the nation. The State also scored highly in *Transportation*, driven by the high satisfaction of businesses in the area with the quality of transportation infrastructure and the low proportion of business revenue spent on transportation, 5%, one of the lowest in the country. Businesses in the State – principally in the Maiduguri area – also have a positive view of the accessibility of security forces in the State.

Kebbi's strong feedback on *Electricity* was driven by the number of days it takes for businesses to connect to the power grid (5 days) and the average number of days it takes for agents in the State to resolve complaints (5 days). Businesses in Kebbi are generally very satisfied with the transportation infrastructure and healthcare coverage in the State.

Hours Of Public Power Received Per Day



Time taken to resolve complaints by public security agency (days)



A reduction in the average time taken to install and set up prepaid meters, as well as enhancing power generation in each state will greatly reduce the burden of electricity costs on small businesses. Other opportunities include improving road networks through expansion, dualisation, construction of bridges, etc. and harmonising the operations of state agencies to reduce disruptions and enhance the effectiveness of their business operations.

Transparency and Accessibility to Information

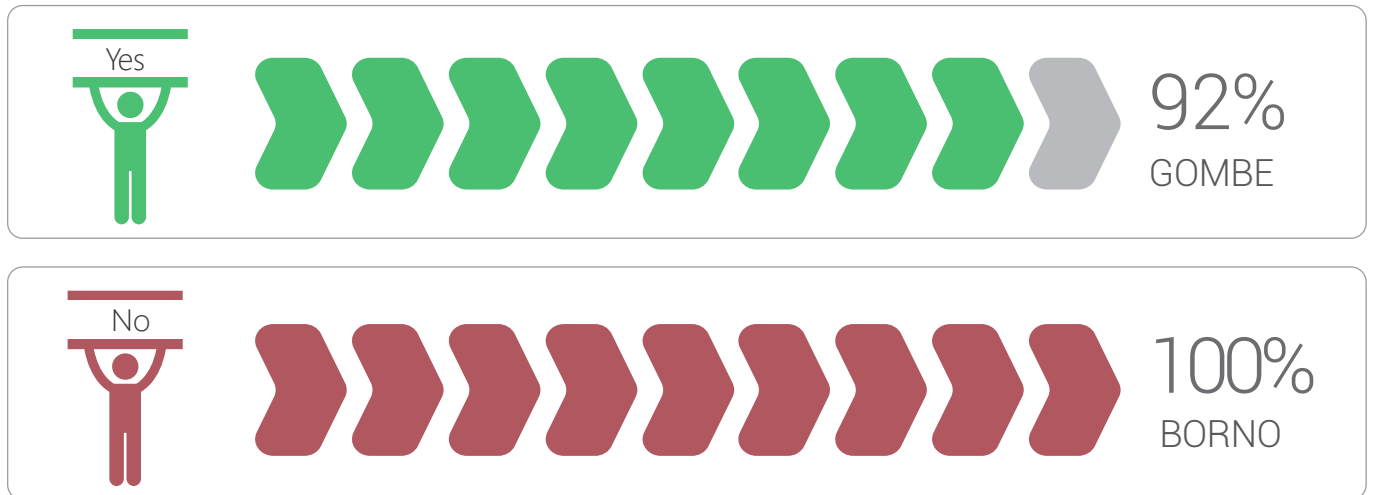
Transparency and Accessibility to Information assesses the level of investment promotion as well as the quality and availability of state information and its structures provided to businesses and investors. It is targeted at encouraging and stimulating investments in the economy. It is crucial in ensuring easier access and participation in the business environment, and contributes to reduction or prevention of corruption, political quid pro quo, and inefficiency. Beyond policy development, governments are also tasked with the role of providing information and advice to businesses, which increases the relevance of subnational Investment Promotion Agencies (IPAs) and information structures. Effective IPAs equip potential investors with the required knowledge to invest in a state, thus enhancing competitiveness and also support businesses with a range of information and resources that simplify their interactions with public services. The Kaduna State Investment Promotion Agency (KADIPA) is one example of IPAs, cited by businesses, as offering a one-stop shop approach.

Transparency & Accessibility to Information Scores



Gombe leads the *Transparency and Accessibility to Information* indicator with a near perfect score of 9.02 and Borno sits at the bottom with 1.46. Businesses in Gombe reported comparatively higher levels of awareness of the government-sponsored intervention strategies available to them in the state.

Awareness of the existence of IPAs in the state



Setting up one-stop shop centres through the IPAs, is a quick way for businesses to distil relevant information, as well as provide an avenue to complete several government related processes at once and reduce informal costs.

Regulatory Environment

The *Regulatory Environment* indicator explores how local laws affect various aspects of a business' operations. It analyses the legal and regulatory framework that encourages productivity and supports an enabling business landscape. Quality business regulations pertaining to starting a business, enforcing contracts, paying taxes and property rights are essential to economic development and sustained growth.

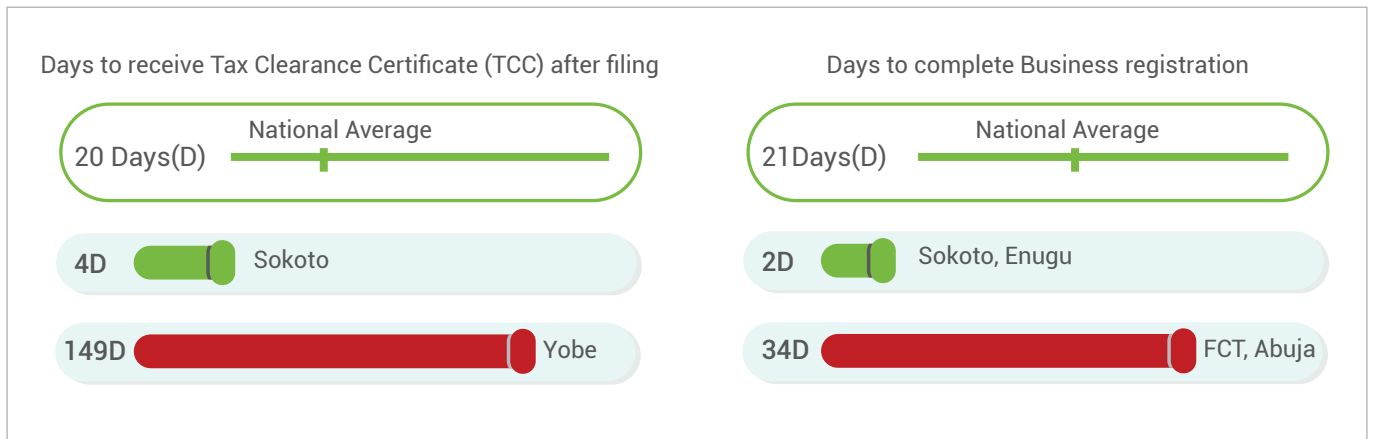
Regulatory Environment scores



Sokoto leads the *Regulatory Environment* indicator with a score of 7.91, while the FCT sits at the bottom with 3.38. The high score in Sokoto is driven by the state's high performance in the *Starting a Business*, *Paying Taxes* and *Land, Property Acquisition and Development* sub-indicators.

For states with low scores under this indicator, SMEs would like to see significant reduction in the number

Regulatory Environment



of days it takes for businesses to complete the business registration process.

Skills and Labour

The *Skills and Labour* indicator assesses the accessibility and availability of talent in the state, and the presence of state structures to ease access to talent. Employment data published by the NBS in Q4 2020 put the unemployment rate at 33.3%, 6 percentage points higher than Q2 2020 rate.

Ekiti leads the *Skills and Labour* indicator with a score of 8.01, while Zamfara sits at the bottom with 2.86. The high score in Ekiti is driven by the high business awareness of the state's recruitment agency and the access of talent pool within the state.

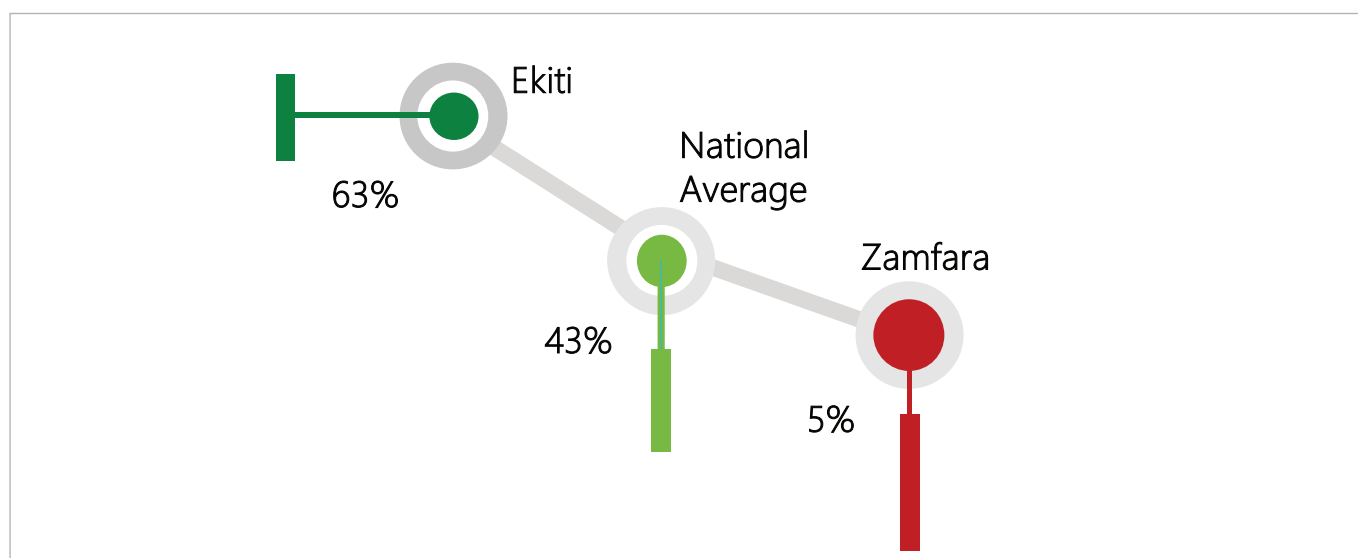
Capacity building initiatives such as internships, vocational education and training and apprenticeships leveraging public-private sector collaboration can enhance the talent pool in each state.



Skills and Labour Scores



Proportion Of Talent Pool Sourced From Within The State



Going Forward

While the pace of reform in Nigeria has picked up since 2010,⁴ more can be done. In the areas measured in this study, much room for improvement remains and many potential reforms fall within the purview of the states. On Electricity, time to connect to the grid, receive and set up prepaid meters remains an arduous process across states. Streamlining and harmonising the process for requesting, acquiring and setting up prepaid meters will help to drive the increase in metering rates.

Digitising regulatory processes from end to end and enforcing government-defined timelines for completion can reduce informal costs such as transportation and expenses resulting from providing inducements, that businesses are faced with in their normal course of operations.

Other initiatives to encourage small businesses include partnering with the private sector to develop and roll out state-sponsored, privately managed training and finishing programmes for different skillsets within the states. This is important to ensure that talent within the states can continually update their skills and remain attractive to would-be employers.

PEBEC and NEC are poised to continue to drive efforts that will make doing business in Nigeria easier by actively removing critical bottlenecks and constraints to doing business in the country and making Nigeria a progressively easier place to do business and thrive.

1

INTRODUCTION

1.0 INTRODUCTION

Nigeria is the largest economy in Sub-Saharan Africa (SSA) and its labour force is expected to almost triple by 2050 providing it an advantage of sustaining higher levels of growth⁵. The country has significant natural resource wealth, ranking in the top ten globally for proven reserves of oil and gas, and is the main oil exporter in SSA. However, since the 2000s, non-oil sectors such as agriculture and telecommunications have taken over as the key drivers of the economy, resulting in higher and

less volatile growth. Nigeria's population of over 200 million persons is the largest in Africa by a distance and is young (63% of the population is under 25 years) and growing rapidly (2.3%+ YoY) with an increasing urbanisation rate.⁶

The country is divided into six geopolitical zones: North Central, North East, North West, South East, South South and the South West.



Zuma Rock - Niger State

The North Central is made up of Plateau, Benue, Niger, Kogi, Nasarawa, Kwara and Abuja (the FCT), with a population of approximately 31.6 million people.⁷ The states in the North Central are mostly agrarian, with Kogi state being the largest local producer of cashews in Nigeria, contributing about 30% annually to the nation's production of cashews. This represents approximately 7-8% of non-oil export earnings.⁸ Kogi also has the largest iron ore deposit in the nation,⁹ and in 2020, the state government appointed a contractor to begin iron ore mining in the state. In Benue, in addition to agriculture, limestone is extracted on a large scale for its use in the manufacture of cement. Abuja has the third highest number of SMEs in the country with 2,825 SMEs.¹⁰ Recently, the Federal Government licensed two gold refineries to produce the metal for export, with one of the refineries in Abuja.¹¹



Yankari Game Reserve - Bauchi State

The North East region comprises Adamawa, Bauchi, Borno, Gombe, Taraba and Yobe states, with a population of approximately 28 million people.¹² The economy of the region is largely agricultural, with major cash crops produced in the area including groundnut, cotton, and onion.¹³ In the North East, Bauchi has the highest number of SMEs with 2,241 SMEs in total.¹⁴ In Adamawa, groundnut is either sold in local markets or exported to other states. Agriculture also dominates the economy of Bauchi, where the state produces enough quantities of food and cash crops for industrial purposes, including cereals such as millet, maize, rice, sorghum and

wheat. This has led to the establishment of mills such as Tiamin Rice Mill, and UMZA International Limited to plant sugarcane and process in the state.¹⁵

Bauchi and Taraba States are also home to tourist sites such as the Yankari Game Reserve and Sumu Wildlife Park in Bauchi,¹⁶ Mambilla Plateau, Barup Waterfalls, Tunga Dam (Man-made), among others in Taraba state.¹⁷ In Bauchi, the state government has set in motion a plan to put the Sumu Wildlife Park in full operation as a tourist site to visitors.



Sultan's Palace - Sokoto State

The North West region has the highest population in the country with just over 52 million people.¹⁸ Agriculture is the main driver of the economies of Katsina, Kebbi, Sokoto and Zamfara.

Kano is the most populous state in the country, with commerce and manufacturing being the mainstay of its economy.¹⁹ The state is the leading manufacturer and exporter of Nigerian leather. Kano city is also known for its many festivals, ancient relics and culture. In October 2020, The Federal Government

approved the establishment of shoe, garment, and leather processing factories in Kano State (and Abia State, South East Region), through a public-private partnership arrangement worth N5.08 billion, in a bid to revive its production.²⁰

In addition to leather tanneries, Kaduna is home to the largest textile mill in Nigeria, Kaduna Textile Mill. In the North West, Kaduna has the highest number of SMEs with 2,650 in total.

The South East is made up of Abia, Anambra, Imo, Enugu and Ebonyi states with a population of 23 million.²¹ In addition to trade, Abia and Anambra are oil producing states. At the end of 2020, the Onitsha Port was fully commissioned to begin operations with vessels and barges calling at the river port.²²

Ebonyi, with the highest number of SMEs in this region (2,433),²³ is considered a non-oil producing state as its oil reserves are not yet developed. The Enugu and Imo economies are driven by agriculture. Aba, in Abia, is home to a ₦120bn shoe industry, where traders from across West Africa visit regularly to buy shoe and leather goods²⁴.



Innoson Vehicle Manufacturing Company Limited Plant at Newi - **Anambra State**

The South South region comprises Akwa-Ibom, Bayelsa, Cross River, Delta, Edo and Rivers states with a population of approximately 30 million people. The main economy of the region is oil and gas with significant reserves found in the region. Akwa Ibom is the third largest producer of petroleum in Nigeria. The Federal Government recently approved the implementation of the Ibom Deep Sea Port, the deepest in West Africa, to allow shippers import and export petroleum products, export oil and gas, in addition to offering container handling and bulk trade.²⁵ Bayelsa holds the largest natural gas reserve (18 trillion cubic feet) in Nigeria, and Rivers controls more than 60% of the nation's crude oil outputs.²⁶ Delta also has significant reserves of crude oil and natural gas. The Onne Port Complex

in Rivers is one of the world's largest oil and gas free zones supporting exploration and production for Nigerian activities.

In Cross River and Edo, the major activity is agriculture with Cross River being the largest producer of timber and the 5th largest producer of palm oil in Nigeria.²⁷ Calabar (in Cross River) is home to the Calabar Carnival that holds every year in December. Edo has the highest oil palm yields in Nigeria, and the highest number of SMEs in this region with 2,677 in total.²⁸ The state has pooled resources to set up the Edo Production Centre, an industrial cluster for over 200 SMEs at Sapele Road axis of Benin City, fitted with 24 hours electricity, as an incentive to boost productivity.²⁹



Edo State House of Assembly - Benin City, Edo State

The South West is the second most populated region in the country with approximately 41 million residents.³⁰ The region is made up of Ekiti, Lagos, Ogun, Ondo, Osun and Oyo states. This region is home to the two states with the highest number of SMEs, Lagos with 8,395 and Oyo with 6,131 SMEs.³¹ Agriculture is the main occupation of the people of the South West region; Ondo is the largest producer of cocoa in Nigeria with about 75,000 tons of cocoa production annually, which accounts for about 28% of Nigeria's total cocoa production.³² The region is also home to tourist attractions such as the Ikogosi Warm Springs (Ekiti), Olumo Rock (Ogun) and Erin Ijesha Waterfall (Osun).

Lagos is Nigeria's commercial and industrial hub and a key driver of economic growth for the country. It is the largest economy in Nigeria and the 5th largest economy in Africa, contributing about a third of Nigeria's GDP.³³

According to the World Bank Doing Business Report 2020, Nigeria was one of the two African countries in the top ten economies that improved the most

in 2019.³⁴ The report ranked Nigeria 131st of 190 countries with a total score of 56.9, rising from 146th in the previous year. Nigeria's 15-place increase from the previous year was primarily due to reforms and initiatives introduced by the Federal Government, Lagos and Kano state Government. A few of the reforms implemented by the Nigerian government to promote ease of doing business include:³⁵

- Introduction of an online platform for payment of stamp duties to hasten the registration of new businesses and eradicate the need for on-site inspection for business premises registration;
- Elimination of the Infrastructure Development Charge (IDC, the fee for construction permits) for warehouses;
- Implementation of a geographic information system to improve land administration; and
- Launch of e-payment systems to reduce time taken for international trade.

However, there remain limiting factors that make business operations in Nigeria challenging. Although, the ease of doing business in Nigeria has improved since the inception of the Presidential Enabling Business Environment Council (PEBEC), Nigeria still trails behind some emerging economies and African countries. Similarly, the Global Competitiveness Index (CGI) 2019 of the World Economic Forum ranked Nigeria 116th of 141 economies of the world, in terms of business competitiveness.³⁶



Lekki Ikoyi Link Bridge - **Lagos State**

The Nigerian economy is still faced with some deep-seated structural challenges impacting the operating environment for businesses.

Businesses surveyed say that these challenges range from poor public service delivery and weak monitoring and evaluation capacity, to regulatory inefficiencies and corruption by state agencies. This is also evident from the result of the nationwide Business Expectation survey conducted by the Central Bank of Nigeria in July 2020, where many respondent firms highlighted unfavourable economic climate, insufficient power supply, unclear laws, high interest rates and limited access to credit as major factors constraining business activity.³⁷

The COVID-19 pandemic has created an accelerated imperative for governments to provide an enabling environment for businesses to thrive. The commencement of trading under the African Continental Free Trade Agreement (AfCFTA) is also a call to ensure local industries can compete favourably with other regional businesses. Several reforms and initiatives may need

to be implemented to assist businesses navigate these uncertain times towards ultimately becoming successful in the future.

This report analyses the feedback from 998 SMEs across the country exploring their experiences and perceptions of doing business in Nigeria. SMEs were selected across sectors and locations to reflect the heterogeneity of the country. This homegrown business environment report showcases the ease of doing business in Nigeria at the subnational level. In addition to existing legal and regulatory framework, it seeks to assess the following critical levers:

- *Infrastructure and Security* covering electricity, transportation, primary healthcare and security
- *Transparency and Accessibility to Information* covering investment promotion and state information
- *Regulatory Environment* covering paying taxes, starting a business, enforcing contracts and land, property acquisition and development
- *Skills and Labour* covering technical and professional skills.

Why It Matters

Businesses require market focused regulations, good quality infrastructure, financial capital and a strong pool of skilled talent to maximise their potential. No government can foster inclusive economic growth without a constructive two-way engagement with the businesses and citizens it serves.

If governments can root themselves in the basic principles of customer experience as well as The Six Pillars of experience excellence: Personalisation,

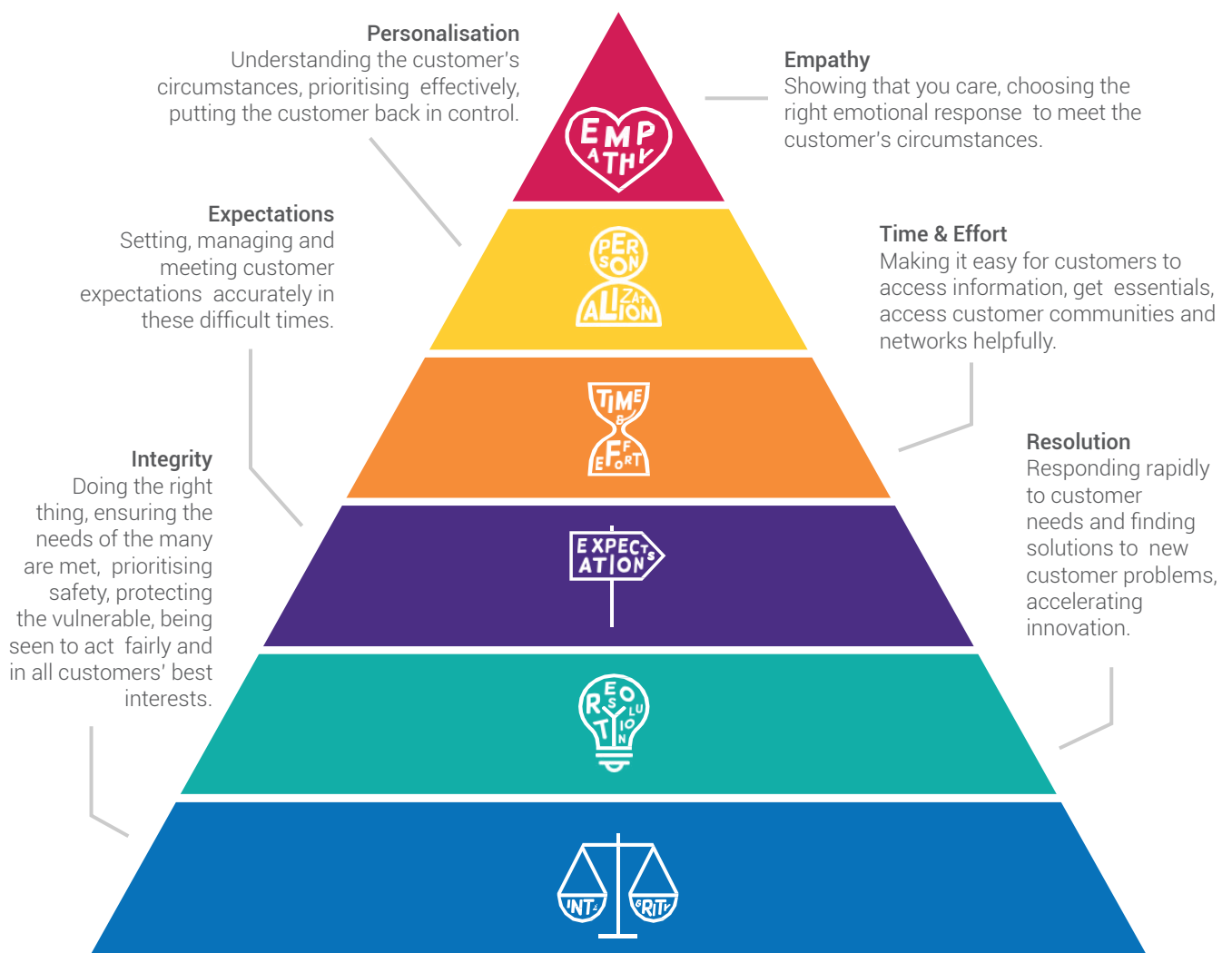
Integrity, Expectations, Empathy, Time & Effort and Resolution, then the barriers which stand in the way of excellent service delivery and easier business practices will be dismantled.

Once these basics are addressed, businesses will be better positioned to take on new challenges of technology adoption, use of research for development and innovation to enhance productivity, profitability and value-add to the economy.

Adopting leading practice

Interactions between businesses and the government should embody the principles of high quality service delivery. As governments seek to ensure they are doing the right thing in the right way, it is helpful to have a set of principles that act as a comprehensive check list to ensure all the necessary bases are covered.

One framework public sector institutions might consider is The Six Pillars of experience excellence derived from more than 10 years of primary research across more than 2,700 brands in 35 countries. It shows the universal principles that govern all positive human experiences with both customers and employees.



Source: KPMG <http://kpmg.com/customerfirst>





2

INFRASTRUCTURE AND SECURITY

2.0 INFRASTRUCTURE & SECURITY

The *Infrastructure and Security* indicator focuses on the availability of the requisite infrastructure that improve the business environment and collectively reduce the operating costs for a business. The overall score for *Infrastructure and Security* is 6.07, the highest score recorded among the four homegrown indicators. The North East region recorded the highest score of 6.79 under this indicator, mainly due to the low levels of security incidents in the areas covered particularly in capital cities where businesses expressed satisfaction with the presence of security forces. Businesses in this region also expressed comparatively higher levels of satisfaction with the coverage of health insurance programmes.

Among the states, Akwa Ibom recorded the highest score of 7.85 under the *Electricity* sub-indicator which was primarily driven by the timeliness of connecting businesses to the grid. In the state, it can take as little as 3 days for connection to be established. Nationwide, the same process can take up to 35 days on average. In resolving electricity-related complaints, businesses in the state reported that electricity distribution companies provide issue resolution in 3 days, 7 days faster than the nationwide average. Under the *Transportation* sub-

indicator, Jigawa emerged as the best performing state with a score of 8.92 with businesses recording the lowest spend on transportation (as a percentage of revenue) nationwide at just 4%. In comparison, the average spend on transport costs across the country takes up 9% of businesses' income.

Taraba recorded the best score of 8.75 in the *Primary Healthcare* sub-indicator, among the other states. The main contributor to Taraba's score is the high level of satisfaction businesses in the state have with the quality of health coverage in the state.

In assessing the level of safety and security across the states, businesses in Adamawa recorded the highest score of 8.05. Businesses in this state experience comparatively low level of disruptions from state agencies. No business reported experiencing disruptions from any state enforcement agencies, unlike some states where as much as 40% of businesses reported experiencing such disruptions.

Collectively, there are several initiatives that state governments can employ in improving the level of safety and security in their states, as well as addressing the infrastructure gaps.

Infrastructure and Security measures include:

- Electricity, represented by the connection of businesses to the grid and the percentage of business costs spent on power. This measure records the time taken to establish a connection, hours of electricity supply per day, time taken to receive and set up electricity meters, method of estimating electricity bill, time taken to resolve complaints, types of alternate electricity sources used, and the percentage of business income spent on power.
- Transportation, represented by the circumstances that trigger the introduction of more efficient transportation systems, and highlights the importance of transportation costs and its accessibility to business. This measure records the travel time, cost of transportation, and the quality of transportation options available.
- Primary Healthcare, represented by the achievements of the universal healthcare coverage. This measure records the health insurance coverage and quality of healthcare available
- Security, represented by incidents of regular business crime, such as burglary. This measure records the ease of access to public security support, the time taken to resolve security complaints/incidents, the quality of security and disruptions from the activities of state enforcement agents

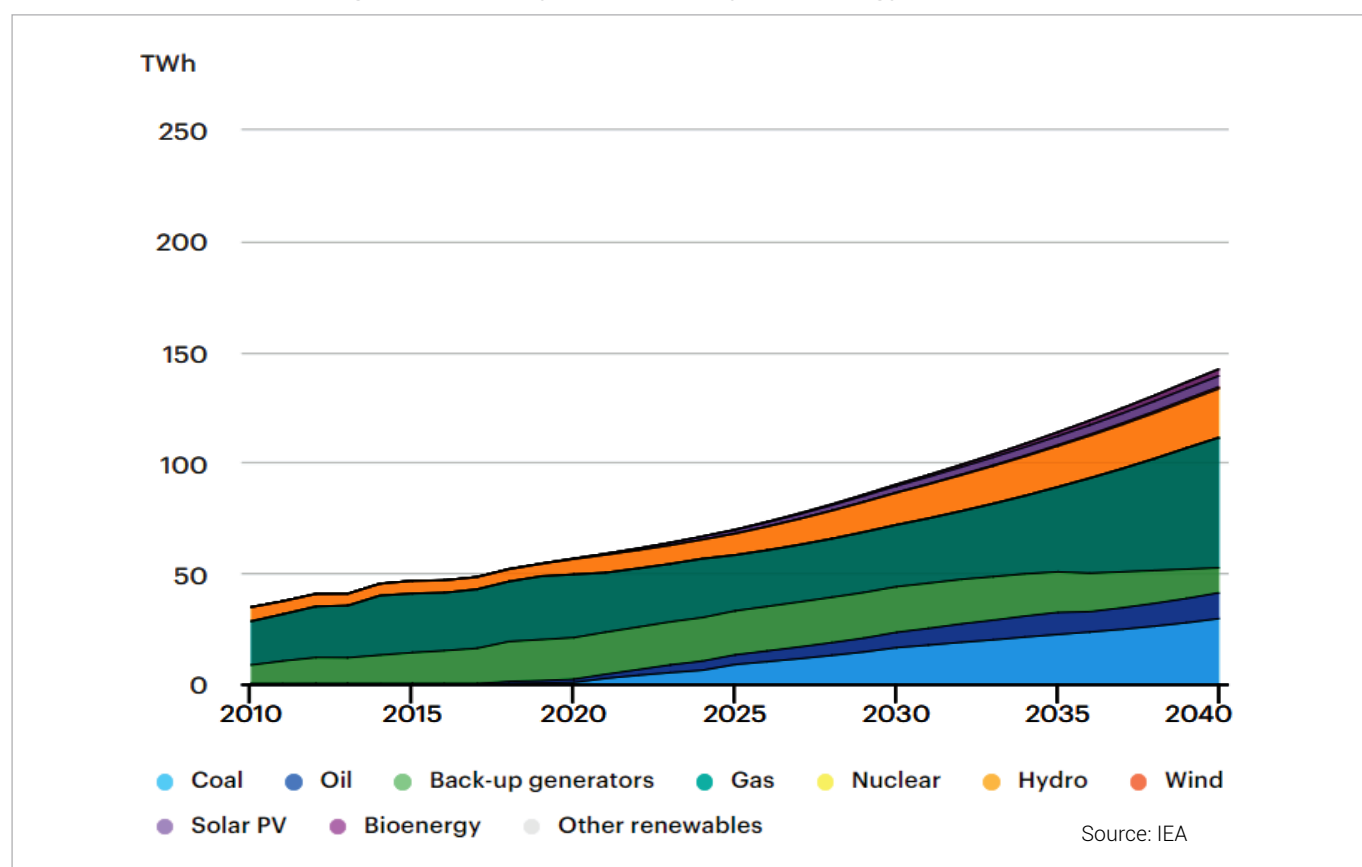
2.1 Electricity

Nigeria has not yet achieved optimal connectivity to the grid, as about 40% of the nation's population are still living off-grid.³⁸ From our findings, it takes an average of 35 days for businesses to be connected to the national grid. This process takes only 9 days in the North West and can take as long as 86 days in the South South. Across the 36 states and the FCT, connection to the grid can take up to 255 days in Edo, and as little as 3 days in Cross River. Some of the challenges expressed by businesses include the long duration to establish connection to the grid, coupled with high connection costs and poor electricity distribution.

The installed capacity for electricity generation in Nigeria is 12,522 megawatts (MW), most of which are from thermal and hydro sources, but only a third of that is generated and supplied.

Nigerians consume an estimated 0.2 megawatts hour (MWH) per capita annually. In comparison, China and India (with a billion citizens each) have electricity consumption per capita of 4,617 KWH, and 935 KWH respectively.³⁹ Among sub-Saharan African countries, Nigeria is the most underpowered, with actual consumption at 79% below expectation based on income levels.⁴⁰ The results of this survey

Nigeria Electricity Generation by Technology, 2010-2040



show that power generated from the national grid supplies businesses with an average of 7 hours of power daily. Businesses operate for an average of 13 hours daily and are faced with the option of generating electricity from alternative sources, the most common being fuel and diesel generators. Other alternative sources used by businesses include inverters and solar power albeit with low penetration (less than 10%).

The lack of adequate power supply is a major constraint for many businesses. Onyeka Akumah, co-founder of FarmCrowdy, a leading agritech company in Nigeria, would like to see more stable electricity supply to minimise the related costs incurred by businesses.

Along with the adequacy of electricity supply, metering is another key pain point for businesses. While prepaid meters were introduced to Nigeria in 2006 to aid revenue collection, the process of ascertaining the cost of electricity consumed from the grid is still done in many parts of the country through estimated billing or readings from a meter. In August 2020, the President directed that there be a mass metering programme by distributing 6 million

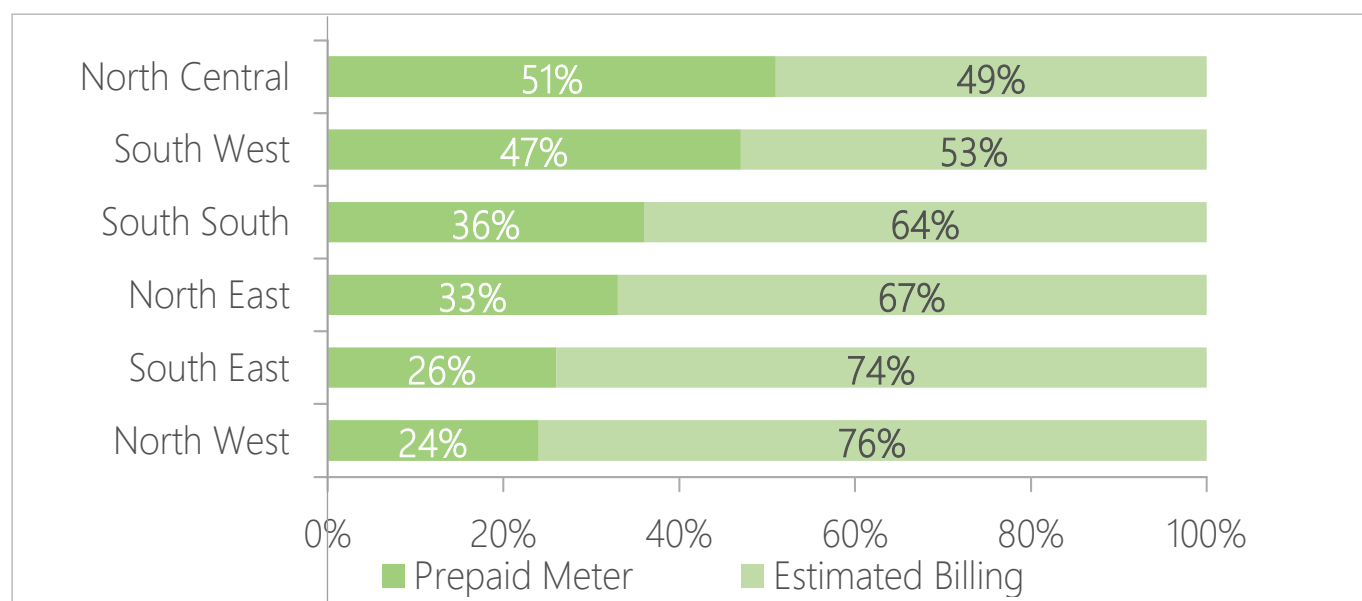
meters to electricity customers between 18-24 months. In October 2020, the Federal Government begun the directive and distributed 900,000 meters in Kano, Kaduna and Lagos.

From this survey, only 39% of businesses nationwide say that they are metered. Kwara and Abuja reported having the highest metering rates nationwide of 84% and 74% respectively. Some of the poorest metering rates are found in the North Western states of Katsina, Zamfara and Sokoto, at 5.6%, 6.3% and 9.1% metering rates, respectively.

Receipt and installation of prepaid meters takes an average of 49 days nationwide while it takes as long as 87 days in the South West region. In the North West, the same process takes only 11 days.

Unmetered customers are issued electricity bills based on the Nigerian Electricity Regulatory Commission (NERC) estimated billing methodology. However, this method generates disparities which represent a significant area of complaints by SMEs. Other complaints typically include abrupt disconnection from the grid and irregular supply amongst others.

Metering Rates Across the Regions



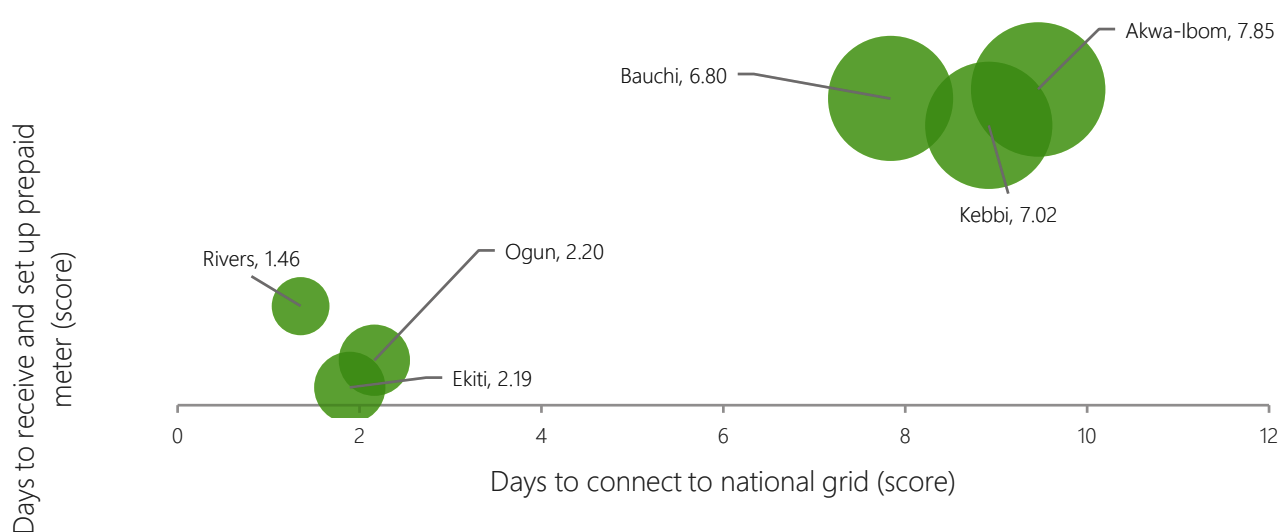
Resolution of complaints relating to electricity supply takes an average of 10 days nationwide. The North East has the fastest average time frame for complaints resolution, where it takes only 5 days. Conversely, businesses in the South South experience the longest resolution timeframe of 14 days and could take up to 360 days, about 12 times the maximum resolution time seen in the North East (30 days). The fastest resolution times are seen in Yobe and Kebbi; resolution takes an average of 2 and 3 days respectively.

In the North Central, North West and South West, complaints resolution for metered businesses is faster than that of unmetered businesses, and only marginally lower in the North East.

However, in the South East and South South, the reverse is obtainable: metered businesses in the South East wait 25% longer than their unmetered counterparts for complaints resolution, and in the South West, metered businesses have their complaints resolved in almost double the time it takes to resolve those from unmetered businesses.

Shortening the turnaround time for installing prepaid meters and complaints resolution will go a long way in improving customer trust and perceived value for money from electricity companies and related government interventions.

Top three and bottom three electricity scores by state*



*Higher scores mean better services, i.e. shorter days to connect to the grid and to receive and set up prepaid meters. Bubble size represents the state's overall electricity score.



From the survey, businesses operating under estimating billing arrangements reported higher electricity costs than their counterparts with prepaid meters. In November 2020, the NERC issued an amendment to the order on the capping of estimated bills in the Nigerian electricity supply industry. Effectively, this caps the estimated billing charges which may be imposed by DisCos on unmetered customers within the affected tariff classes. For metered businesses, electricity cost is determined by the customer's location, their tariff class, their applicable tariff rate, and the quantity of energy consumed in KWH.⁴¹

Businesses spend nearly a tenth of their revenues on electricity costs nationwide. This does not correlate positively with the supply of power from the grid during business hours. Businesses in Abuja receive power for about 74% of their hours of business operations and spend 14% of revenues on electricity. Although, businesses in Borno and Ebonyi, enjoy public power supply for nearly 100% and 76% of their hours of business operations respectively, these businesses however spend 4% and 9% of their revenues on electricity.

The additional cost burden associated with self-generated electricity is a huge deterrent to doing business in Nigeria. For Adenrele Sonariwo of Rele Gallery, there is a huge impact on business

operations when a part of her working capital and profit is spent on funding basic amenities, such as electricity, that should ordinarily have been supplied by utility companies.

Of the 11 sub-indicators across the four homegrown areas, electricity recorded the lowest score of 4.67. In taking steps to address the country's electricity challenge, the Nigerian government has set ambitious energy targets for 2030 through the Sustainable Energy for All Action Agenda (SE4ALL). These targets are focused on energy access, energy efficiency and renewable energy.⁴²

In achieving the targets and addressing the identified electricity challenges that are hindering economic productivity, Mo Abudu, Founder and CEO of Ebony Life TV, recommends the creation of industrial parks that can bridge the infrastructure supply gap for SMEs. These parks will provide electricity and other utilities at affordable rates for businesses.

Furthermore, state governments can support and create enabling environments for independent power plants and businesses offering alternative power generation solutions to enhance generation capacity in their jurisdictions. They can also enhance access to electrification through mini-grids and micro-grids largely driven by renewable energy solutions.

Case Stories

Onyeka Akumah, Co-founder (Farmcrowdy)

Mo Abudu, Founder & CEO (EbonyLife)

Denrele Sonariwo, Founder (Rele Gallery)

Femi Oyedipe, CEO (Loshes Chocolate)



FarmCrowdy Leading Agritech Company

How did it begin?

Onyeka Akumah is a serial entrepreneur that is keen on creating daily innovative solutions for individuals across the globe. His three fields are Agriculture which birthed Farmcrowdy, Transportation which birthed Plentywaka and Real Estate which birthed Rent Smallsmall.

Farmcrowdy was launched in 2016 in Lagos Nigeria by Onyeka and 4 other co-Founders. It is Nigeria's first digital agriculture platform with a current network of over 300,000 farmers connecting with finance, market access and technical expertise across all 36 states in Nigeria, including the FCT. The journey started with impacting the lives of 3,000 farmers in the first year, 7,000 farmers in the second year, and then 25,000 farmers at the end of the third year.

Farmcrowdy has also recently transitioned from its initial business model of crowdfunding to using technology to provide more scalable opportunities for agribusinesses and other players in the food value chain. To accomplish this, the company has created a platform with 6 unique Strategic Business Units to cater to these needs; Farmcrowdy Structured Finance, Farmcrowdy Insurance, Farmcrowdy Marketing, Farmcrowdy Tech and Data, Farmcrowdy Aggregation and Farmcrowdy Foods.

What are the top three things you like about doing business in Nigeria?

Firstly, the large market. In 2020, Nigeria's population was estimated to be about 206 million people. Nigeria has the largest population in Africa and one

of the biggest in the world. With a population that large, there is a huge market for necessities such as food, housing, clothing, and many other products.

Secondly, the abundance of resources. Nigeria is blessed with an abundance of human resources as well as natural resources such as petroleum, natural gas, coal, and many others. The nation has about 34 solid minerals identified in 450 locations in the country. Nigeria is also blessed with agricultural products such as yam, cassava, cowpea, (of which she is the largest producer of these products in the world). With, labour, and land at an abundance in Nigeria, the business climate is easier to navigate.

Finally, the mixed economy. Nigeria's mixed economy makes it possible for private individuals and businesses to control the exchange of economic goods for profit, thus creating an environment where individuals can build start-ups and create innovative products and solutions for economic growth.

"Lack of adequate power supply is one of the major business constraints in Nigeria."

Onyeka Akumah
Co-founder, Farmcrowdy



What are the top three things you dislike about doing business in Nigeria?

The low digital penetration rate. Nigeria may have a large population but marketing your business across different socio-economic classes of the population can prove difficult. For instance, despite Nigeria's large population of over 200 million, there were only 85.49 million internet users in Nigeria in January 2020.

The low financial penetration. The Nigerian Inter-Bank Settlement System (NIBSS) reported that 43.6 million adults in Nigeria had a Bank Verification Number. Nigeria has an adult population of 99.6 million. This means that about 56 million Nigerian adults are unbanked. In July 2020, Nigeria was listed among the world's top 7 unbanked nations, with Nigeria's financial exclusion rate at almost 40%, causing a strain on economic development and affecting the Nigerian business climate.

The unstable electricity. Lack of adequate power supply is one of the major business constraints in Nigeria. In 2020, the Director in charge of the African Development Bank (AfDB) in Nigeria, revealed that

Nigerians spend \$14 billion on generators and fuel yearly. Nigerian businesses have to factor in the cost of electricity and generators to keep their business afloat.

Do you have any recommendations on improving the business climate in Nigeria?

There should be adequate resources available to reach out to more Nigerians in the rural areas such as the proper creation of financial infrastructure and initiatives to make more Nigerians bankable, especially the citizens in the rural communities. The government should also provide stable electricity to aid business owners in the country.



"Nigeria is blessed with an abundance of human resources as well as natural resources such as petroleum, natural gas, coal, and many others."

Onyeka Akumah
Co-founder, Farmcrowdy



Ebony Life Global Entertainment & Lifestyle

How did it begin?

EbonyLife is Nigeria's foremost media group, dedicated to telling a full range of African stories to a global audience, through a range of co-production deals with leading Hollywood studios. The company has produced over 5,000 hours of original television shows that reflect a multidimensional African reality that is pioneering, cosmopolitan and progressive.

As a feature film producer, EbonyLife has produced six titles, three of which are the highest grossing movies of all time at the Nigerian box office, and one that was reached the top ten most streamed films across 87 countries on Netflix.

In 2019, founder and CEO Mo Abudu launched EbonyLife Place, the premium event space in Victoria Island, Lagos for the most elegant and exclusive occasions. It includes EbonyLife Cinemas with five VIP screens, Turaka rooftop restaurant, and the White Orchid Hotel, a luxurious boutique property.

What are the top three things you like about doing business in Nigeria?

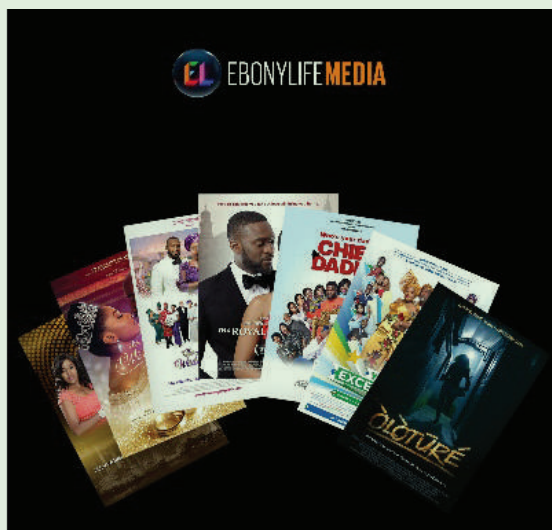
Nigeria's fast-growing population of close to 200 million people offers businesses like ours the opportunity to scale its operations to serve large audiences. With over 50% younger than 18 years, growth is assured for entertainment and information products.

Many industries, including film, are still in the early stages with plenty of opportunity for creating new formats and testing new ideas. There are huge gaps in cinema infrastructure and technology to be filled. Although Nollywood is one of the world's largest by volume of films produced, it is one of the smallest in financial terms, so there is plenty of room for growth. Nigeria's challenges create a sea of opportunities to improve on things done badly and to create where nothing exists.

Nigerians are enterprising and eager to work. Due to the harsh environment, they are both resilient and creative, forged by a culture of 'managing' at every turn. The major downside to our human resources is that our people are poorly educated and trained, thanks to low standards in our schools and universities, and the absence of quality vocational training.

What are the top three things you dislike about doing business in Nigeria?

Despite the availability of technology to make administrative processes easier, Nigerian regulatory agencies are woefully equipped to serve industry. Company registration, tax registration, banking compliance, and various licensing procedures are just some of the areas that could be completed easily online. The gaps create backlogs that are exploited for graft by government employees offering their version of 'ease'.



Every Nigerian business runs its own facility operation or 'local government'. Instead of focusing on core operations, we have to pump and purify water; buy, fuel and maintain industrial power generators; arrange and fund waste collection; provide street lighting; and employ our own security forces. The cost and inconvenience is a huge deterrent to doing business in Nigeria.

There are some areas where no amount of self-help can substitute for the government.

- Capacity building – for SME owners, young people and the creative sector
- Leasing – the unsophisticated financial environment means that businesses have to buy everything new, instead of being able to lease vehicles, equipment and tech.

Do you have any recommendations on how to improve the business climate in Nigeria?

If it is believed that the arts can generate wealth and employment for Nigerians, a national strategy should be created to focus on the most promising areas, such as film and music, where the industries are thriving despite the lack of government support.

The support should be designed to help create world-class companies that can employ thousands of creatives and produce content for global consumption.

Our talented young people need world-class training in technical skills and technology. A single live action movie employs hundreds of people and small businesses. A major animation film can

employ hundreds of animators at a time, mostly in developing countries. When Nigerian films are held up to international scrutiny, the most common complaint is poor technical quality. Only quality training of a global standard will change this.

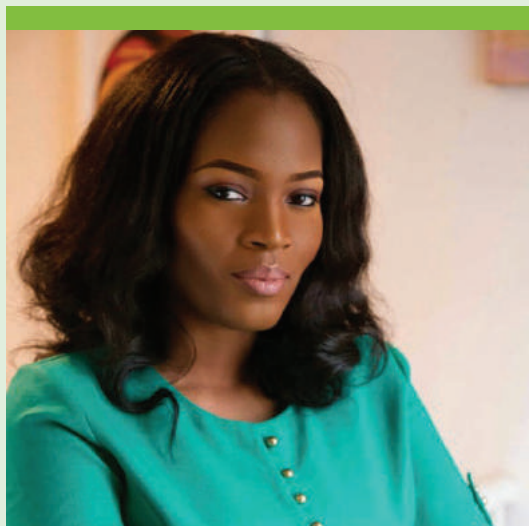
We can also address infrastructure gaps with the creation of industrial parks for SMEs in different industries, with utilities such as electricity, water etc. provided centrally.

Mandatory lending to businesses by banks and partial guarantees by government will reduce risk and allow banks to ease onerous criteria for business borrowing.

Finally, politicians should be removed from the tendering process, with civil servants overseeing a more transparent process as well as participation of external auditors to ensure greater integrity.

"Every Nigerian business runs its own facility operation or 'local government'."
Mo Abudu
Founder, EbonyLife





Rele Gallery Your Art Destination

How did it begin?

Adenrele Sonariwo is the Founder and Director of Rele Gallery, Los Angeles & Lagos - a contemporary art and culture business with two gallery spaces, that also offers art advisory/consulting services.

Sonariwo got her first degree in accounting at Howard University, then went on to work at PricewaterhouseCoopers as an accountant for four years. She has an MA Multimedia Communications from the Academy of Art University and a certificate in Curating Contemporary Art Exhibitions from the University of the Arts London.

On her return to Nigeria, she founded the Rele Art Gallery in 2010, though it didn't kick off as a physical space until February 2015. In 2011, while the idea of the gallery had started taking root, she attempted to start an arts university in Nigeria which she called The Modern Day School of the Arts. It was "a pop-up art school for art lovers who may be stuck in a different career."

What are the top three things you like about doing business in Nigeria?

Because I run a niche business in a market that is not very defined, the Nigerian market presents an opportunity to expose people who would not ordinarily be interested in arts, to arts and culture from their community. This also helps us fill the existing gaps through exhibitions, events and promotions about arts and culture and the artists we represent.

The opportunity for growth exists in this niche industry in the programs that we have designed and for the artists to grow. What we do, the networks we have built for these artists, makes sure that they are able to do critical work and ultimately work that matters.

Finally, the work that we do is rooted in the arts and culture of Nigeria, and what we find is that the communities around us are able to see themselves in the arts, and in the culture, and the stories and art that we curate.

What are the top three things you dislike about doing business in Nigeria?

First is the taxes we pay. For certain businesses especially in the arts and creative industry, there needs to be some sort of tax breaks. The creative and arts industry is a very unique space where, as an industry we need to do a lot of education surrounding the work we do, and having a bit of a tax break will be very helpful.

The lack of consistent basic infrastructure such as electricity does not make running a business fun. Just recently, we have not had light in the gallery

"One of the things I like about the business climate, is the huge support and patronage we get as entrepreneurs from the community."

Denrele Sonariwo Founder, Rele Gallery



for a few weeks. With things like this, there is an impact this makes on your operations when you have to keep cutting into your profits to provide basic amenities to be able to just stay afloat as a business.

Finally, the access to finance for SMEs. You do not find a lot of institutions that are willing to give financing to creative businesses at a decent rate. There is no way to discover if your business is profitable if you go the route of business loans with very high interest rates.

The Lagos State Employment Trust Fund (LSETF) was very good for us, as it provided funds at a very low rate, but that is just one, and they are focused on many industries not just the creative sector. There is a huge gap in opportunities for financing where the creative sector is concerned. If people understood the impact the creative sector had on the community, they might be willing to provide more programmes and financing.

Do you have any recommendations on improving the business climate in Nigeria?

One thing I find interesting is that in other cities, typically a certain percentage of capital projects in any given area is earmarked for the arts and culture space. Whether it is for public arts or performances, these activities really rejuvenate the community and sector in those cities. One way to encourage this is by giving those companies that participate a tax break. Doing this will help to provide a much more vibrant community where you can walk around and enjoy the public arts of and by that community itself.

"If people understood the impact the creative sector had on the community, they might be willing to provide more programs and financing."

Denrele Sonariwo
Founder, Rele Gallery

re



Loshes Chocolate Bean-to-Bar Chocolates

How did it begin?

Femi Oyedipe is the Co-Founder/CEO of Loshes Chocolate. With a diversified wealth of experience, a cumulative 10+years in Human Resources, Client Relations and Business Management, Femi owns the expertise to successfully manage day-to-day business operations and the organisation's key assets, employees and clients. Having lived and worked in different parts of the world, she has honed the craft for design and aesthetic management and understands what excellent customer service delivery entails. As a pioneer in this industry, she is highly creative with a knack for quality management and brand projection.

She holds a master's degree from Robert Gordon University in Aberdeen and a Bachelor of Science degree in Biochemistry. Femi is a certified bean-to-bar chocolate maker and an Associate member of the Chartered Institute of Personnel and Development UK and the Chartered Institute of Personnel Management Nigeria.

At Loshes Chocolate, cocoa beans are sourced locally at fair trade and the unique taste of each bean is crafted to fine chocolates in bean-to-bar, single origin chocolates. Loshes Chocolate has a variety of chocolates from dark, milk, white and dark-milk chocolates from Idere in Oyo State and Ile-Oluji in Ondo State. The company provides chocolate chips, cocoa powder, bakers chocolate and custom chocolate recipes. They have also created recipes with freshly dried fruits, chili, nuts and other food

commands to complement the taste and health benefits of chocolate.

What are the top three things you like about doing business in Nigeria?

The first thing is the direct access to Agro-produce and raw materials and the relatively low labour cost.

There has also been the increasing awareness of the need to support SMEs in the Agro-processing/manufacturing sectors by the government, supermarkets, and even PEBEC.

Finally, the large population size of the country affords a relatively capturable market size for small businesses.

What are the top three things you dislike about doing business in Nigeria?

The topmost dislike is the insufficient infrastructure. Power, water, roads, logistics are still limiters when conducting business.

The pricing of cash crops, for example cocoa beans, are determined by international commodity trading prices in foreign currency, which hurts our bottom line as a small business.



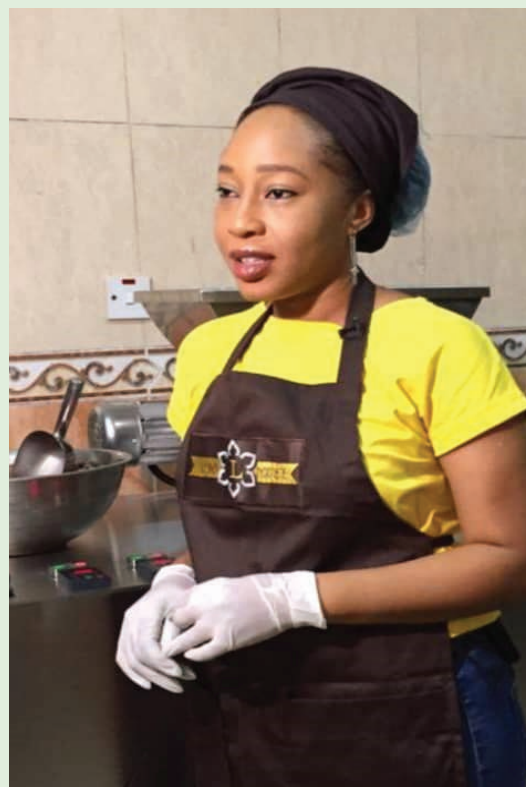
There is the multiplicity and complexity of authorisation agencies that should ordinarily be streamlined that present a limitation for growth for small businesses.

Do you have any recommendations on improving the business climate in Nigeria?

Goods and services provided by Nigerian SMEs need to compete in a true demand and supply environment without reducing or compromising on quality. To achieve this, the inefficiencies associated with the lack of infrastructure, complicated business environment and application of standards on imported goods need to be addressed.

Secondly, a lot of vocation and technical knowledge is required in building industries, which is not generally available and creates a reliance on importation for simple and complex machines. This further provides additional pressure on foreign exchange and imbalance of trade. Having the vocation/technical skill will spur the sustainable growth required in the SME and manufacturing industries.

Finally, creation of industrial hubs equipped to accommodate SMEs especially those in the manufacturing sector will provide less cumbersome easier operational processes.



"Creation of industrial hubs equipped to accommodate SMEs will provide easier operational processes."

Femi Oyedipe,
CEO, Loshes Chocolate

"Insufficient infrastructure such as power, roads, water and logistics are still business limiters."

Femi Oyedipe,
CEO, Loshes Chocolate

2.2 Transportation

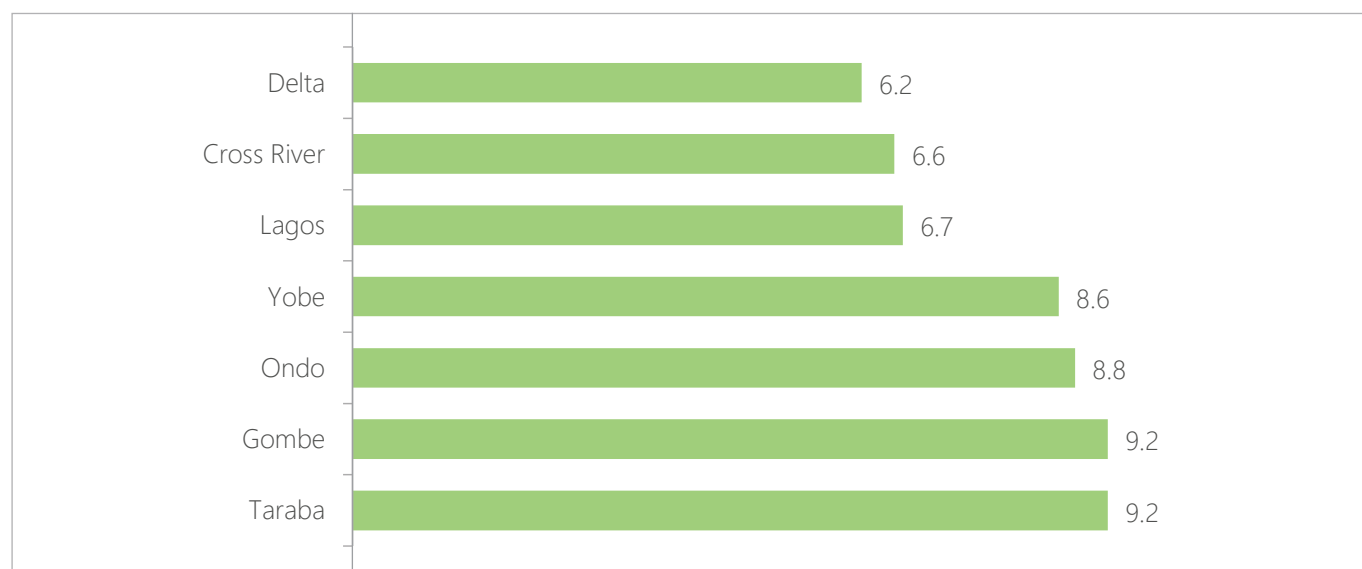
The backbone of any national economy is its stock of infrastructure. A solid transportation network, with modern ports and modes of transport will reduce transportation costs and improve productivity. Nigeria has the largest road network in West Africa and the second largest in sub-Saharan Africa, behind South Africa. Consequently, the road network is responsible for most of the inland freight transport in the country. Despite relatively good inland and regional connections, businesses reliant on roads for their supply chain requirements face risks such as poor road quality, traffic congestion, high rate of accidents and insecurity.

The poor state of roads constitutes a major pain point across the country. Recurring improvement opportunities cited by businesses across the country include rehabilitation of bad roads, expansion of existing road networks, road dualisation, the provision of cheaper public transportation, and the creation of alternative road networks and transport modes such as rail and waterways.

Existing transport infrastructure need to be adequately maintained and upgraded where appropriate. More critically, the creation of newer, more efficient infrastructure would further improve interconnectedness of cities leading to better access and time to markets.

The results from the survey indicate that the highest quality of transport infrastructure in the country are found in the North East and North West in that order, with businesses in Taraba and Gombe being the least dissatisfied with employee commute times and the quality of transport infrastructure. While there is a general sense of satisfaction with the transport infrastructure in these states, bad roads continue to impact business operations, and residents would like to have these roads fixed, new/ alternative routes created, and cheaper commercial buses provided. On the other hand, businesses in Anambra are largely dissatisfied with the quality of transport infrastructure in the state, as are businesses in Abia and Lagos.

Satisfaction With Employee Commute Time During Business Hours (Scores, max=10)





On the average, businesses spend 9% of their revenues on transportation costs. These costs, however, can be as high as 40% to 70% of business income as recorded in Lagos, the FCT, Bauchi, Abia and Cross River. High transportation costs can be attributed to the high cost of public transportation, high cost of car repairs due to bad roads and high cost of transporting goods across the country, requiring small businesses to pay a premium in order to deliver goods to customers.

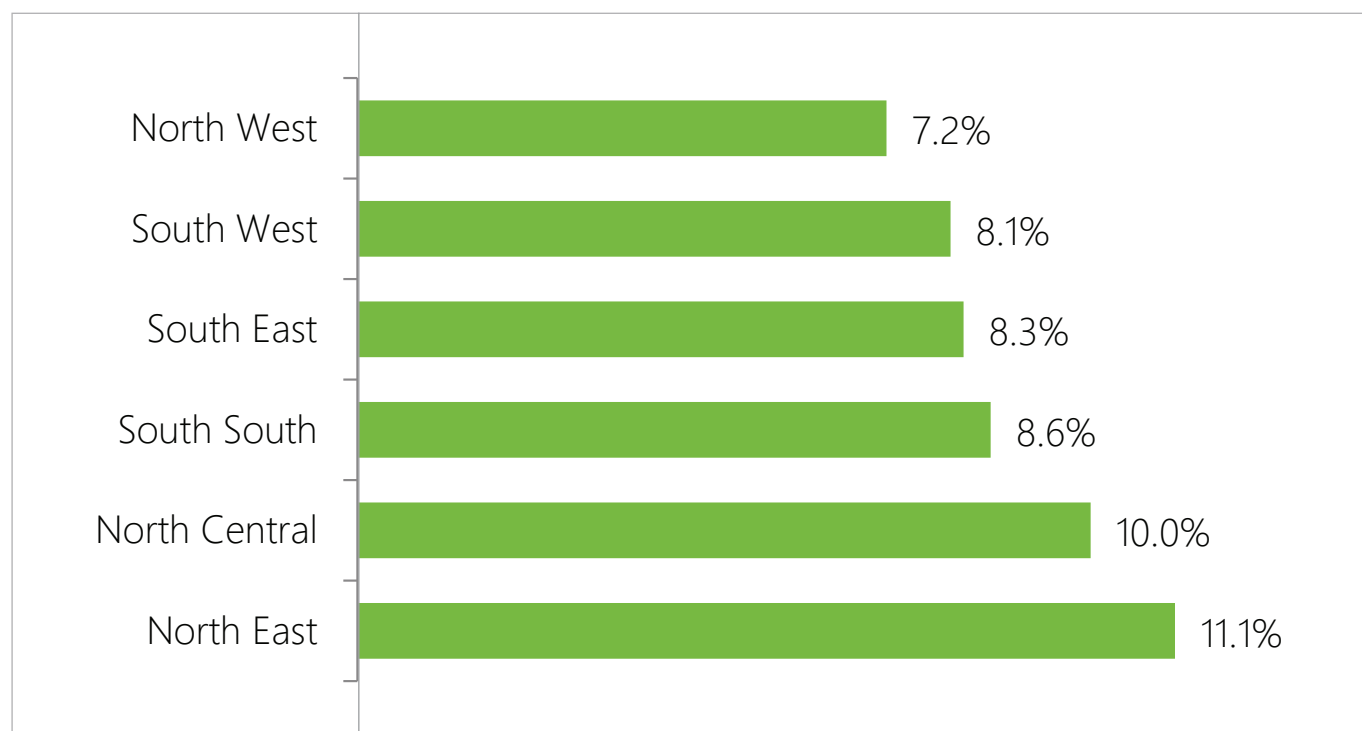
Ayodele Olajiga, Co-Founder of FoodPro – a healthy snacks company notes that the high cost of transportation for businesses is as a result of factors such as bad roads, and long waiting times at the ports. He adds, "In the area of logistics, surprisingly, it costs me more to move a container from Ilorin to the port in Lagos than for me to move the container from Ilorin to the USA". Ore Runsewe, founder of Arami Essentials, also corroborates this viewpoint,

"There is also the transportation of goods within Africa. It is more expensive to transport goods within Africa than it is to transport from outside the continent."

To address the quality of transportation infrastructure nationwide, in the National Integrated Infrastructure Masterplan, the Federal Government has directed that close to 50% of investments will be directed at the Roads sub-sector,⁴³ in order to refurbish cross-national highways and expand the regional road network and linkages to other modes of transportation.

Specifically, the roads in the North Central would better serve the populace if dualised. In the South East, in addition to calls for the reconstruction of bad roads, the creation of alternative routes, and the provision of cheaper commercial buses, businesses want to see a reduction in the price of fuel and the

Transportation Costs as a Proportion of Revenue



creation of traffic management authorities. In the South West, businesses would find it easier to operate if there are alternative transport systems such as rail, functional drainage systems, and a reduction in the pump price of fuel.

In the South South, expansion/dualisation of roads would help businesses operate more effectively as it would cut travel time. In addition to suggestions shared by businesses in other parts of the country, businesses in this region would also like the construction of new bridges to ease traffic in key locations.

The CEO of logistics firm Kobo360, Obi Ozor, notes that the success of logistics-based start-ups is determined, to a large extent, by having well-developed road infrastructure and efficient port

processes. Lola Masha, Co-Founder and Executive Director at Babban Gona, also points out that there is a need to develop rural roads, storage infrastructure, electricity, and telecoms infrastructure to increase profitability and the wellbeing of smallholder farmers at the community level.

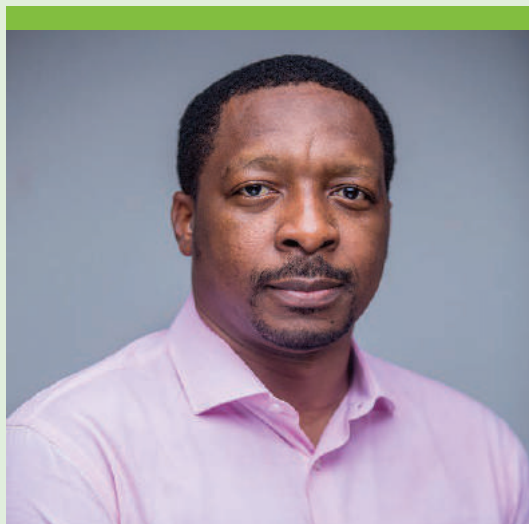
On the aggregate, Abia, Lagos and Nasarawa sit at the bottom on the *Transportation* sub-indicator with scores of 4.74, 4.54 and 5.03 respectively due to the major dissatisfaction with quality of transport infrastructure and the high proportion of revenues spent on transport costs (12%, 12% and 11% respectively). Jigawa was the leading state where businesses spend the lowest proportion of their revenues on transportation costs (4%).

Case Stories

Ayodele Olajiga, Co-Founder (Food Pro)

Obi Ozor, Group CEO (Kobo360)

Lola Masha, Co-founder & ED (Babban Gona)



FoodPro

How did it begin?

Ayodele Olajiga is the Co-Founder and sits on the board of Foodpro Limited, which started in 2010 driven by the desire to create value from Nigerian raw materials. Foodpro specialises in the buying, processing and trading of high-quality cashew kernels for wholesale and retail customers. The company offers bulk purchase of raw and roasted cashews to customers in Nigeria, the United States of America and around the world. The company's products are packaged in its fully certified factory in Kwara state which also helps hundreds of hardworking rural women earn a sustainable income, support their families and impact their immediate communities.

What are the top things you like about doing business in Nigeria?

What is most interesting about doing business in Nigeria is that there are a lot of white spaces (opportunities), where services or products don't exist. There is also a lot of raw material and if you could spend time solving some of the problems with these, you could create significant value for yourself.

The fact that Nigeria also has a large domestic market can be very exciting too. One thing that could potentially make it more exciting if we do it right, is to reform the operating environment. But at the moment, I think there is still too much focus on superficial things and we need to invest time and resources into enhancing the operating environment for businesses. Nigeria has huge potential that

can be realised though more value addition. For example, we can make the transition from low-cost production and supplying raw materials to other nations to high-value-added manufacturing.

What are the top three things you dislike about doing business in Nigeria?

First, the government is too dominant in the sense that you can hardly do anything without the government getting involved. Unfortunately, the government is guided by policies that are often perceived as not business or growth friendly. These policies are often targeted at apprehending people that are doing the wrong thing, and in the process stop everybody from doing anything. In other climes, policies are targeted at making things easier for people.

Secondly, regulators themselves can be better informed, from the perspective of where the world is and where things should go. They are not fully equipped to regulate the environment they are

"Agencies should be given targets centred around business growth. Targets that are linked to trade, exports, etc."

Ayodele Olajiga, Co-Founder, Foodpro



in. We have frequent policy somersaults, and the sudden introduction of new policies with immediate requirement to comply e.g. the recent National Identity Number (NIN) compliance directive. Once policies are set out, government agents adopt a high-handed approach to enforcement which makes it difficult for businesses to operate.

With respect to getting things in and out of the port, the Nigerian customs is notorious for using the process to effectively force people to pay things they are not expected to pay. All of these make doing business very difficult.

The security situation is also getting worse. At some point, we have encountered herdsmen in our warehouse at the farm but we were able to manage the situation. In the area of logistics, surprisingly, it costs me more to move a container from Ilorin to the port in Lagos than for me to move the container from Ilorin to the US. The high cost is as a result of factors such as bad roads, long wait time at the port, amongst others, being factored into the final bill by logistics companies.

Do you have any recommendations on improving the business climate in Nigeria?

We need to streamline the number of agencies we have. At Foodpro, we are faced with multiple

regulations from NAFDAC, SON, Ministry of Labour etc. Everyone wants to regulate! That is stifling for small businesses, and government needs to streamline these agencies. Everyone, including the government, will benefit from a conducive business operating environment. Agencies should be given targets centred around business growth; targets that are linked to trade and exports volumes, etc.

Lastly, many businesses face challenges with tax authorities because they do not have the right knowledge. Government should invest in educating business owners on their obligations, simplify regulatory requirements and limit subjective interpretation.

"What is most interesting about doing business in Nigeria is that there are a lot of white spaces (opportunities), where services or products don't exist."

Ayodele Olajiga, Co-Founder, Foodpro





Kobo360 Africa's Leading Logistics Company

How did it begin?

Obi Ozor is the Group CEO and Co-founder of Kobo360, a digital logistics company focused on improving supply chain efficiency and providing affordable solutions for transporting goods in Africa and emerging markets. His business story began at the age of 13 when he purchased a Nokia phone and launched a one-man call centre. At 19, he started his logistics business, where he owned his own fleet and created job opportunities for drivers at his local truck park.

The inconsistencies in Africa's logistics sector led him to start Kobo360 in 2017, alongside his co-founder, Ife Oyedele II. Whilst shipping goods from the US to Nigeria, they noticed that it would take nearly a week to move goods 1,000km across the country. At the time, Nigeria was also facing a tough economic recession and many businesses operating in the country were struggling to stay afloat due to rising logistics costs. The Agro community especially, suffered heavy losses in damaged goods due to poor logistics.

With their tech-enabled platform, Kobo360 is solving the inefficiencies that exist in the supply chain and creating opportunities for 1000+ businesses as well as a fleet of over 50,000 of trucks, drivers and operators across Africa who use their platform.

Today, Kobo360 now operates across 16 countries with offices in Nigeria, Togo, Ghana, Kenya, Uganda, Burkina Faso and Ivory Coast, and are looking forward to covering more of Africa in 2021.

What are the top three things you like about doing business in Nigeria?

First is the amazing talent. We've had a pedigree of successful entrepreneurs who have paved the way for today's technology start-up scene; people who helped put Nigeria on the map, which in return has attracted tech talent.

Second is how dynamic Nigeria as a country is. We started out in Lagos because of the tech innovation and talent, but recently I've moved to the North in order to develop the offline aspect of the business and build out our trucking community.

Finally, Nigeria is an ideal country to test innovative ideas; the country has complexities that make innovations agnostic and exportable to other African countries.

What are the top three things you dislike about doing business in Nigeria?

From a logistics perspective, whilst the application of technology has increased transparency and efficiency, dealing with bad road conditions or roadblocks caused by congestions at the port can



"We've had a pedigree of successful entrepreneurs who have paved the way for today's tech start-up scene...which in return has attracted tech talent."

Obi Ozor
Group CEO, Kobo360



at times undo the work we're trying to do. Having well-developed infrastructure in place is crucial for further investment and could lead to the success or failure of a start-up.

There have been some improvements in the regulatory space, but there is room for improvement. There are many bottlenecks and hurdles to be crossed when building a sustainable business in Nigeria and regulators need to understand the technology space and entrepreneurship.

Accessing investments from local and international venture capitalists (VCs) is a very challenging journey and that is the same story for most others in the African technology space, not just in Nigeria. We have been fortunate and I believe the VC market is maturing now.

Do you have any recommendations on improving the business climate in Nigeria?

Collaboration is key in improving the business climate, not just in Nigeria but across the continent. We need to see more partnerships between the public and private sectors in order to create policies and processes that will allow businesses to scale and build an enabling environment for businesses to thrive.

"Collaboration is key in improving the business climate, not just in Nigeria but across the continent."

Obi Ozor
Group CEO, Kobo360



Babban Gona Better Your Life

How did it begin?

Lola Masha is the co-founder and Executive Director at Babban Gona Farmers Services Nigeria Limited. She has a Bachelor's from the University of Virginia and a PhD in Chemical Engineering from the University of California, Berkeley. At Babban Gona, she is responsible for overseeing Sales, People Operations and Business Development for the organisation. Her underlying passion has been the desire to improve the lives of others through agriculture.

Eight years ago, Kola and Lola founded Babban Gona ("Great Farm" in Hausa) with a vision to create 1 million jobs by 2025. Over the last 8 years, the cumulative smallholder member accounts in Babban Gona have grown to over 110,000; enabling these smallholder farmers to increase their yields and net incomes consistently to 2 times and 2.5 times the national average respectively.

Babban Gona leverages technology to create value for its smallholder members. By building a deep expertise in this area, the company has successfully developed proprietary platforms to work at scale across all their smallholder operations. Throughout the farming season, we rely on this technology to automate our processes and optimise the growing activities on our members' farms.

What are the top three things you like about doing business in Nigeria?

Nigeria is blessed with a favourable climate, vast arable land, and fertile soils. It has never been in doubt the significant role and potential that agriculture has in the nation's quest to achieve sustainable development. Besides ensuring food

availability, agriculture, as attested to by empirical evidence, remains instrumental to effective job creation, value addition, and wealth creation which would spur economic development.

Secondly, Nigeria's young and vibrant population is an irrefutable pointer to the fact that opportunities abound in the agricultural sector. Technology combined with a ready market makes Agritech startups a viable sub-sector yet to be fully harnessed for exponential growth.

Babban Gona creates economies of scale for smallholder farmers by franchising a network of mini grassroots level farmer cooperatives called Trust Groups. The economies of scale provided by membership in Babban Gona enables smallholder farmers to dramatically increase their productivity to 2x the national average. This dramatically increases their profitability and net incomes consistently to as much as 2.5x the national average as a result of the reduction in costs of agricultural inputs.

What are the top three things you dislike about doing business in Nigeria?

The insecurity challenges faced in northern Nigeria and other parts of the country is largely driven by rising youth unemployment. These factors have increased violence, destabilised regional economies

"Babban Gona ... has a vision to create 1 million jobs by 2025."

Lola Masha
Co-founder & ED, Babban Gona



and threatens to accelerate a migration problem. Secondly is the internet penetration. With internet penetration in Nigeria currently at 46.6% of the population, interactions with the farmers are still basic because of poor access to the internet or lack of technical know-how. Finally, the weather conditions have become less predictable. Floods, droughts, and inconsistency in weather patterns increase the risk to smallholder farmers resulting in lower yields and therefore lower incomes.

Do you have any recommendations on improving the business climate in Nigeria?

Improving the business climate for agriculture in Nigeria requires a holistic approach to address deficiencies experienced along the value chain. Areas for immediate impact would be infrastructure, access to market, access to finance, improving availability and quality of agricultural inputs and a comprehensive regulatory framework to stimulate critical investments within the sector.

Regarding infrastructure, there is a need to develop rural roads, storage infrastructure, electricity, and telecoms infrastructure. The presence of these elements would improve productivity, reduce waste, reduce cost of production, and boost rural economies. This would also unlock the potential for processing and value addition at the community level, thereby increasing profitability and the wellbeing of the smallholder farmer. Improving market access would allow smallholder farmers realise better

returns on their investments, transparency in supply chains and as such allowing smallholder to participate in regional and international supply chains. This is an area where the government can incentivise private investors and explore public-private partnerships to create sustainable market infrastructures.

With respect to access to finance, the government has shown its commitment to improve the sector through its various financial interventions, but sustainable financing is most assured when led by the private sector. Hence, more work needs to be done to derisk the agricultural sector and allow for more private-led funding, not only to smallholder farmers, but to other players within the agricultural value chain. Insurance, guarantees, and subsidies would be critical in achieving this, thus the need for more public-private partnership in this space.

"To improve the business climate for agriculture in Nigeria requires a holistic approach to address deficiencies experienced along the value-chain."

Lola Masha
Co-founder & ED, Babban Gona



2.3 Primary Healthcare

Nigeria's healthcare system has had its development stalled by longstanding challenges, including limited funding, low and inequitable distribution of health workers and poor coverage amongst others. The World Health Organisation (WHO) highlights that there is high reliance on out-of-pocket (OOP) health payments as a means of financing health system in Nigeria and that this has continued for many years in spite of a consensus to move closer to Universal Health Coverage (UHC) and sustain it when achieved. In this survey, the *Primary Healthcare* sub-indicator represents the achievements of the universal healthcare coverage, and it measures the health insurance coverage and quality of healthcare available to business owners and employees.

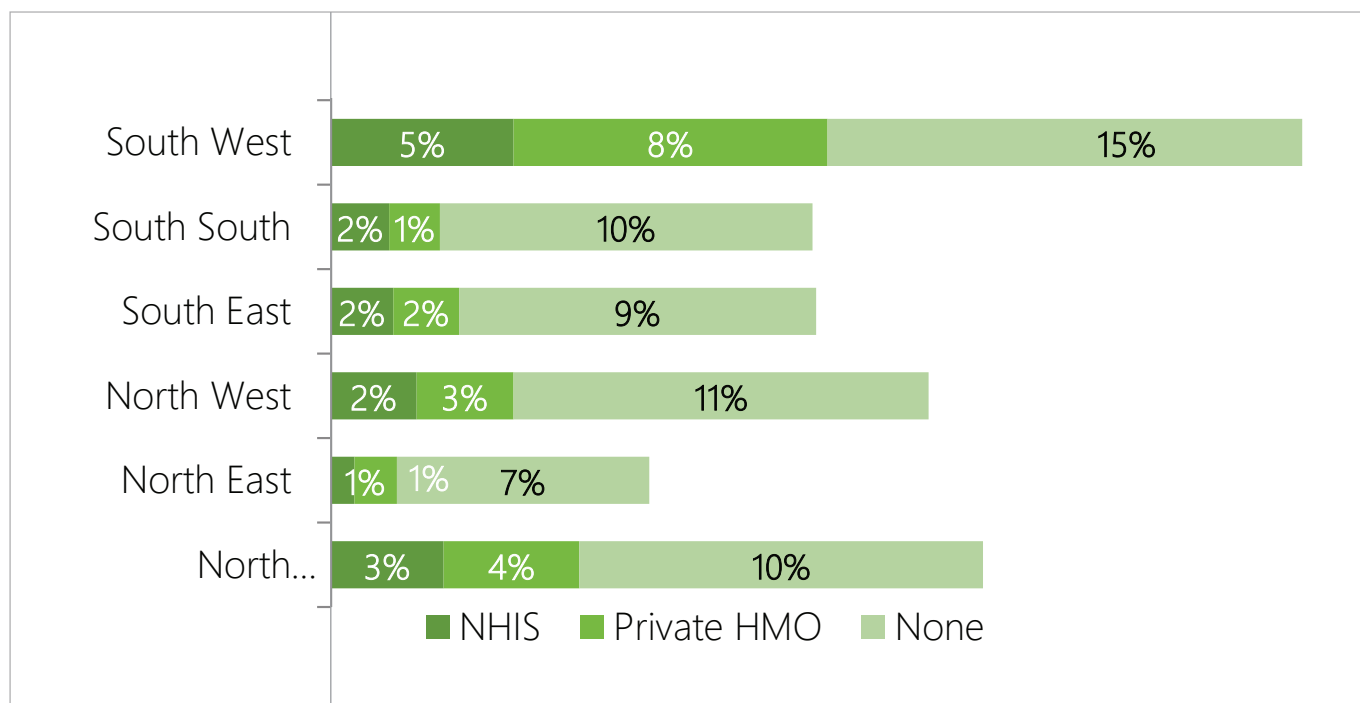
Recurring themes in relation to the quality of healthcare provided include poorly equipped public hospitals, poor quality of care, cost of care, unreliable healthcare services, poor customer experiences, low doctor-patient ratio, and more. However, there were some positive views on the healthcare system such as the availability of qualified medical personnel at healthcare facilities, swift response to complaints, and the provision of quality services.

Although the healthcare system in Nigeria has been evolving steadily since the country's independence in 1960, over 90% of the Nigerian population is living without health insurance coverage. Results from the survey indicate that the adoption and penetration

of the National Health Insurance Scheme (NHIS) in Nigeria is very low – only 17% of businesses have their employees registered with the scheme, 22% are registered with a private Health Management Organisation (HMO), and only 2% are registered with a state health insurance scheme or the Nigerian Social Insurance Trust Fund (NSITF). Of all the businesses registered with the NHIS or a private HMO, almost half (42%) are domiciled in the South West.

NHIS and general health insurance coverage have the least penetration in the North East (5% and 5% respectively), which could be attributed to challenges associated with reaching residents in rural areas. To bridge the coverage gap, several states have commenced the establishment of State Health Insurance Schemes. Presently, about 19 states are at various stages of their implementation journey. However, results from the survey indicate that businesses in only three states (Bayelsa, Osun and Oyo states) are aware of the state health insurance schemes.

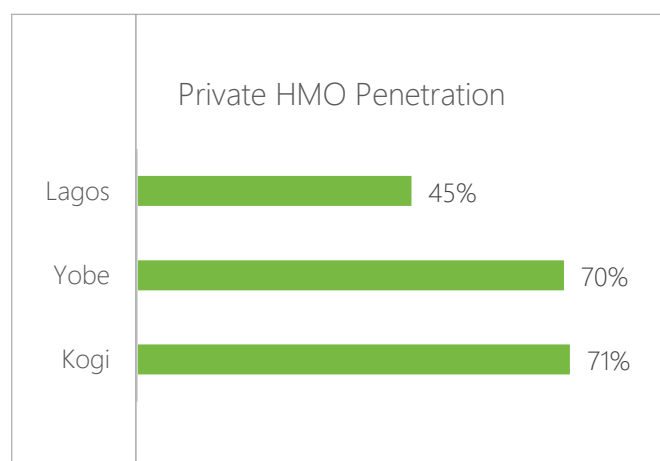
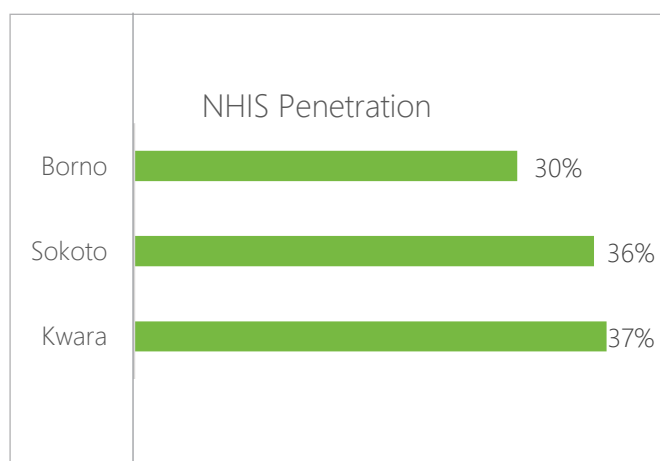
Proportion of Businesses With or Without Health Insurance



Despite the low penetration and adoption in the North East region, particularly in Gombe where none of the businesses surveyed had registered with any health insurance scheme, the North East recorded the highest satisfaction of businesses with the healthcare coverage in the region. The major reason for satisfaction being the access to medical staff and easy access to health facilities. In the South South, only 22% of respondents were either satisfied or very satisfied with the quality of healthcare, with the highest level of dissatisfaction

in this region recorded in Akwa Ibom. Businesses cited the poor state of medical infrastructure in hospitals as the major reason for their discontent.

Overall, the *Primary Healthcare* sub-indicator is the most favourably ranked item under the *Infrastructure and Security* indicator with a score of 7.34. The highest scores were recorded in the North East (7.72) and the South West (7.48), while the South East recorded the lowest score of 7.06.



Case Stories

Dr. Ola Brown, Founder (Flying Doctors Healthcare
Investment Company)



FD Healthcare Investment Company Healthcare and Wellness Investment Firm

How did it begin?

Dr. Ola Brown is the founder of the Flying Doctors Healthcare Investment Company (FDHIC). The Flying Doctors Healthcare Group invests and operates across the healthcare and wellness value chain in hospital/clinic construction & refurbishment, diagnostics and equipment, health facility management, pharmaceutical retail, drug manufacturing, air ambulance services & logistics and consulting/healthcare technology.

What are the top three things you like about doing business in Nigeria?

Some of our businesses earn in dollars while many of our operational expenses are in naira, therefore we benefit from the low cost of living in Nigeria (especially in cities outside Lagos).

Dollar generating businesses could be at a potential advantage due to purchasing power parity benefits. Remote workers/digital nomads that work for foreign companies also benefit from this particularly when they set up outside Lagos.

Secondly, Nigeria provides a lot of diversity. In Nigeria, top CEOs and high net worth individuals come from a variety of backgrounds. Comparatively, racism has not been a big issue in the business community. Nigeria is home to CEOs and entrepreneurs from various nationalities that have established successful businesses here. Examples are the second and third-generation Indian and Lebanese businesses that have continued to thrive and expand in the country.

Finally, the recent policy enabling visa on arrival. I used to run an air ambulance company and currently sit on the board. If I had a patient coming into the country, it used to be a nightmare but that has improved significantly. These policies not only make it easier for patients, but also help investors, consultants and other business people to visit the country without having to go through long-winded and cumbersome processes.

What are the top three things you dislike about doing business in Nigeria?

Number one would be our exchange rate policy. This is a difficult subject as the exchange rate of the naira is volatile because it relies almost exclusively on the price of one commodity that is also volatile. To reduce the volatility, we need to reduce our dependence on that commodity – crude oil – and diversify our economy.

My second dislike is the high rate of inflation. Inflation in Nigeria makes it difficult for people to save; when people are unable to save, there is a low rate of investment. That is why I am just as passionate about structural policies as I am about monetary policies. The role of our minimum wage,

"Nigeria is quite open to investment from other countries and nationals, and this is a testament to its accessibility."

Dr. Ola Brown

Founder, Flying Doctors Healthcare Investment Company





the speed and efficiency of our customs and port operations and how quickly we are able to develop our infrastructure affect almost every business in Nigeria including companies in the FDHIC portfolio.

Thirdly, access to finance is still a big issue for our portfolio companies. We invest at the early stages of businesses but as they scale, they need larger foreign investors to come in. Our policies could do better in inspiring investor confidence. There is also the issue of local credit; we can develop policy initiatives that encourage banks and non-bank financial institutions to extend credit to businesses to help finance their growth and working capital needs.

Do you have any recommendations on how to improve the business climate in Nigeria?

The first is to strengthen and give more resources to institutions like PEDEC. Give them the necessary power to implement and push through necessary structural reforms.

Secondly, we need to focus on economic growth i.e. growing our GDP. There are four components of GDP: consumption, exports, government spending and investments. It is difficult to grow government spending because we have the highest number of poor people in the world and the tax we collect is about 6% of GDP. To grow government spending, we need to grow tax, but we cannot tax people that haven't eaten. We can grow economically if people consume more but it is difficult for poor people to consume in large amounts.

The remaining components we can control are investments and exports. To attract local and international investments, we need a policy environment that makes investments attractive. International investment is like a beauty contest; it will go to the most attractive locations. If we make our country more attractive, then foreign capital will flow in. The second controllable component is exports. To encourage people to export, they need access to credit, efficient port operations – some of the issues I discussed earlier.

Let me finish with Ray Dalio's three golden rules for economic growth:

- Don't have debt rise faster than income.
- Don't have income rise faster than productivity.
- Do all that you can to raise your productivity. That's what matters most.

All the ideas on structural and monetary policy improvements, efficient port operations, access to credit etc. have one goal – raising productivity. So, our mantra should be productivity, productivity and productivity.

"To attract local and international investments, we need a policy environment that makes investments attractive. International investment is like a beauty contest; it will go to the most attractive locations."

Dr. Ola Brown

Founder, Flying Doctors Healthcare Investment Company

2.4 Security

No country in the world is immune to security threats. These threats can come in any form, such as aggression from a neighbouring country, infiltration from a terrorist group or global economic trends that compromise the nation's welfare. Nigeria has had its fair share of security threats of various forms in the past and currently battles the Boko Haram insurgency that has plagued the North East region for over a decade as well as other internal security threats including violence by armed bandits, farmer-herder clashes, kidnapping, armed robbery, thuggery, and the like.⁴⁴

Insecurity in the country, not only affects foreign investments and business activities, it also affects business trust in the system as many companies lose confidence in establishing businesses in some parts of the country. According to Chidi Ajaere, Executive Chairman of GIG group, speaking on GIGM, a leading transport company in Nigeria, "The interstate road transport sector has witnessed a dip in patronage in the last four years as some commuters have taken to air travel, while others limit frequency of travel due to security reasons."

This section looks at security from the perspective of businesses in Nigeria, represented by incidents of regular business crime, such as burglary. This sub-indicator records the ease of access to public security support, the time taken to resolve security complaints/incidents, the quality of security and disruptions from the activities of state enforcement agents.

Findings from our survey highlight three major issues that businesses face regarding security in their operating environments:

- Limited/irregular access to public security support
- Lack of trust between businesses and security agencies
- Disruptions to business activities by state agencies

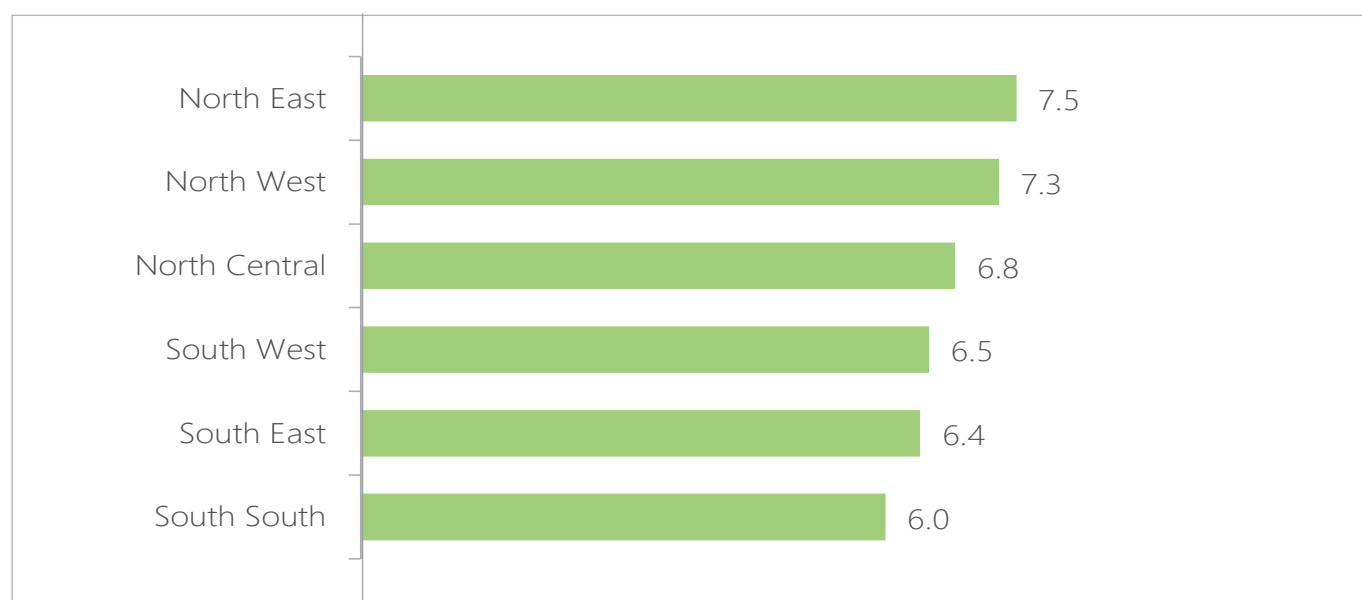
Nationwide, public security is perceived to be moderately accessible. This perception is a lot stronger in the northern regions evidenced by the fact that the five states with the highest satisfaction levels for the accessibility of public security support are Kogi in the North Central, Gombe and Borno in the North East, and Kebbi and Jigawa in the North West. The high satisfaction level in the northern region can be attributed to reports by SMEs in the region (especially Borno state) of the ongoing or constant presence of security forces.

In contrast, six of the seven states that are the least satisfied with the level of accessibility of public security are in the southern region of the country. Three of these seven states are in the South South (Bayelsa, Rivers and Delta), one in the South East (Abia), and two in the South West (Ondo and Lagos). The other state is the FCT in the North Central.

The country has an average sized police force, and a relatively small military and private security sector. At time of the report, it was estimated that there were 219 police officers for every 100,000 Nigerians, well below both the Index median of 300, and the sub-Saharan Africa region average of 268.⁴⁵

In 2015, as part of efforts to inspire trust and ensure accountability of the actions of police officers, the Police Force introduced a Complaint Response Unit (CRU) to operate a complaint management system through which citizens' complaints against police officers are addressed in real time.

Accessibility of Public Security Support (Max=10)

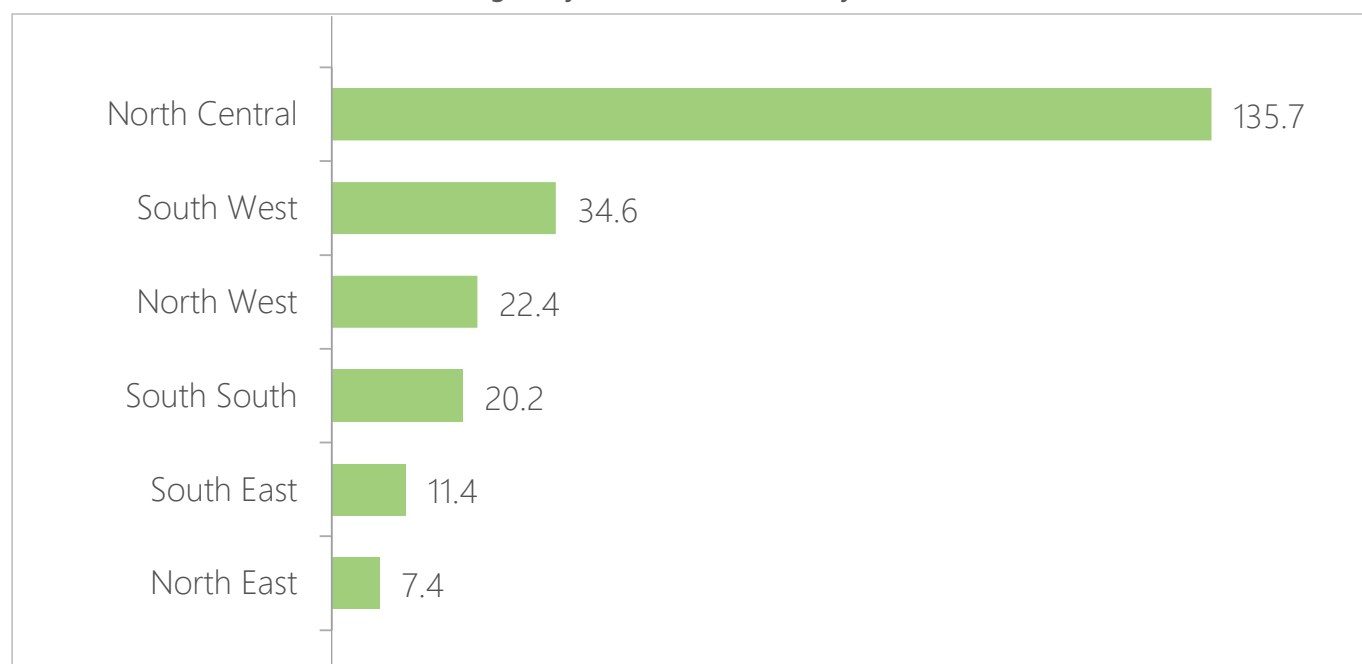


Our findings indicate that 27% of businesses nationwide experienced a business-related security incident in the past year. Of the businesses that experienced a security incident, 7 in 10 involved security agents in an effort to resolve the incident. While all the affected businesses in Kebbi, Kogi, Kwara, Akwa Ibom, Borno, Cross River, Edo, Enugu, Ondo and Taraba involved the police, the rate of involvement of the police plummets to 50% in Adamawa, Bauchi, Delta, Ebonyi, Ekiti, and Katsina. In Yobe, no affected business involved the police; this may suggest an apathy for the involvement of security agents in business-related issues. According to a report released by the Complaint Response Unit of the Police Force in 2019, Yobe State Command had recorded no complaint since 2018.⁴⁶

In terms of complaint resolution, results from the survey indicate that it takes an average of 49 days for the police to resolve filed business-related security complaints nationwide, with average resolution time ranging from 7 days in the North East to 136 days (about 4.5 months) in the North Central. At the state level, it can range from a day in Bayelsa to nearly a year (349 days) in the FCT. For one business, resolution took about nine years (3,285 days); resolution of security cases may last for extended periods due to excessively complicated administrative procedures.

Businesses face other forms of disruptions to their operations, primarily from state agencies. Nationwide, 26% of businesses reported having experienced disruptions from state agencies. This

Average Days to Resolve Security Incident



proportion is significant as it represents state-sanctioned impediments to doing business.

The most disruption-free states are Adamawa and Zamfara where no business reported any disruptions from state agencies. Conversely, the most disruption-prone states are Benue, Abia and Lagos with disruption rates of 56%, 50% and 41% respectively.

The state agencies reported to most frequently disrupt businesses are state tax agents, traffic agencies, inspection agencies and security agencies. The reasons for these unscheduled disruptions vary greatly, but the most common are for tax-related purposes, usually for collection of unofficial taxes or multiple taxation by different officials of the same agency or different agencies with overlapping functions. These often result in wasted manhours, lost revenues, and often escalate to threats by the state operatives to seal a business premises. In Plateau, an entire market was reportedly locked by state tax agents; in Kebbi, an animal farm was allegedly looted of animals and animal products such as eggs by state tax agents; in Akwa Ibom, goods were seized; and in Kano, alcoholic beverages traders had millions worth of goods destroyed by a state-sanctioned enforcement agency. In many

states, public security agents reportedly mount impromptu and unauthorised roadblocks and impose tolls for access.

A lack of clarity on tax requirements – how much, to whom, where, how, when – have led to businesses inadvertently paying taxes to the wrong persons impersonating tax agents and experiencing these disruptions as a result. Sophia Abu, CEO of The Salad Guru, believes that the multiple taxation regime and this lack of clarity pose valid concerns for businesses. She recommends that the government should create a listing of taxes due from small business owners, to avoid exploitation and to ensure clarity.

To reduce the rate of state-sanctioned disruptions, sub-national governments should consider rolling out digital channels such as websites, mobile apps, etc. nationwide for end-to-end completion of tax processes – registration, payments, filings, complaints resolution, and the like. In addition, SMEs recommend adequate information dissemination of government policies by security agents. They also recommend a reduction in the number of visits from state-sanctioned collectors who disrupt business operations.

Case Stories

Chidi Ajaere, Executive Chairman (GIG Group)

Sophia Abu, CEO (The Salad Guru)



GIGM Nigeria's Leading Transport Company

How did it begin?

Chidi Ajaere is a progressive African who is an entrepreneur, investor and nation builder. He is currently serving as the Executive Chairman of The GIG Group: an indigenous technology and intelligence-driven management company for various subsidiaries in diverse sectors. Notable amongst these subsidiaries are GIG Mobility (GIGM), the leading tech-enabled interstate passenger Transport Company in Nigeria and GIG Logistics (GIGL), the largest indigenous logistics company in Nigeria, simplifying delivery services and leveraging technology.

Through the prevalent challenges in the Nigerian business terrain, Chidi and his team continue to build world-class businesses solving real problems for Nigerians daily, with a combination of agile/efficient business strategies and disruptive technology leading to innovation.

What are the top three things you like about doing business in Nigeria?

First, the untapped market. Nigeria is largely dependent on its natural resources. This creates room for boundless opportunities and a large market in other areas including new technologies.

Next is the strong workforce. Nigeria's young population entails a modern and vibrant workforce. This translates into high efficiency and productivity.

And finally, the massive consumer base: With a population of about 200 million persons, over 60% of the population being under 25 and the growing middle class, Nigeria provides a ready market for businesses.

What are the top three things you dislike about doing business in Nigeria?

First is, the insecurity across the nation. Business cannot thrive in an unstable environment. The issues bothering around insecurity makes it increasingly difficult for businesses to thrive and exist in certain parts of Nigeria.

Secondly, the inadequate infrastructure. The deficiency in infrastructures such as electricity, road networks and other basic amenities impacts negatively on the profitability and sustainability of businesses.

And finally, the unfavourable trade policies and multiple taxation that happens. The high costs as well as bureaucratic bottlenecks for licences in Nigeria is stifling. Some of the government's multiple policies by various agencies create difficult conditions for business operations.

"With a population of about 200 million...Nigeria provides a ready market for businesses."

Chidi Ajaere
Executive Chairman, GIG Group



Do you have any recommendations on improving the business climate in Nigeria?

It is very important to promote more collaboration between public and private entities. There needs to be more local Public-Private Partnerships (PPP). Doing this will lead to market development as well as retention of foreign exchange within the Nigerian market.

Secondly, there needs to be consistency in policy formulation and implementation within the country and with other countries. The government needs to create robust and well consulted policies while ensuring consistency in implementation. Simplify cross-border business operations by entering into more business treaties with other countries.

We need to strengthen the Naira. The government needs to make tacit efforts in strengthening the naira through the prevention of capital flight. Emphasis should be made on export based businesses/local production; while discouraging imports. Following that, is security which goes hand in hand with sustainable economic development. If there is no security, this fosters investors apathy. The interstate road transport sector, for example, has witnessed a dip in patronage in the last four years as some commuters have taken to air travel, while others limit frequency of travel due to security reasons.

Businesses need streamlined and identifiable taxes & levies. These taxes should be collected by a single body and then distributed across the tiers of government. Following that is the need for complete automation of business registration and licensing processes. It should be encouraged. For example, the adoption of robust technology can facilitate the clearing of goods at the port within a short time frame. This is definitely a catalyst for business growth and sustainability.

And finally, people are the most valuable asset of any entity. If we must be the true Giant of Africa, then investing in education is non-negotiable as leadership and learning are indispensable to each other. Improving the standard of education (theoretical and practical) should become priority. This investment will produce a globally competitive workforce over time.



"The investment in education will produce a globally competitive workforce over time."

Chidi Ajaere
Executive Chairman, GIG Group



The Salad Guru Signature Salads & Juices

How did it begin?

Sophia Abu is the owner of The Salad Guru, a small salad bar in Maitama, Abuja. The Salad Guru started operations in March 2018 as a solely dispatch service rendering company, wherein they made deliveries to customers from their kitchen through dispatch rider services. However, as the demand for its offerings increased, the company leveraged customer demand to build a sit-in café that welcomes customers for lunch and other eating/drinking pleasures.

Sophia sees The Salad Guru, not just as a random restaurant, but rather, as a healthy food place where customers can come to have salads and fresh juices, as well as smoothies.

What are the top three things you like about doing business in Nigeria?

Nigeria has a sense of community, such that irrespective of the nature of business, competition or general hostility of the environment, you can always build a community around your business and they will give you the needed support, while also not letting you down.

Doing business in Nigeria, and in the broad sense, gives one a sense of ownership, pride and fulfilment that you are offering something in demand or delivering value.

What are the top three things you dislike about doing business in Nigeria?

Firstly, the multiple taxation regime and the lack

of clarity on what you are supposed to pay and to whom legitimately, pose valid concerns.

Upon launching my company in 2018, in the first six (6) months, I welcomed visits from different agencies and people requesting for things I had never heard of. For example, we had several visits from different groups of people from the Abuja Municipal Area Council (AMAC). Each of these different groups came with different requests. On average, they come about twice a year. In 2019, about three (3) different groups came twice, for the same request. All of these posed grave challenges for the business.

Secondly, infrastructure is a big challenge. The café is currently located in a park, that luckily provides power and water. But, there have been times where the park has been without power, for several days, with no explanation, and as a food business we are suddenly faced with finding alternate sources of power to keep food from spoiling. This greatly affects the effectiveness of our business operations.

Thirdly, in the last year (2020), I think a lot more

"Nigeria has a sense of community, such that irrespective of the nature of business, competition or general hostility of the environment, you can always build a community around your business and they will give you the needed support."

Sophia Abu
CEO, The Salad Guru



could have been done with respect to the various interventions from the government. Several business owners I know, had the opportunity to apply for some of these intervention funds, however, none was successful. This begs the question: who are the funds for? Many business owners have had to shut down their businesses in the past year as a resultant effect of the pandemic. These government interventions could have helped.

Do you have any recommendations on improving the business climate in Nigeria?

My first recommendation would be that the government and its agencies (FIRS in this regard) should work on proper general information dissemination to business owners, because it is very critical. Business owners might rightfully not be remitting taxes and it really might not be their fault.

"Government and their agencies (FIRS in this regard) should work on proper general information dissemination to business owners, because it is very critical." ."

Sophia Abu
CEO, The Salad Guru

Secondly, the government should also create a listing of taxes to be paid by small business owners, to avoid exploitation and to ensure clarity. Once it has been outlined, businesses will know what their obligations are and will not pay anything outside of that.

Finally, a piece of advice to business owners would be that they should also understand their businesses better, the environment they operate, amongst others.



3

TRANSPARENCY AND ACCESSIBILITY TO INFORMATION

3.0 TRANSPARENCY & ACCESSIBILITY TO INFORMATION

Transparency and Accessibility to Information is targeted at encouraging and stimulating investments in the economy. It is crucial in ensuring easier access and participation in the business environment for businesses, and contributes to reduction or prevention of corruption, political quid pro quo and inefficiency.

The overall score for *Transparency and Accessibility to Information* is 5.03. The *Investment Promotion* sub-indicator scored 5.02, while *State Information Structures* scored 5.03. The North West region recorded the highest score of 5.43 for *Transparency and Accessibility to Information*, the South East region recorded the second-highest score of 5.18, and the North East Region recorded the lowest score of 4.78.

Among the states, Gombe recorded the highest score of 9.35 under the *Investment Promotion* sub-indicator and had the highest score under *State Information Structures* with 8.69. 1 in 2 businesses indicated a very high level of awareness of the state's digital channels, government sponsored strategies, and credit/funding available to them.

State governments can leverage the network of agencies within the state to disseminate information on the existence, activities and initiatives of the state investment promotion agency (IPA) and increase the awareness and availability of digital options through offline and online ads, sponsorships, radio jingles, and more.

Regional Scores for Transparency & Accessibility to Information (Max=10)



Transparency & Accessibility to Information measures include:

Investment Promotion, represented by the existence of a state Investment Promotion Agency (IPA) and the ability of a state government to actively plan to attract investments and spur growth. This measure analyses the awareness of Investment Promotion Agencies (IPAs), awareness of SME-friendly strategies, perceived value of state's IPAs, ease of access to funding alternatives and provision of ongoing support to SMEs.

State Information Structures, represented by the existence of a state website that collates government information, processes, taxes, and ensures that businesses and investors can find information easily and quickly. This measure records awareness of a state information website, relevance of information from state information structures, ease of carrying out business across government agencies.



3.1 Investment Promotion

Investment Promotion covers a wealth of services that range from the provision of market information, to the undertaking of feasibility studies, and environmental impact. Many national and subnational jurisdictions set up investment promotion agencies (IPAs) to increase inward flows of investments by highlighting profitable investment opportunities, identifying local partners and providing a positive image of the economy.

The number of IPAs worldwide has increased significantly since the 1990s and there are currently over 164 national IPAs and over 250 subnational ones.⁴⁷ In Nigeria, the Nigerian Investment Promotion Commission (NIPC) is tasked with encouraging, promoting and coordinating investments.

Share of Sub-national IPAs performing the following functions



Source: Organisation for Economic Co-operation and Development (OECD), "Mapping of Investment Promotion Agencies in OECD countries" (2018)

The rationale for IPAs stems from the need to correct or mitigate market imperfections, particularly to overcome information asymmetries. The importance of well-established IPAs to attract and retain foreign direct investments (FDIs), cannot be overemphasised. A spillover benefit is the provision of information and support to already-established businesses regardless of their size. From their interactions with foreign investors, IPAs are well positioned to understand the expectations and challenges of these investors and provide invaluable solutions that contribute to enhancing the overall business operating environment.

From the SMEs surveyed in this study, only 9% were explicitly aware of the presence of an IPA in their state. However, 27 out of the 36 states and the FCT have IPAs. Across the regions, the South East recorded the highest proportion (58%) of businesses who have some level of awareness of their state IPA. Conversely, the South West region recorded the lowest level of awareness of state IPAs, as 72% of businesses in the region are not aware of the existence of IPAs in their respective states.

Only 1 in 10 SMEs said they are aware of investment friendly strategies offered by their local IPAs such as tailored business advisory services. Of the businesses that have some form of awareness of investment-friendly initiatives by their state government, only 5% say that they have benefited from such strategies. The North West has the highest proportion of businesses (20%) that have benefited from state-sponsored investment schemes while less than 10% of businesses in all other regions have taken advantage of investment promotion schemes in their states. No business reported having benefited from any such strategies in the South South. Businesses in Lagos account for all businesses that have benefited from investment schemes in the South West region while Jigawa accounts for 65% of all businesses that have taken advantage of these schemes in the North East. Some of the benefits highlighted include access to loans and grants, and skills development, through award of scholarships and work tools.

While some states such as Lagos offer credit or funding alternatives to businesses e.g. through the Lagos State Employment Trust Fund, 57% of businesses nationwide said they are not aware of state-sponsored credit/funding alternatives. Across the country, the Federal Government, development institutions and private sector individuals or companies sponsor most credit or funding alternatives which may account for the low awareness of state-sponsored schemes. Of the businesses that are at least aware of such funding by the state government, only 8% of them have successfully applied for such schemes. However, majority of them were unsuccessful with their applications.

Auwal Shehu Muhammad, Founder of ASM VEGOIL, notes that SMEs do not receive adequate financial support from banks and other financial institutions. He describes bank loan processes as typically tedious and unfavourable for small business owners. He recommends partnerships between the government and financial institutions to improve the funding mechanism for businesses.

Many SMEs and entrepreneurs are often reliant on debt and external funding to fulfil their cash flow and investment needs. However, they often face challenges with fulfilling loan-application requirements and will benefit from guidance on preparing business plans and proper financial accounting to enhance their chances of meeting loan requirements. State governments should continue to partner with the private sector and financial institutions to improve access to finance for SMEs within their local economies.

In addition to funding, SMEs can also benefit from ongoing support from their state IPAs in the form of advice to reduce time taken to complete government processes or advice on applicable taxes, for example. Majority of the businesses surveyed (58%) do not receive any form of support from their state IPA and only 10% of SMEs believed the IPAs were interested in the success of their businesses.

However, Habiba Ali, founder of SOSAI Renewable Energies, commended the payroll support scheme launched by the government under the Survival Fund initiative to assist vulnerable micro, small and medium enterprises (MSMEs) by paying the salaries of their staff for a period of three months. She recommends that the government should provide more of such business-friendly incentives for small businesses.

Investment Promotion recorded a score of 5.02 - contributing to *Transparency & Accessibility to Information's* emergence as the weakest performing of the four homegrown indicators. To strengthen the role of state investment promotion agencies, state governments can leverage the network of agencies within the state to disseminate information on the existence, activities and initiatives of the state IPA. IPAs can also be more relevant if they are positioned as a one-stop shop for activities such as approvals and licensing that often involve multiple state agencies. The Kaduna State Investment Promotion Agency (KADIPA) is one example of IPAs, cited by businesses, as offering a one-stop shop approach.

Case Stories

Habiba Ali, CEO (SOSAI Renewable Energy)

Auwal Shehu Muhammad, Founder (ASM Vegoil)

Saadiya Aminu, CEO (Urban Shelter)

Habib Ahmed, Founder (Environmental Expressions Limited)

Ifeanyi Orajaka, MD/CEO (GVE Projects Limited)

Ameera Abraham, CEO (The Nail Bar)



SOSAI Renewable Energies

How did it begin?

Habiba Ali started the business in 2005. She initially just dabbled into the renewable energy space just to see if there was an opportunity for the products. She bought a few products sold them and that was it. With time, with a partner, she founded the Developmental Association for Renewable Energy, because they figured out that if people knew about renewable energy, they would want to access it, and that would drive adoption. Through the NGO, they started trainings and exhibitions to ensure that people learned about renewable energy.

Under the NGO they were able to register for the first United Nations Framework Convention on Climate Change and were subsequently able to attend the Partnership for Clean Indoor Air in Uganda where she discovered the insights into the possible health problems that could occur from using open fire or kerosene stoves to cook. For instance, any 2 hours you use open fire or kerosene stoves, you are unknowingly, smoking the equivalent of one pack of cigarettes.

On hearing all the health challenges, she realised that there could be an opportunity to make a change. She bought a few solar lanterns and sold to a few women who sold by the road side at night and it was a hit. Allowing them to pay over time, they introduced their friends, and that is how the business started.

What are the top three things you like about doing business in Nigeria?

The possibility. I look around me and I see the opportunities are so much. If you have the opportunity to go outside the country and come back, you will see the things that are being done abroad that people are making money from. A lot of those things we are not doing in Nigeria and this presents so many opportunities that one can build a business from.

The resilience of our people is a close second. That survival instinct we have as entrepreneurs, where we must win and the fact that we don't want to give up as a people.

What are the top three things you dislike about doing business in Nigeria?

It is stifling to do business in Nigeria. The first thing is the whole clearing process. I started business naively, didn't know how to do things. I went into business with the company that manufactured the lanterns to distribute for them. They sent me a lot of products, but then for 9 months I could not get the products from the ports. I had no idea what the processes were, or how to get the forms. Through the times the processes for importation have gotten better and clearer.

The second thing is the taxation. It's great when you know the rules and are able to abide by them. I am very happy that I went through the Enterprise Development Centre (EDC) where they trained us on all the processes and payments we have to



"The fear of people unknowingly smoking an equivalent of one pack of cigarettes really drove me to figure out a solution."

Habiba Ali

CEO, SOSAI Renewable Energies

make. A few years ago, we had a run in with a tax agency that tried to bill us N98 million, but because we had records we were able to show our records and determine that we actually only needed to pay ₦1.2 million. State taxes are also a different ball game. On any given day, a group of people can come from any state agency and give you a bill for a random tax. Today, it could be the local government claiming you need a business permit, tomorrow it could be the state government claiming you need a different business permit. The tax agencies need to be harmonised.

Getting the right human resource is another problem. The youth are not willing to do the work the right time. A lot of them want to earn a high salary but are unable to do the work required.

Do you have any recommendations on improving the business climate in Nigeria?

We need a one-stop shop for all the customs processes. There is so much on paper that the government is doing but in person the realities are different. I know the government is trying to encourage in-country manufacturing, but it won't happen overnight and I am sure there are still components that will be needed from abroad in the interim, so let's make things easier for businesses

at the ports. The whole port process needs to be streamlined and harmonised so it can be decongested.

Let the government look at companies that are doing well in each sector and encourage them to do better through incentives. I really appreciated the payroll support scheme that was launched a few months ago. It was very helpful for some companies and the people felt it. Typically, you hear that the government is doing a lot of things, but it never trickles down to businesses and business owners. We need structures for these incentives and programmes so that businesses can be held accountable, and more businesses can continue to benefit from them.

"We need a one-stop shop for all the customs processes."

Habiba Ali

CEO, SOSAI Renewable Energies





ASM VEGOIL

How did it begin?

Auwal Shehu Muhammad is the founder of ASM VEGOIL Limited. He is a graduate of Chemical Engineering from Ahmadu Bello University, Zaria Nigeria, and has over 25 years of work experience in the Oil and Gas industry. He has worked in Nigeria, UK, France and has had a short work visit to the Oman.

ASM VEGOIL Limited was formed to tap into the vast opportunities in the processing of oil seeds in northern Nigeria, particularly soya beans, groundnut and cotton seeds. The company was built with the founder's personal finances to the commissioning of the first phase. At the moment, ASM VEGOIL is one of the three companies in Kano running an active vegetable oil refinery. The company has a capacity to process about 80 tonnes of soya beans and refining capacity of about 40 tonnes of soya oil daily. The construction of the company started back in 2005, but the first phase was commissioned in 2017.

What are the top three things you like about doing business in Nigeria?

Nigeria is a dynamic place to do business. Overall, Nigeria is a land of untapped opportunities. There are a number of solutions that business owners can develop and make money from without the fear of market saturation.

Also, there is a host of natural resources available across the country. There is also an abundance of arable land for vegetation. Business owners can connect with farmers and owners of natural resources easily through various schemes and financing initiatives.

Lastly, Nigeria's population of over 200 million people creates a very big market for our product and services. Business owners have the choice of complementing local demand or producing for exportation.

What are the top three things you dislike about doing business in Nigeria?

The first challenge is the cash and carry mode of doing business, both small and large. The agricultural value chain is very delicate and we have a mixture of sophisticated and rudimentary players. As such, a large number of our local farmers have no room for credit sales. The business has to pay cash to receive soya beans, groundnuts and cotton seeds.

Secondly, the financial system in the country does not help small scale business owners. We do not receive adequate financial support from the banks

"A large number of our local farmers have no room for credit sales."

Auwal Shehu Muhammad , Founder, ASM VEGOIL Limited



and other financial institutions. In some cases, the bank's loan processes are usually tedious and the credit worthiness system may be unfavourable to small business owners. In addition, it can be difficult to receive advisory services from banks. Most importantly, supply chain financing schemes is not easily obtainable from our banks.

The final challenge with doing business in Nigeria is power. As an SME, we spend a large proportion of our revenues on power, and alternative sources such as diesel for the generator, which eats into our costs greatly. What is more worrisome is the fact that we spend a lot on public power but do not receive steady power supply from the power distribution companies

Do you have any recommendations on improving the business climate in Nigeria?

The government and financial institutions need to improve funding mechanisms for businesses. There is always talk of grants or funding available but no idea of where or how to find them. The Kano State Investment Promotion Authority should ensure that businesses are aware of funding schemes/credit

alternatives available to them. Also, banks should develop various supply chain funding initiatives for businesses in the agricultural value chain.

Government should control the export of agro produce needed in country. Some cash crops are exported by the government when the local demand gap has not been covered. This creates sourcing issues for manufacturers of by-products.

The government should improve availability of power supply to industries. Power is one of the major constraints of manufacturing in Nigeria. The government should invest more in the sector to ensure vast availability of power supply. An increase in the number of hours of public power supply will have a positive impact on output of producers and the overall economy.

"The government and financial institutions need to improve funding mechanism for businesses."

Auwal Shehu Muhammad , Founder, ASM
VEGOIL Limited



Urban Shelter Nigeria Global Entertainment & Lifestyle

How did it begin?

Saadiya Aminu is the Managing Director/ CEO Urban Shelter Ltd (USL). USL is a real estate development company with expertise in project conceptualisation, management and delivery.

The business process and operations are underpinned by quality, credibility and integrity. As of 2021, the company has been in operations for 30 years – changing Nigeria's skyline one project at a time.

Urban Shelter is currently developing a portfolio of over 100 hectares of land – two Projects in Kaduna State, two projects in Lagos State, two projects in Niger State and 6 in Abuja FCT.

What are the top three things you like about doing business in Nigeria?

There is the opportunity for rapid growth here. The Nigerian economy provides some of the most unrivalled potential for rapid growth compared to other emerging and developed countries. Examples include Stackpay, Andela, Gokada and Landwey. It is not unheard of for companies to breakeven within one year and declare significant margins in year 2 or 3.

Secondly, the labour force. With a population of over 200 million, Nigeria has a large workforce and for lack of a better word labour is cheap. Where possible, capital-intensive costly production is able to switch to cheaper reliable labour (farming, construction). More importantly though, Nigerians are incredibly

resourceful and natural problem solvers with a can-do, proactive spirit. Furthermore, our demographic in terms of education is still among the highest in the world (number of higher education and masters holders), making Nigeria a very viable place to establish a business, because the skills and capacity are accessible and affordable.

Finally, the tax levels are lower than comparable economies. This is a tough one, because while we are not encouraging an increase in taxes, in comparing Nigeria to some emerging economies and developed nations, certain taxes are much cheaper. VAT for instance around the world varies from 5% (UAE) to 20% (UK). However, as a business, lower taxes is a plus to reducing barriers of entry into all types of commerce.

What are the top three things you dislike about doing business in Nigeria?

Multiplicity of taxes, inefficiencies and costs in processes – the variety of different taxation offices can make process convoluted. For instance, having to address different tax offices from the Chairman's Office, to Large Tax Office to, state FIRS offices. Overlapping roles can make engaging with the



"There is an unrivalled opportunity for growth when doing business in Nigeria"

Saadiya Aminu
CEO Urban Shelter Ltd



appropriate supervising authority difficult. This leads to delays, inefficiencies and costly official and unofficial fees. As a real estate company, we deal with a number of processes involving title registration, land documentation, the drawing approval process, registering deed of assignment/ power of attorney/ agreements etc. These processes can be time consuming and costly with a myriad of official and unofficial fees that also makes the process expensive.

Secondly, the opaqueness and lack of transparency of some agencies, and the inconsistency in policies. There hasn't been a National Housing Plan since 2012. There is the recent Family Homes Fund under the Ministry of Finance, but not under Ministry of Works & Housing. There is the recent flip-flop on policy foreign remittance, the policy U-turn, Gokada is a victim of this. The customs policies, where there was an immediate closure of the border, with no consultation, no engagements with the private sector, no study of impact. There are levies on logistics firms that have crowded out smaller and start-up logistics firms. And the monetary position, especially as regards forex.

Finally, the infrastructure gaps regarding power, transportations, etc. Functioning and uninterrupted power and energy supply allows for reduced costs in the manufacturing process and would enable Nigeria's goods to compete effectively for the export

market. A crippling transportation systems (road networks, secondary feeder roads to villages/ farms; trains links, ports clearance of goods etc) means moving livestock, farm produce in the country is a major challenge resulting in rapid decline in the quality of produce that ultimately cannot be sold to consumers.

Do you have any recommendations on improving the business climate in Nigeria?

Where possible digitising processes for increased efficiency, lower fees/costs and simplified processes. Secondly, addressing major infrastructural challenges will significantly improve the business climate in the country.

Finally, streamlining taxes and eliminating the overlapping nature of taxes and agencies at both the state and federal levels.

"Where possible digitising processes for increased efficiency, lower fees/costs and simplified processes."

Saadiya Aminu
CEO Urban Shelter Ltd



Environmental Expressions Limited

How did it begin?

Founded in 1999 by Habib Ahmed, Environmental Expressions Limited (EEL) is a specialised company with over 30 years of combined work experience in the waste management, plastic recycling and manufacturing industry. Habib, a business man and a lover of manufacturing, provides waste collection and evacuation services to designated landfills and dump sites through this initiative. Environmental Expressions Limited collects waste plastic from communities and recycles them into new reusable products.

What are the top three things you like about doing business in Nigeria?

First, the simplicity in the opportunities available is an interesting one. Nigeria is a heavily import-driven economy; many industries are still in the infancy stage. There are green field opportunities everywhere unless one is not looking or conscious about the opportunities available in the environment. Second, the Nigerian market size is configured in such a way that it is not just for Nigeria, but allows for expansion into the whole of West Africa, all the way to Central Africa.

Third, the return on investment (ROI) is extremely attractive once the appropriate systems are in place. Nigeria is a very profitable and fertile country and she yields great returns on investments.

What are the top three things you dislike about doing business in Nigeria?

First, lack of access to capital is a big challenge. It is difficult to get funding, and even when successful at getting funding, it is very expensive. Application turnaround times, specifically for funding (government and private) are long and the process is very personalised. If you don't know people, unfortunately you are on your own.

Secondly, unavailability of functional infrastructure is another challenge; starting with power, which can significantly eat into profits, roads and then availability of work space (warehouses) – all of these are grossly absent. The money spent on self-provision of these infrastructure could have gone into increasing production capacities thereby lowering costs.

Third, double taxation spanning across all tiers of government is another challenge. The local government taxes are the most notorious; most of these taxes are unconstitutional, while some are outdated.

"The simplicity in the opportunities available is an interesting one. Nigeria is a heavily import driven economy; many industries are still in the infancy stage."

Habib Ahmed

Founder, Environmental Expressions Limited



Do you have any recommendations on improving the business climate in Nigeria?

Access to affordable capital is one area the government should look into. Monetary policymakers need to begin to put other sectors of the economy that contribute the most to the GDP as a priority. Policies enacted by government must support the growth of all sectors as they are the largest contributors to GDP, as well as the largest employers of labour.

Secondly, the Federal Government needs to establish a responsive feedback mechanism that has a swift disciplinary mechanism in place. Those tasked with implementing policies on behalf of the Federal Government are fond of interpreting policies in ways that suit them. This precedence needs to be corrected. Many businesses have gone bankrupt as a result of individuals wielding powers they ought not to have.

Lastly, there is a disconnect between policies and implementation, as such, the intended impact of these policies are not felt. Closer collaboration with the private sector is required, for each industry. There has to be discussions with different tiers or sizes of businesses within an industry to get a better understanding of what their real needs are is key.

"There is a disconnect between policies and implementation, as such, the intended impact of these policies are not felt."

Habib Ahmed

Founder, Environmental Expressions Limited





GVE Projects Limited Top Solar Renewable Energy Company

How did it begin?

GVE Projects Limited was an offshoot of the PV solar mini-grid idea, founded by Ifeanyi Orajaka who doubles as the MD/CEO of the company. Together with two of his undergraduate coursemates, they had belief in the potency of their novel idea to solve the biggest developmental problem plaguing Nigeria. This was also fuelled by the passion to pursue the prototyping and scaling of the technology through an innovative commercially sustainable model adapted to the extremely harsh business environment of Nigeria.

The dedication of the team, coupled with the collaborative efforts of their partners who graciously keyed into this noble vision has birthed a company that is now the biggest PV Solar mini-grid company in Nigeria. GVE Projects Limited provides clean, reliable and affordable energy access in remote communities who have never had any decent form of electricity in their history, thereby unlocking the latent socio-economic potentials in these communities.

The company also focuses on improving access to/quality of education, healthcare, and cooking conditions for women, powering businesses/agro-processing and ensuring that local farmers are now able to get more value for their labour while climbing the agricultural value chain.

What are the top three things you like about doing business in Nigeria?

The constant urge to improve the business climate through reforms is one thing I appreciate about doing business in Nigeria. That has always been present and it is worth acknowledging.

Secondly, I appreciate the recent consultation of all stakeholders by the government during the formulation stage in all business-related sector policies. This allows for inclusiveness and consensus.

Thirdly, the Nigerian government is always open to ideas that will foster market oriented development through constant government-private sector engagements. This has also been of great help to our company.

What are the top three things you dislike about doing business in Nigeria?

First, poor policy consolidation. There is a high tendency for policy changes with a change in government. The stability and consistency is not really there.

"The constant urge to improve the business climate through reforms is one thing I appreciate about doing business in Nigeria."

Ifeanyi Orajaka
MD/CEO, GVE Projects Limited



Further, multiple taxation is a big challenge. Most times, the different taxes having overlapping descriptions are collected by different government agents without any coordination. This is a huge challenge for businesses.

In addition, poor financial sector development is one thing I dislike. Most commercial banks in Nigeria are very risk averse and have very little capacity to understand the business models of most sectors in the country. There is a need for institutions in the financial sector to understand the business models of other sectors and make their operations and activities more seamless.

Do you have any recommendations on improving the business climate in Nigeria?

The government should strive to isolate politics from policies that promote a healthy business climate. This will further enhance policy stability and attract more private/foreign investments which will lead to the stimulation of SMEs and eventually reflate the economy.

Also, the government should adopt a more consolidated and transparent mode of tax collection that makes it easy for businesses and tax agents. If

the government can look into this, it will enhance the ease of doing business in the country.

Finally, the government can adopt more innovative financing support programmes for small and medium businesses that will help de-risk access to finance to some extent through loan guarantee programmes.

"Government should strive to isolate politics from policies that promote business climate."

Ifeanyi Orajaka
MD/CEO, GVE Projects Limited





The Nail Bar Luxury Nail Spa and Wellness Centre

How did it begin?

The Nail Bar was established in 2010 by Ameera Abraham who is the CEO & Spa Director. Ameera is also the founder of Nigeria's premier professional nail care brand, Amali Cosmetics. She is the author of "The Full Set" and also serves as the Director of Communications at the Spa and Wellness Association of Africa.

Ameera is a qualified beauty therapist and holds a BA in Politics and International Relations and a CIBTAC Diploma in Spa Management.

What are the top three things you like about doing business in Nigeria?

Firstly, Nigeria has a vast and easily accessible market. Interestingly, with the right product, there is plenty of room for growth and expansion. This makes doing business very interesting and fun.

Secondly, for my industry which is a developing market, there is much room to explore and tap opportunities. I'm passionate about contributing to the establishment of solid structures of operation for my industry as it is still unrecognised and unregulated.

"Nigeria has a vast and easily accessible market. Interestingly, with the right product, there is plenty of room for growth and expansion."

Ameera Abraham
CEO, The Nail Bar

Thirdly, Nigeria is my home. There is always that home advantage. I have no other place to go; and as we all know, no place on earth can be like home. I feel the need to give my best despite not having all the necessary support.

What are the top three things you dislike about doing business in Nigeria?

The level of uncertainty and the inability to make long-term business plans due to abrupt policy changes is very worrisome. Nigeria is a very turbulent environment and this is not good for businesses, especially micro, small and medium enterprises.

Secondly, the economic instability due to fluctuating exchange rates and rising costs of doing business due to inflation are posing serious concerns. These have made it practically impossible to predict market conditions and make effective decisions.

Thirdly, the prevalence of multiple taxation has turned out to be crippling for most SMEs. This is something we urgently need to look into.

THE Nail Bar



Do you have any recommendations on improving the business climate in Nigeria?

There are a number of things the Nigerian government can do to improve the business climate in my view.

Firstly, a single taxation system for SMEs should be adopted. Doing so will encourage businesses in the informal sector to formalise their operations (register at CAC and FIRS). Simply put, they will make themselves accountable. Ultimately, this will help in taking undue pressure off the visible (registered) businesses. One of the reasons our taxes are so high is because the visible businesses are covering or standing in for the non-visible ones.

Secondly, policy reforms that ease the unnecessary burdens on businesses should be initiated. These reforms should be made after roundtable discussions with stakeholders. We need clear rules

and structure. The burden on businesses in Nigeria can be killing. So, there is a need for government to initiate policies that are friendly; policies that will encourage people to do business. The bureaucracy in Nigeria is quite much and there are too many complexities attached with the system, as well as the policies.

Finally, easy access to loans and reduced interest rates should be facilitated by the government. Most businesses are unable to scale up their operations as a result of their inability to access funds.

"A single taxation system for SMEs should be adopted. By so doing, this will encourage businesses in the informal sector to formalise their operations (register at CAC and FIRS)."

Ameera Abraham
CEO, The Nail Bar

3.2 State Information Structures

With the unprecedented events of the COVID-19 pandemic, it has become important for all information-providing entities, including state governments, to provide their audiences with functional, timely and relevant information. The *State Information Structures* indicator in this survey assesses the existence of a state government website that collates government information, processes, taxes, and ensures that businesses and investors can find information easily and quickly.

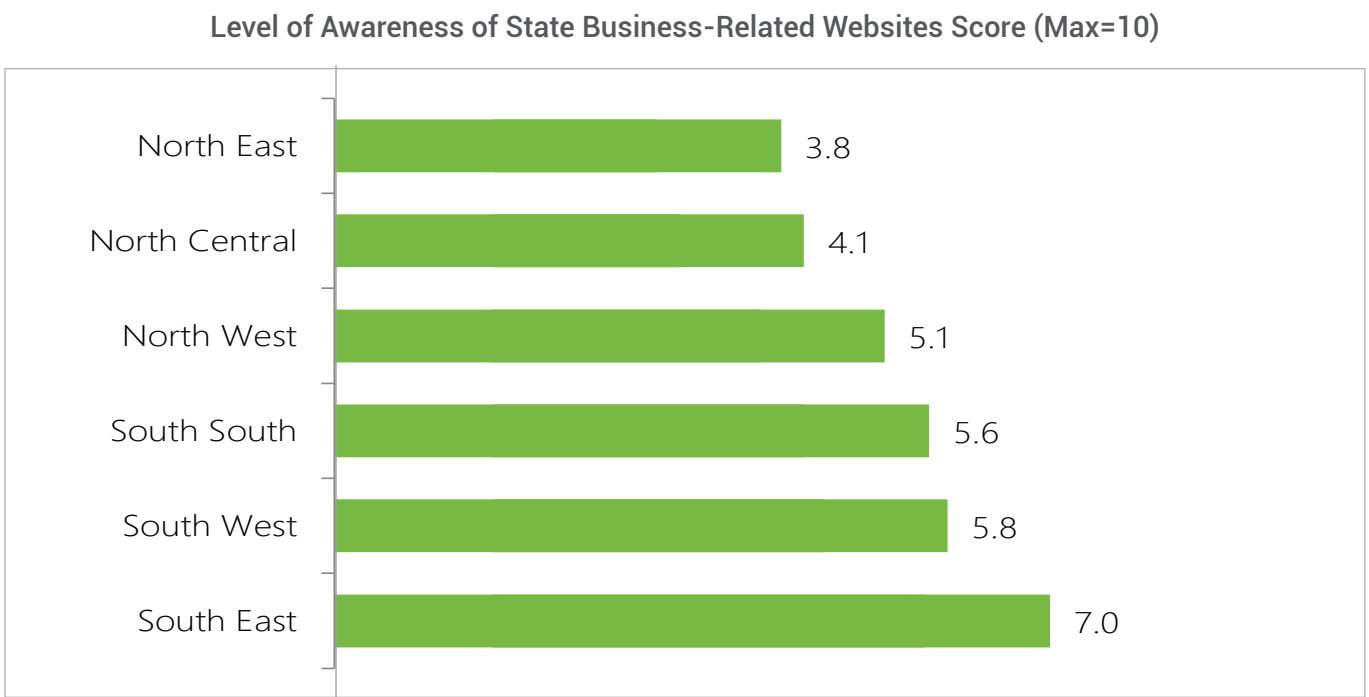
Almost three in five businesses are not aware of the existence of any state website that collates relevant information on operating a business in their home state.

In the South East, 35% of businesses are somewhat aware of the existence of a state website (the highest of all regions) while the North Central region

recorded the highest proportion of SMEs (66%) that are not aware of the existence of a state website. State governments can increase awareness of digital channels through offline and online ads, sponsorships, radio jingles, and more.

About half of businesses report that the information provided on state websites have varying levels of relevance to their business. In making informed business decisions, 41% of businesses that are aware of state websites, have used the information provided by the state.

One of the key reasons for recommending the state website to peers is access to quality, relevant and accurate information that would shape business planning. Some respondents stated that information provided is not extensive and would not adequately educate a would-be investor. Others argue that



the website does not provide any information that would be relevant to a business.

Some of the information that businesses would find relevant cut across the traditional business lifecycle including: setting up, licensing applications, business premises registration, manufacturing guides, environmental impact assessment, importing and exporting, taxes and health standards for food and catering amongst others.

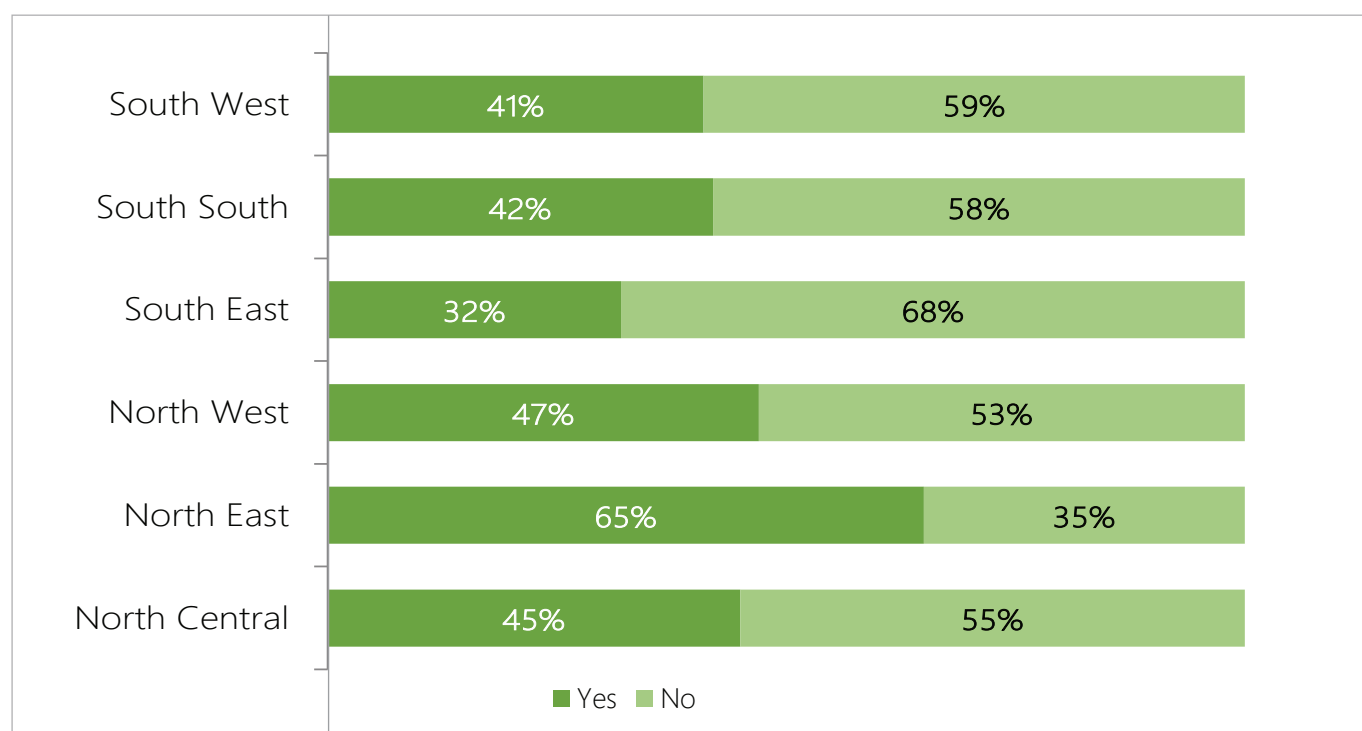
55% of businesses nationwide report that their state has a service portal, but only 32% in the North East report this to be so, while in the South East, 64% report the presence of such service portal. Service portals are most commonly used to obtain licences, permits or both. They are also used for other reasons

including: payment of fines, business name search, and for general information purposes.

Regular engagements with new and existing investors on their information needs can help to improve the quality of information provided on state digital channels. These channels also need to be updated with relevant information on a regular basis to increase their value to businesses and potential investors.

Business owners such as Nelly Agbogu, founder of Nellies - a healthy foods company - would like to see policy makers extensively leverage information platforms to engage all relevant stakeholders before policies are created or implemented, to better prepare business owners for policy changes.

Recommendation of State Website to Investors



Businesses rated poorly the ease of carrying out business when multiple government agencies are involved. Only 11% of businesses surveyed would rate the ease of carrying out business, when multiple government agencies are involved, as excellent.

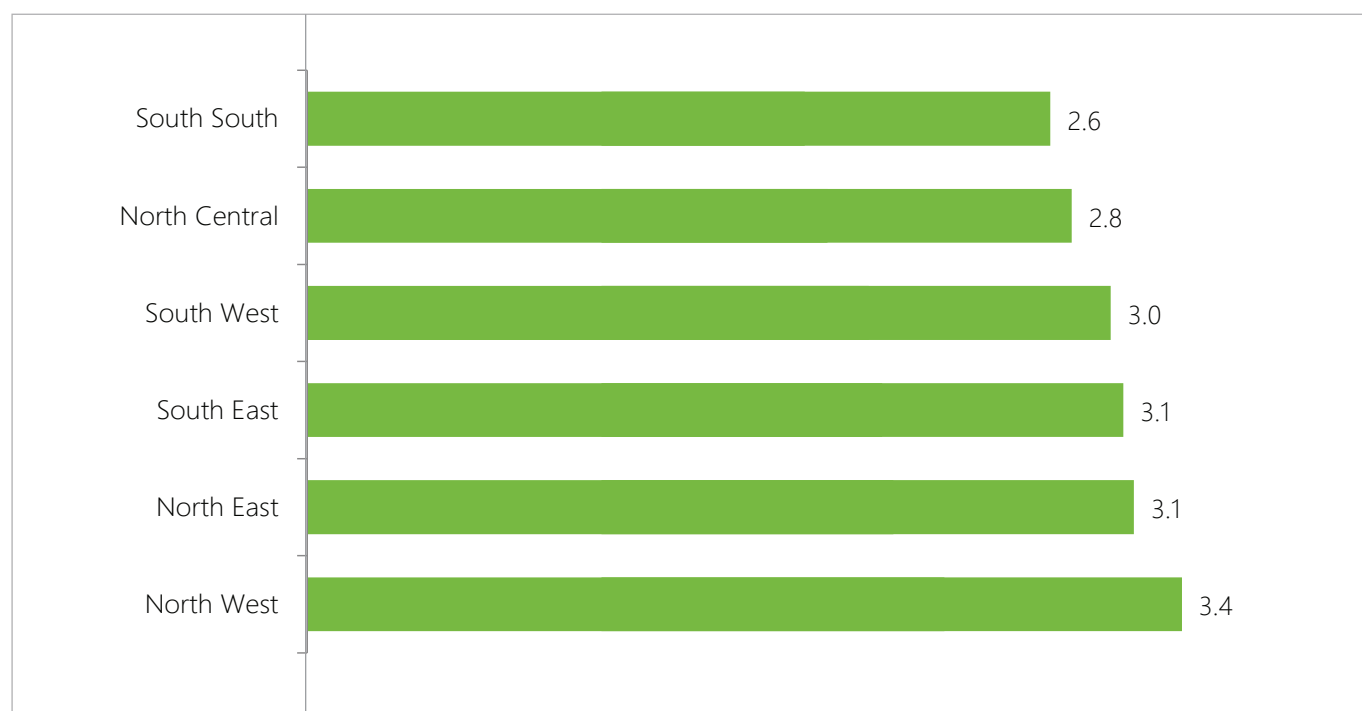
Many SMEs reported that working with government institutions can be difficult. "There is too much bureaucracy involved, that ends up taking hundreds of man-hours that could have been used to create solutions that can drive the economy forward", says Kachi Benson, founder of JB Multimedia Studios.

SMEs cited opportunities such as cross-agency collaboration through data sharing, harmonisation

of information requests and levies and the use of common digital applications as holding strong potential for improving service delivery by government agencies. Businesses would also like to see more transparency in application processes, especially with government agencies creating more awareness of regulatory processes and their requirements.

Other opportunities for improving the business-government agency experience include: speedy resolution of complaints, unification of related agencies, and increased investments in training government staff.

Ease of Carrying Out Multi-Agency Transactions Scores (Max=10)

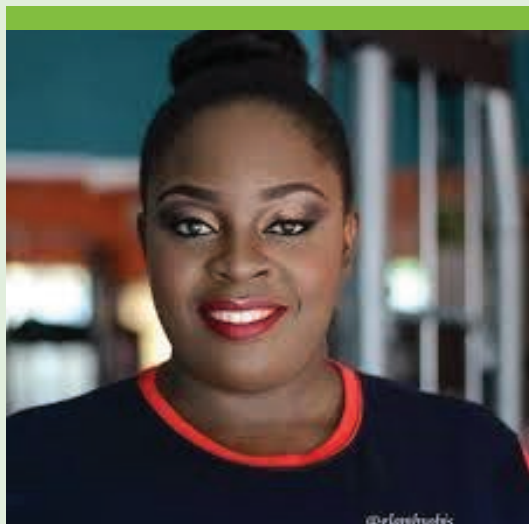


Case Stories

Nelly Agbogu, Chief Executive Officer (Nellies)

Ayodeji Balogun, Group CEO (AFEX)

Kachi Benson, Founder (JB Multimedia Studios)



Nellies Healthy Food Snacks & Meals

How did it begin?

Nelly Agbogu is the brain behind NELLIES - ITWILLENDINPRAISE LTD, a healthy food and snack company and Naijabrandchick, a wholly-owned Nigerian social media consulting firm, both founded in March 15th and December 10th, 2015 respectively.

Both companies were founded in a bid to help individuals, and the food business to help build a sustainable healthy lifestyle through healthy meals and snacks from indigenous raw produce such as *ugu*, that is transformed to tortilla *ugu* chips and many others like it.

NaijaBrandChick was founded in a bid to teach businesses how to gain visibility through social media platforms.

What are the top three things you like about doing business in Nigeria?

To begin with, running a business in Nigeria, is like constantly being on edge, requires a very high level of adaptability, resilience and courage. Any policies supporting MSMEs and SMEs are always welcomed and appreciated. The year 2020, started with the government review of Company Incomes Taxes paid by businesses. This was a huge relief as companies, who generated below 25m naira in revenue could channel more of their profits into building a sustainable business.

Secondly, the COVID Relief funds handled by NIRSAL MFB for Agricultural businesses. In addition to helping businesses recoup some of their losses

during the early stages of the pandemic, the trainings offered to businesses has been of tremendous help, and also helped businesses expanded further than they would have without the funds.

Finally, the free ₦250,000 CAC business name registration was widely welcomed by individuals, as this meant they could register their businesses for next to nothing and still be able legitimately earn and remit taxes.

What are the top three things you dislike about doing business in Nigeria?

As mentioned earlier, when running a business, one needs to be very flexible. The Nigeria-Benin border closure to poultry products, though has saved the sector a remarkable amount of money, and helped Nigerian Poultry farmers expand their capacity, the timeline for implementation was so short that it has caused a shortage of poultry products and a hike in price.

"Any policy supporting MSMEs and SMEs are always welcomed and appreciated."

Nelly Agbogu,
Founder, Nellies



Secondly, the VAT increment in February 2020, may have generated revenue for the government to facilitate more projects, however it put a strain on the spending power of her citizens as salaries were not increased that period, cost of food was going up due to the border closure and a pandemic was coming. All these contributed to some businesses bearing some losses financially.

Do you have any recommendations on improving the business climate in Nigeria?

To improve the business climate in Nigeria, policy makers need to involve all relevant stakeholders

before a policy is created or implemented, this way, everyone is better prepared for the impending change.

Accessing funds from the Government, most times can be tedious, with the BVN mandate in place, it will be easier for credit checks to be carried out on each business owner and based on that loans can either be approved or denied.

"Running a business in Nigeria is like constantly being on edge"
Nelly Agbogu, Founder, Nellies



AFEX Nigeria Commodities Exchange

How did it begin?

Ayodeji Balogun is the CEO of AFEX Commodities Exchange. He started learning trade and business operations as a teenager in his family's business. Then, he grew to manage his family-owned commodities trading business and founded a haulage business, which was part of a mobile service start-up. He is also part owner of an agribusiness venture.

AFEX Nigeria is an agricultural, finance and technology-based exchange that is providing solutions to challenges faced by Nigerian smallholder farmers around aggregation, storage, financial inclusion as well as providing a ready market for both farmers and buyers to participate in seamlessly with trust embedded. AFEX Nigeria has reached and enhanced the livelihoods of over 100,000 smallholder farmers and aggregated over 120,000 metric tons of grain since inception.

Their inclusive approach supports ancillary infrastructure critical to the development of agriculture at large. AFEX Nigeria promotes the value of the commodities produced as capital with tradable electronic warehouse receipts by increasing the bargaining power of farmers and linking these communities to agronomic education, access to inputs & credit.

What are the top three things you like about doing business in Nigeria?

My top three likes about Nigeria's business climate include its large free market which gives room for increased productivity, innovation, and efficiency.

This is fueled by the fact that more than 70% of the Nigerian population comprises youths who are full of ideas for innovation and are very productive.

Also, the large pool of ambition as well as qualified talents as shown by the various intellectual capacities and abilities of the Nigerian graduates within and outside the country make the Nigerian business climate attractive.

Finally, the free inflow and outflow of long-term capital in the business climate is something to appreciate about Nigeria's business climate.

What are the top three things you dislike about doing business in Nigeria?

My top three dislikes about Nigeria's business climate are corruption, low professionalism of the public sector as well as the inconsistency of the monetary policy.

In terms of corruption, Nigeria is ranked the fourth most corrupt country in West Africa. In Nigeria's business climate, corruption has led to financial loss, damage of employee morale as well as damage of the reputation of different organisations. It has deterred investment and innovation. Because of corruption, SMEs have extremely limited access to financing.

"Nigeria has a large pool of ambitious as well as qualified talents."

Ayodeji Balogun
CEO, AFEX



My second dislike is the low professionalism of the public sector; this is evident in the redundancy of staff which accounts for inefficiency in the public sector space as well as its activities. About 60% of civil servants go through the problems of bureaucracy, unproductivity, inefficiency, and delays in their workspace.

Finally, I dislike the inconsistency in monetary policy as dynamic inconsistency arises because our monetary policy makers choose to pursue short-term goals leading to missing the long-term goals. Expansionary monetary policy will lead, in the short term, at a faster economic growth and reduce unemployment and those who choose the monetary policy coordinates will be tempted to adopt this path, although in the long-term positive results are offset by prices and salaries increases in the private sector, caused by a relaxed monetary policy. Thus, inflation will increase, and its negative effects will alter the economic situation.

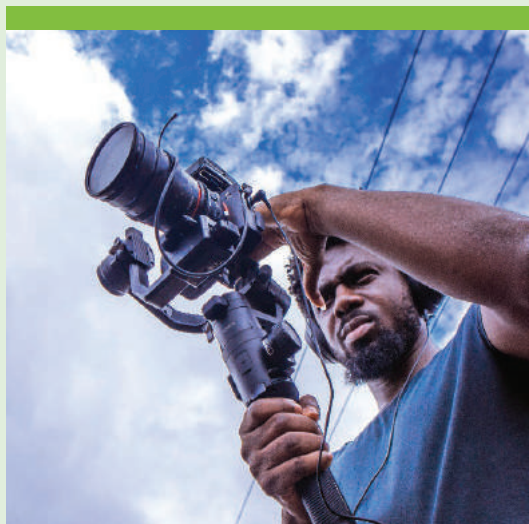
Do you have any recommendations on improving the business climate in Nigeria?

Conclusively, my recommendations on improving the business climate in Nigeria include having a wholesale public sector reform, as well as a special court for corrupt practices in both the private and public sectors to check corrupt officials, and finally, long term policy planning, with an alignment of monetary and fiscal policy focused on expanding FX earnings.

"Nigeria's business climate includes its large free market which gives room for increased productivity, innovation, and efficiency."

Ayodeji Balogun
CEO, AFEX

AFEX
AFEX COMMODITIES EXCHANGE LTD



JB Multimedia Studios Documentary Filmmaking

How did it begin?

Kachi Benson is a documentary filmmaker/VR content creator, and the Creative Director of JB Multimedia Studios/VR360 Stories. He was drawn to this path because of his love for real stories, and storytelling. In 2008, when he registered his company, there were not too many people in the documentary filmmaking industry; and he recalls being asked by friends why he didn't opt for a more "lucrative" arm of filmmaking, like fiction films or music videos. But that wasn't the kind of content that Kachi wanted to create.

Today, JB Multimedia Studios has grown from one man with a camera to a team of great filmmakers, storytellers, and editors. They create content for corporate organisations, and NGOs and also create non-commissioned content for social impact. The studio is involved in training the next generation of documentary filmmakers, as well as the production of Virtual Reality content.

In 2019, the Studios produced *Daughters of Chibok*, which made history as the first VR film by an African to win the Venice Lion at the Venice Film Festival

What are the top three things you like about doing business in Nigeria?

One of the things that's most attractive about doing business in Nigeria is the wealth of opportunities that are out there, waiting to be grabbed. Despite the challenges that exist, if one is dogged, and in a constant state of self-improvement, it's only a matter of time before fortune will smile.

What are the top three things you dislike about doing business in Nigeria?

Access to power is a big challenge for many businesses, especially SMEs.

Insecurity is another challenge, which is a significant contributor to Nigeria's brain drain.

"Insecurity is a significant contributor to Nigeria's brain drain."

Kachi Benson

Founder, JB Multimedia Studios



Working with some government institutions can also be a bit of a hassle. There is too much bureaucracy involved, that ends up taking hundreds of man-hours that could have been used to create solutions that can drive the economy forward.

Do you have any recommendations on improving the business climate in Nigeria?

The one key recommendation I would give would be "give the people power". If businesses have access to uninterrupted power supply, the world will see amazing things from Nigeria(ans).

It is also my belief that more SMEs need financial support from government and institutions. A few years ago, I had just signed a 3-year deal with a major multinational to provide video production services, and we desperately needed a loan to buy more equipment in order to carry out these

services. Despite showing the bank the signed contract documents and other things they asked for, we still didn't get the loan. We were able to figure out another way to stay afloat, or else JB Studios would probably not be here. But imagine how many businesses have died just because they could not get life support.

"If businesses have access to uninterrupted power supply, the world will see amazing things from Nigerians."

Kachi Benson

Founder, JB Multimedia Studios



Venice Film Festival

Daughters of Chibok
– Winner, Venice Lion,
Venice Film Festival 2019

4

REGULATORY ENVIRONMENT

4.0 REGULATORY ENVIRONMENT

The *Regulatory Environment* Indicator explores how local laws affect various aspects of a business' operations. It analyses the legal and regulatory framework that encourages productivity and supports an enabling business landscape. The overall score for *Regulatory Environment* is 5.50. *Enforcing Contracts* recorded the highest score with a 5.65, while *Paying Taxes* recorded the lowest score with a 5.37. *Land, Property Acquisition & Development* and *Starting a Business* recorded 5.50 and 5.49 respectively. The North East region recorded the highest score of 6.37 for *Regulatory Environment*, while the North Central Region recorded the lowest score of 4.78.

Sokoto tops the nationwide *Paying Taxes* chart with a score of 8.70. It takes five days for businesses to receive their TIN after registration, two weeks faster than the national average of 19 days. Also, businesses in the state pay an average of three different taxes a year compared with businesses nationwide who pay an average of four different taxes yearly.

For *Starting a Business*, Borno recorded the highest score in the nation. This high score is driven by the cost of business registration in the state. Business registration costs ₦23,750, lower than the national average of ₦89,086.21. All the businesses in the state also report being satisfied with the professionalism of staff in government agencies.

Kaduna leads the nation under the *Enforcing Contracts* sub-indicator with a score of 8.75. All businesses who have had a cause to file a complaint for breach of contract say that they are satisfied with the judicial process in the state. Based on survey responses, initiating and concluding a judicial process in Kaduna can take as short as three days. Court costs take up just 0.3% of businesses income, one of the cheapest in the nation.

Katsina recorded the highest *Land, Property Acquisition and Development* score (9.02) which was driven by the average turnaround time for receiving a Certificate-of-Occupancy (C-of-O) of five days, 48 days faster than the national average of 53 days.

Regulatory Environment measures include:

- *Paying Taxes*, represented by adoption of technology and harmonisation of taxes into a centralised tax schedule that publicises the legal taxes, rates, tariffs and levies payable to the state and local governments. This measure analyses the time taken to receive the Tax Identification Number (TIN) upon registration, time taken to receive the tax clearance certificate (TCC) after filing taxes, proportion of revenue taxed, number of taxes or levies paid in year, and level of satisfaction of respondents with regards to their knowledge of taxes paid.
- *Starting a business*, represented by the registration process for business names, and additional steps to the registration process required by the state. This measure records the registration time, cost of registration, inspection time by state officials, cost of registering business premises, clarity of registration requirements, and level of satisfaction with the professionalism of government staff.
- *Enforcing contracts*, represented by the availability of small claims courts and the speed and ease of the judicial process. This measure records the level of satisfaction with the judicial process, time taken to initiate and close court cases and the percentage of business income spent on court cases.
- *Land, Property Acquisition and Development* represented by the costs, procedures and timelines for registering property. This measure records the time taken to register business property and to receive a Certificate of Occupancy (C-of-O), the quality of property registration process, clarity of requirements for obtaining a construction permit, the amount spent on obtaining a construction permit, and leasing costs



4.1 Starting a Business

The business registration process spelt out by the Corporate Affairs Commission (CAC) is a simplified one, that may not even require the services of a legal practitioner, chartered secretaries, or any other third party. The business registration process in Nigeria went fully online in 2015, and the process boasts of a 24-hour completion timeframe if requisite documents are submitted before the stipulated deadline. However, this study reveals that new businesses looking to complete the business registration process in Nigeria can expect to wait up to 21 days, on average. New businesses can be registered in only 12 days in the South East, but the process can take as long as 25 days in the North Central region.

Online business name reservation has a same-day completion if the request is submitted before 5pm, and it costs only ₦500. However, business name reservation for restricted words costs ₦5,000 where applicable. In-person business name reservation can take as many as two weeks to complete⁴⁷. Business registration costs, based on the fee schedule on the CAC website, should not exceed ₦30,000. But, based on the responses to this survey, business registration costs ₦89,000 on the average, nationwide. Businesses in the North West say that they pay almost twice as much as the national average – ₦153,782 – to register a business, while businesses in the North East pay about two-thirds of the national average – ₦60,194. The maximum business registration cost recorded in the South West is ₦600,000, which is paid in Lagos and Oyo. The minimum registration costs in other states range from ₦10,000 to ₦30,000. However, Taraba is an outlier in this aspect as the minimum cost of registration is reported as ₦72,000.

In the process of registering a business premise in Nigeria, state governments have agency staff in charge of inspecting these premises. On-site business registration is still a necessity for many states (and the FCT). One of the reforms implemented by Kano is the non-requirement of physical inspection of business premises in the state as part of the process for business premises registration.

Business premises inspection takes an average of 11 days nationwide. It is faster to complete in the North East, where it takes about 3 days, and the slowest in the South West, where it takes up to 16 days. Inspection of business premises can be completed in as short as 2 days in Bauchi, the shortest inspection time nationwide, or as long as 32 days in Ogun. Registration of business premises with the state government costs an average of ₦89,426 nationwide, and varies widely between regions and across states. Businesses in the North Central pay an average sum of ₦136,501, which is almost three times as much as that paid in the North East (₦39,901). The high cost of inspection in the North Central was driven by costs in Kogi, Plateau and the FCT. Businesses in Kogi reportedly pay as high as ₦747,857 to register their business premises, while businesses in Enugu pay only ₦10,526 in comparison.

For start-ups such as Elmar Healthcare, licensing and regulatory fees can easily run into thousands of dollars, according to the company's CEO, Maryam el-Rufai. She would like to see a more start-up friendly regulatory environment as well as government-supported business incubators to increase the survival rate of start-ups in the country.

The survey under the *Starting a Business* sub-indicator also sought to ascertain the clarity of the business registration process. 6 in 10 businesses say that the business registration requirements are clear. However, there is still the prevalent preference for intermediaries to avoid bureaucracy and achieve faster turnaround time which is a significant contributor to the premium paid on the published official fees.

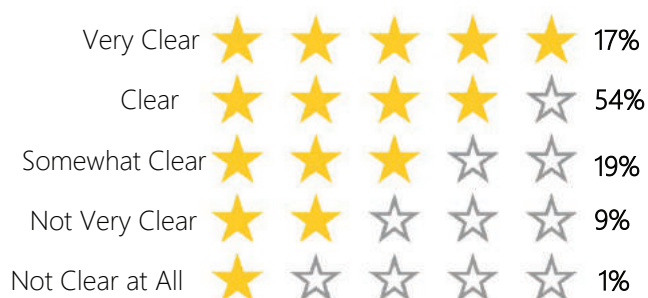
Overall, the *Starting a Business* sub-indicator recorded a score of 5.49 in the survey. The government, alongside the PEBEC/EBES, have taken steps to improve the process of starting a business in Nigeria. One improvement area in the starting a business process is the adoption of digital channels to promote equitable dissemination of registration



IMPLEMENTED REFORM

PEBEC/EBES has completed 10 reforms in the starting a business sub-indicator. One of the reforms implemented by PEBEC/EBES, is the non-requirement of physical inspection of business premises in Kano as part of the process for business premises registration. Once this reform is adopted across all states, it is likely to ease the business registration process for business owners nationwide through a mix of cost reduction and time saving.

Clarity of business registration requirements



information and costs. Another improvement area that can be adopted is the development of a more timely and cost-effective process for inspecting business premises. A good number of SMEs highlighted the need for state agency staff involved in the starting a business process, to be more familiar with the up-to-date requirements for processes they are responsible for e.g. business premise inspection to prevent mispricing of fees.

Case Stories



Maryam el-Rufai, CEO (Elmar Healthcare)

Kevin Conroy, CEO (Bature Brewery)





Elmar Healthcare

How did it begin?

Naya Menstrual cup is a product manufactured by Elmar Healthcare, with Maryam el-Rufai serving as the CEO. The company's mission is to bring the menstruation conversation to the mainstream, and end period poverty by fighting against period stigma, and changing the period health education system. The company aims to make menstrual hygiene more sustainable and accessible for every woman.

The menstrual cup is made out of medical grade silicon which is eco-friendly and can be reused for up to 10 years, thus eliminating the need to buy disposable pads. It is very comfortable and can be used for up to 12 hrs. Thanks to technology, reusable options like the Naya menstrual cup will completely disrupt the industry by providing the most eco-friendly, cost efficient, clean and comfortable way to address menstrual care in the market today.

What are the top three things you like about doing business in Nigeria?

Nigeria has a very large and young population that is very internet savvy and generally more inclined to try new things. As a result, we find that millennial women are well-informed and research-focused, thus have learned to save and manage their resources, leading to them generate conversations regarding sustainability and eco-friendly sustainable products.

What are the top three things you dislike about doing business in Nigeria?

Firstly, interaction with government organisations and regulators is painful, inefficient and very time consuming. Above all, it always end up inconclusive. As an example, we have been processing a NAFDAC number for almost a year.

Secondly, the setting-up cost for start-ups is comparatively high. Regulatory charges such as NAFDAC's can go up to several thousands of dollars per product certification, payable in USD. This is considerably higher than in neighbouring countries.

Thirdly, it is very difficult for start-ups to access funds. Small businesses like ours, that have only been operating for a few years, are unable to meet some of the requirements set out by the government. For instance, Elmar Healthcare has been unable to access the CBN Healthcare Intervention Fund/

"Nigeria has a very large and young population; thus, millennial women are well-informed and are generating conversations on eco-friendly sustainable products."

Maryam el-Rufai, CEO, Elmar Healthcare



Grant since minimum thresholds are impossible for start-ups. Even though the grants are available, the thresholds and requirements make it much more difficult for small businesses who these grants are designed for, to thrive.

Do you have any recommendations on improving the business climate in Nigeria?

It is important that for entrepreneurs who are just starting out in business, the process to set up is smooth and hitch-free. The early stages of a business should be spent focusing on how to run and expand the business, not on troubleshooting problems with government processes.

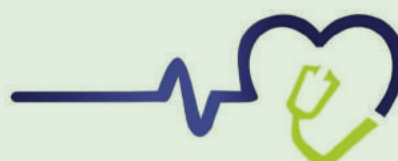
The government can set up a 360-degree business incubation system that offers new ventures access to resources they need, all under one roof. This can include providing expertise across industry verticals,

business planning, access to private equity and venture capital as well as support in dealing with the labyrinth of government bureaucracy.

This should be a one-stop shop where business owners can find people from banks offering micro capital, state agents from regulatory bodies offering information and guidance on government policies. This will cut out informal costs to businesses, and make the process of setting up a business smoother for entrepreneurs.

"I will advise setting up a 360-degree business incubation system offering new ventures access to resources they need, all under one roof."

Maryam el-Rufai, CEO,
Elmar Healthcare



Elmar Healthcare Nig. Ltd



Bature Brewery Pioneers of Craft Beer in Nigeria

How did it begin?

For over 12 years, Kevin has delivered projects across Africa and Asia for international funders in some of the most difficult environments. Kevin has worked across South Korea, Afghanistan, and Tanzania, but now focuses on West Africa. He has significant networks in Nigeria, Liberia and Ghana, across investment funds, industry leaders, fast moving consumer goods sector, government institutions and international organisations.

In his previous role he led a \$12m consultancy project in Nigeria covering business and investment regulatory reform. Highlights include working with the Nigerian Senate and Executive on the passage of the Competition Bill, the National Collateral Registry, and tax harmonisation. Together these reforms curb anti-competitive practices, open up access to finance and reduce the tax burden on over 1.5 million small and medium size businesses.

In his latest role, he led a proposal to secure a USD \$10 million advisory fund for UK clients operating in the cocoa and sector in Liberia.

Kevin prides himself on adapting to the local environment to get things done and achieving great results.

He graduated with a 1st with Distinction from University College London in Research Methods, and currently heads Bature Brewery, West Africa's

first craft brewery, turning a small start-up into an expanding business in an exciting and innovative environment.

What are the top three things you like about doing business in Nigeria?

The first thing I like about doing business in Nigeria is the growing consumer market. Secondly this growing consumer market has diverse demand, and thirdly this demand can range from high-end luxury to staples.

What are the top three things you dislike about doing business in Nigeria?

First thing is that the banking facilities and procedures are out of date across the sector. There are high banking fees, bureaucratic processes, poor platforms and payment systems. It is an uncompetitive banking sector, with a lack of standard trade support such as, trade finance accounts, short term overdrafts, distributor accounts.



"Nigeria is a growing consumer market with diverse demands."

Kevin Conroy
CEO, Bature Brewery



Secondly, the access to forex and fixed exchange rate damages trade and the ability to both import equipment and procure inputs when required. It does not reflect the true value of the naira, or encourage the repatriation of profits and further investment.

Finally, manufacturing regulations (and support sectors) are a barrier for new industry players- for example moving from the cottage industry to manufacturing requires significant regulatory hurdles (plant size, water capacity, land size, perimeter, location zoning) which would not be required elsewhere. Another example is product licensing. Every product variant from the same manufacturer has to be licensed and tested, even if the only variation is a flavouring. This stifles innovation due to costs, unless one producing in large scale.

Do you have any recommendations on improving the business climate in Nigeria?

The government needs to support financial tech innovations and alternatives, reduce the barriers to entry for new players, and support start-ups in the sector.

Secondly, allow the Naira to trade freely on the market, which will increase access to trade forex.

Finally, move from product registration and licensing to product registration and manufacturing licenses, this will make it easier for businesses to expand.

"As a nation, we need to move from product registration and licensing to product registration and manufacturing licenses."

Kevin Conroy
CEO, Bature Brewery

4.2 Paying Taxes

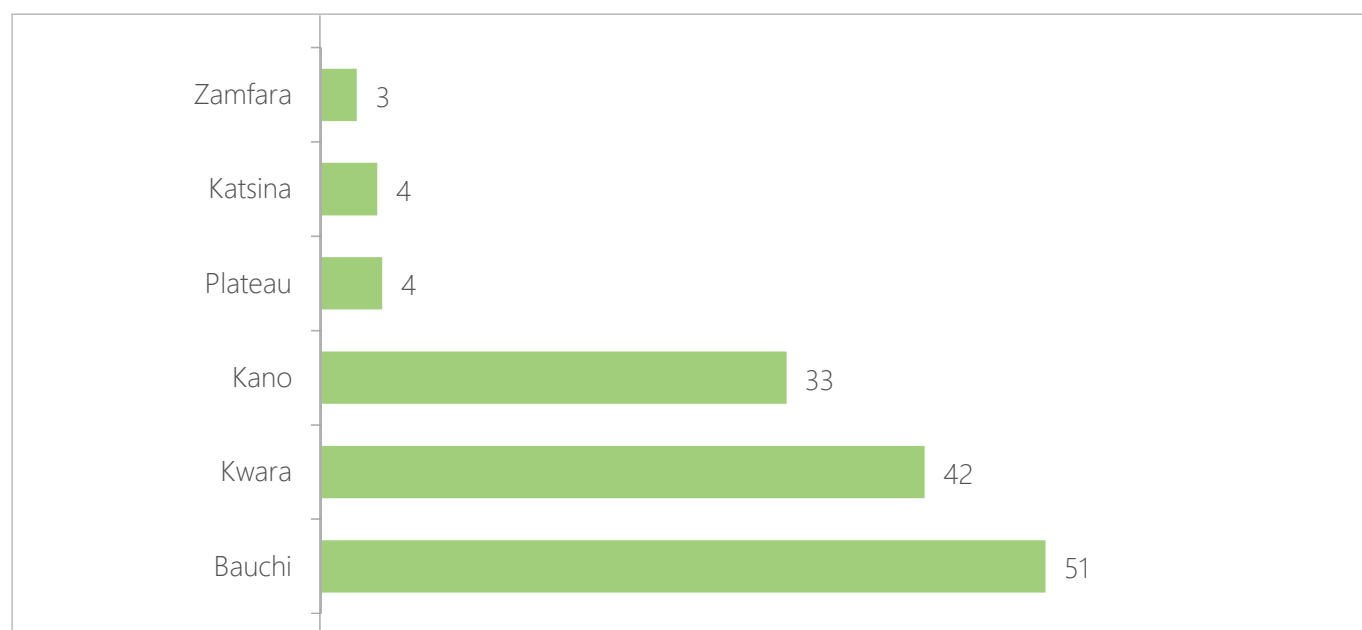
Every individual, whether resident or non-resident in Nigeria, persons in paid employment or in business, or persons who derive their income from Nigeria, as well as companies that operate in Nigeria, are all liable to pay tax. In 2020, the Federal Inland Revenue Service was able to achieve 98% of the government's tax revenue target.⁴⁸ Beyond the increase in revenue from taxes, it is important to analyse the end-to-end tax processes for businesses to understand the improvement opportunities and pain points.

The *Paying Taxes* sub-indicator analyses the time taken to receive the Tax Identification Number (TIN) upon registration, time taken to receive the tax clearance certificate (TCC) after filing taxes, proportion of revenue taxed, number of taxes or levies paid in year, and level of satisfaction of respondents with regards to their knowledge of taxes paid.

The FIRS tax office prepares the Tax Identification Number (TIN) in conjunction with the Joint Tax Board (JTB). Registration for a TIN can be done online through a registration portal or at any FIRS office across the country. The TIN generation process is expected to be real time and, in any case, should not exceed 48 hours after a TIN request has been submitted.⁴⁹ Also, in July 2020, the Corporate Affairs Commission (CAC) announced that upon successful registration of a limited liability company, a TIN would be automatically assigned to the company.⁵⁰

Results from our survey indicate that it takes an average of 19 days to receive a Tax Identification Number (TIN) upon registration across the country.

Average Time Taken to Receive a TIN (Top and Bottom Three States), Days



Nationwide, it can take between 1 and 365 days to receive a TIN upon successful registration of business with tax authorities. Average processing times differ widely across regions – while a business in the South East can get theirs in about nine days, businesses in the North Central can get theirs in just over two weeks (17 days), and businesses in the North East have to wait about a month to receive theirs.

Getting a TIN is fastest in Zamfara, in only 3 days. This is one day slower than the recommended time by the Joint Tax Board. Tax agencies can leverage digital channels such as websites, mobile apps, etc. and automate internal processes to deliver seamless tax processing experience to businesses.

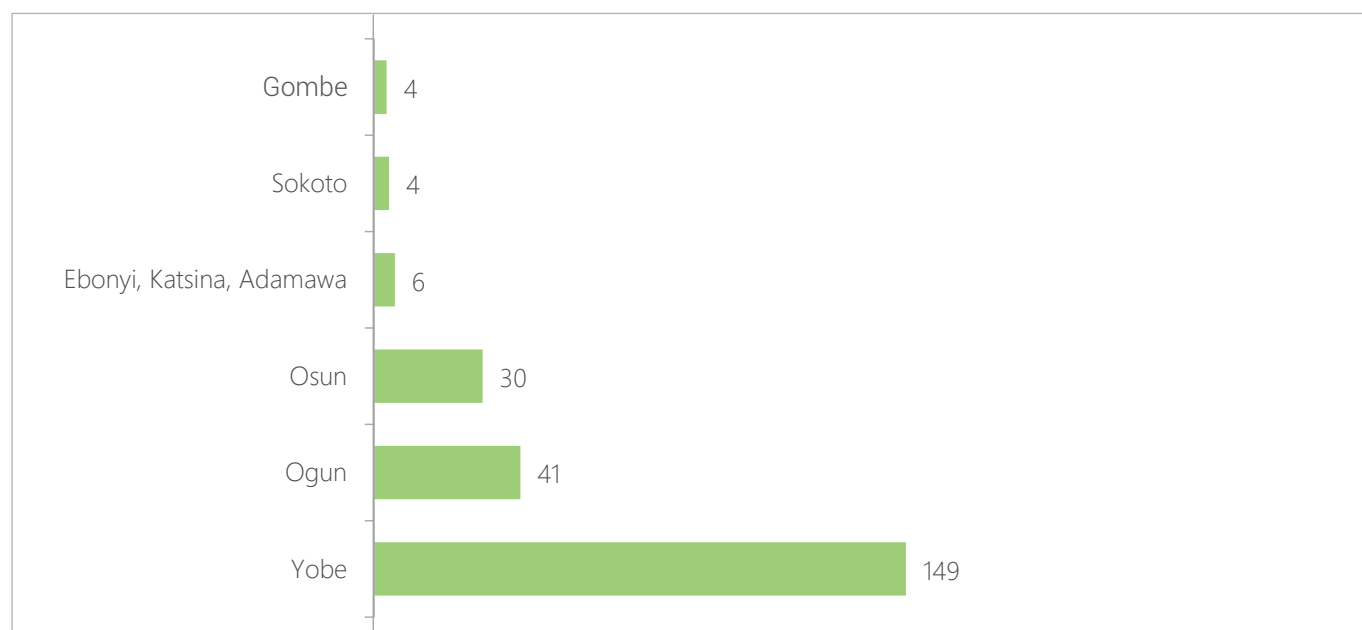
For tax clearances, Section 101 (1) of Companies Income Tax Act (CITA) 2004 states that, "Whenever the Board is of the opinion that tax assessed on

profits or income of a person has been fully paid or that tax is due on such profits or income, it shall issue a tax clearance certificate to the person within two weeks of the demand for such certificate by that person or if not give reasons for the denial.

⁵¹ Nationwide, it takes an average of 20 days for businesses to receive a tax clearance certificate (TCC) upon successful filing of tax returns. This is comparable to the time taken to receive a TIN after business registration but six days slower than the requirement of the CITA.

On the average, TCC can be received in only 13 days in the South East and can take as long as 30 days in the North East. Businesses in the South East record the fastest average time of receiving a TIN and a TCC compared to other regions.

Average Time Taken to Receive a TCC (Top and Bottom Three States), Days



Nationwide, getting a TCC is fastest in Gombe, in an average of only 4 days and is the slowest in Yobe with an average of 149 days or about five months.

Nationally, businesses said that they pay an average of 8% of their revenues as tax. The highest average rate, 10%, is paid in the North Central region, and the lowest average rate, 7%, is paid in the North West. In the South, average tax rates range from 8% in the South to 9% in the South West.

The average tax rate by state is highest in Kogi at 21%. Proportion of revenues paid as tax is generally high in Kogi with sectors such as Manufacturing and Hospitality contributing as high as 25% of their business revenue as tax. In sharp contrast, businesses in Jigawa contribute only about 3% on average, the least in the country.

Tax rates vary widely across the states. The amount of business income paid as tax includes income taxes and a sum of all indirect taxes and levies imposed on businesses. Findings from our survey indicate that some businesses are subjected to multiple taxation by various state-sanctioned agencies and this results in a large proportion of their income being spent on taxes.

According to the National Tax Policy Document, multiple taxation occurs where the tax is levied on the same person in respect of the same liability by more than one state or local government council. Multiple taxation creates a hostile business environment for many businesses in Nigeria.⁵²

On the average, businesses pay five different kinds of taxes per year across the country. Businesses in Rivers pay the highest average number of taxes (9)

in the country, which is three times as many taxes as those paid by businesses in states such as Sokoto, Ogun and Enugu, and almost four times as many as those paid in Akwa Ibom, Osun, Kebbi and Bauchi.

Market traders across Rivers say they are forced to pay multiple illegal taxes by community youths, sometimes under the instruction of state agencies such as the police. This has become a stumbling block to local businesses in the state. These illegal taxes are usually unreceipted and those traders who refuse to comply are harassed with their goods seized. In 2018, the Rivers state government launched the Rivers State Tax Management (RIVTAMIS) to eliminate bottlenecks in tax-related processes as well as to avert multiple taxation in the state.⁵³ However, findings from this survey suggest that this initiative has not successfully addressed the issue of multiple taxation of businesses by illegal tax collectors.

There is a positive correlation between the number of taxes paid and the level of dissatisfaction with knowledge of taxes paid in the South South. Businesses in the region have the highest average number of taxes paid and the highest number and proportion of businesses who are "very dissatisfied" with the knowledge of the taxes they pay.

In explaining the associated costs of unclear tax requirements, Seyi Abolaji (MD, Wilson's Juice) has had to spend a part of his working capital on hiring tax consultants to ensure compliance and avoid overpayment. Similarly, MB Abubakar, MD/CEO L&Z

Integrated Farms expressed his displeasure with multiple taxation within and across subnational jurisdictions. He says, "All sorts of tax authorities come to demand tax. Each local government area collects tax; for instance, if you move across all 774 LGAs, you're likely to pay tax 774 times." They recommend the creation of tax agency teams focused on helping SMEs understand tax compliance requirements and procedures.

Nationwide, up to 3 in 10 businesses are dissatisfied with paying taxes, suggesting a lack of clarity on the number, rate and type of taxes, charges, levies and duties that businesses are required to pay by the state. These high dissatisfaction levels make it imperative for tax authorities and state governments to provide more transparency on tax requirements and processes as well as taking a proactive approach to simplifying and eliminating multiple taxation.

Overall, the *Paying Taxes* sub-indicator recorded a total score of 5.37, the lowest under the *Regulatory Environment* indicator. To improve this process

and the experience delivered to businesses, the various levels of government and tax agencies should consider adopting digital channels for tax processes to reduce informal costs such as transport, tips and expended time. These digital channels should provide information in English and the local language(s) and be interactive as well as easily navigable for all users.

In addition, government and state agencies should harmonise tax policies to provide clarity on the number of taxes to be paid and the applicable rates/sums. The adoption of an integrated platform that provides a full view of the status of a registered SME across all relevant state agencies would enhance coordination in the operations and processes of state tax agencies. These recommendations would minimise disruptions to businesses and incidences of multiple taxation.

Case Stories

Seyi Abolaji, MD (Wilson's Juice)

Ore Runsewe, Founder (Arami Essentials)

MB Abubakar, MD/CEO (L&Z Integrated Farms)

Chike Maduegbuna, Founder (AfriNolly)



Wilson's Juice

How did it begin?

Seyi Abolaji is the current MD of Wilson's Juice, a natural beverage company focused on making healthy delicious and accessible juices. Seyi had a desire to start a business that created value, and so along with his brother, Seun, he decided to create healthy drinks and sell in his immediate environment.

After some false starts, and attempting to start several businesses, they started a healthy drinks business with just ₦2000, selling freshly squeezed orange juice in a university kiosk in Otta, that has grown to a company that employs over 40 people, (47% of whom are women, and a workforce all under 40).

Wilson's Juice is very intentional about how they get results, and this is apparent in the company culture, how they hire and they have made their products more accessible. Seyi read an article by Dr Ola Brown that discussed the realities of the Nigerian population, their income and the addressable market size and decided to focus on how to make Wilson's Juice products more accessible. As a result, the company came up with new products and brands to address that market, and since then, one brand in particular has taken over the parent brand.

"I really like that there are so many opportunities in the untapped potential of hard working women in Nigeria"

Seyi Abolaji,
MD, Wilson's Juice

What are the top three things you like about doing business in Nigeria?

I like that there are so many opportunities in the untapped potential of hard working women. In hiring at Wilson's juice we hire for culture fit, not necessarily for experience. Almost by accident, because of the value that we look for, we discovered that we were hiring more women in roles that would typically be male dominated such as quality control, production lead and so on.

In Nigeria, because of the opportunities that abound, you can choose one thing and be excellent at it. At Wilson's we do almost no logistics, but have chosen to tackle one thing and be great at it. In many other countries, you have to sort of be good at many different things, but in Nigeria you can choose what to be excellent at.

Where things aren't good, or convenient there is an opportunity in those inefficiencies. The bad and frustrating parts are what create the opportunities.





What are the top three things you dislike about doing business in Nigeria?

First, that there is absolutely no support from government. You hear a lot about things that the government is doing, but it feels like none if it trickles down. In other countries, you hear of your counterparts and budding entrepreneurs that are given opportunities to create and fail, learn from the failure and create again; all with support and funding to back them up. There are so many young growing companies who are trying to create and generate value but it feels like the environment is rooting for our failure.

The tax agencies and taxes are very vague. When we started the company, we voluntarily went to register the business and pay taxes. Not too long afterwards, the tax agencies came with outlandish bills claiming taxes that we needed to pay. We had to hire a tax consultant to deal with the tax agencies for us. Money that we should be spending on overhead or hiring more people is being spent on hiring tax consultants to sort out issues with the tax agencies.

Across the agencies, it is so ingrained that I, as a business owner, must do something before any work in these agencies are done. And this is cut across NAFDAC, SON etc.

Do you have any recommendations on improving the business climate in Nigeria?

At different business sizes, there are different challenges and problems. Understanding that at each tier and size, businesses that are facing different issues and problems should be treated differently is one step in helping companies to grow. Each tier of organisations that are employing and paying salaries should be treated differently. Categorising each tier could be according to a revenue mark or the age of the business. The government should have goals and expectations of moving companies from one category (or tier) to a higher category. For example at category 1, the company is not paying taxes, in an effort to get the company to a tier 2 where higher revenues are realised and taxes are collected and on and on. This way you know where you are helping or ignoring at each level and tier of business.

Secondly, genuinely, giving an avenue, and putting a system of reporting or whistle-blowing in place such that there are repercussions for agencies not doing their work and businesses not targeted as a result, and Nigeria is not losing talent.

"We need to genuinely provide an avenue of reporting or whistle blowing in place such that there are repercussions for agencies not doing their work."

Seyi Abolaji
MD, Wilson's Juice



Arami Essentials Your Body is a Temple

How did it begin?

Ore was born and raised in the UK, and only moved to Nigeria in 2014. While in Nigeria, she struggled to find healthy, beauty essentials for her hair, skin and body. It was this struggle that led her to discover DIYs or do-it-yourself. It was in the process of discovery that her personal journey became Arami Essentials in 2016.

The Arami brand is focused on educating customers around healthy ingredients for their body and skin. These days, the brand is focused on providing both product and beauty advisory services with a focus on homegrown ingredients while also combining modern day ingredients using standard processes and cutting edge technology.

What are the top three things you like about doing business in Nigeria?

Nigeria is a dynamic place to do business, which makes it fun. It is a type of virgin market. We have been able to pioneer Nigerian beauty products and build a brand that provides an experience to customers; thereby creating a community of users.

Secondly, building a digital brand and connecting with the consumers. In Nigeria, thanks to the rise of Jumia, Konga and co, the rise of e-commerce has made people more comfortable with online commerce. As a brand that sells almost exclusively online, the solid e-commerce landscape has helped the brand to really take off. We have been able to leverage social media greatly, and lean into the fast-growing tech consumer society. In building a brand in a digital age, we don't need to have a physical

shop and as such have been able to build a brand and community making it easy to connect with the consumers.

What are the top three things you dislike about doing business in Nigeria?

The first challenge is the scarcity of high quality packaging products. One of the pillars for Arami is excellence and packaging is a lever for how we measure that. At Arami, we have to source packaging from outside Nigeria and as such we have had to deal with the rise in foreign currency. For example, the GBP traded at ₦250 in 2014 and it's around ₦600 today – more than double in 6 years. Included with this is the scarcity of foreign currency at bank rates as well as the restrictions on foreign exchange card payments. All of this add to the challenges of doing business in Nigeria.

The second challenge is logistics and transportation of goods (both input and output) across the country to consumers. Issues such as low reliability, broken transportation value chain, order fulfilment interruptions, high costs of importation are all costs we have had to transfer to the consumer, which makes them unhappy. There is also the transportation of goods within Africa. It is more expensive to transport goods within Africa than it is

"Nigeria is a dynamic place to do business, which makes it fun."

Ore Runsewe,
Founder, Arami Essentials



to transport from outside the continent.

The final challenge with doing business in Nigeria is power. As an SME, we spend about 5-10% of revenues on power, and alternative sources such as diesel for the generator, which eats into our costs greatly.

Do you have any recommendations on improving the business climate in Nigeria?

First, I will suggest some kind of power facilitation program for SMEs, especially for manufacturers and/or those who have a storefront. Power is the biggest consideration for SMEs when scaling up.

Secondly, a hub that aggregates all support, initiatives and incentives provided by the government, banks and other agencies that are targeted at SMEs to ensure they have all the information they need at their fingertips.

There is always talk of grants or funding available but no idea where or how to find them. This also applies to about business requirements such as taxes. A little while ago we got hit with something that was not clear on what we needed to pay. The FIRS did not provide clear information, and as such we had to hire a consultant to assist with taxes.

However, not all SMEs can afford consultants.

A sector within the tax division focused on helping SMEs understand the taxes they pay, and how they are structured will be helpful. Perhaps SMEs can pay less taxes. One issue we have as a digital business is that proper accounting is not taken into consideration, especially for fees that are paid to us but is not revenue because they are costs passed on to the user such as shipping fees, and as such there is no clarity on what taxes we are to pay.

Thirdly, there needs to be an adaptation of processes to suit the digital business. For instance, CAC registration takes a lot of time. There should be processes in place to manage the registration process and not make it burdensome. In general, the business climate is not designed or adapted for SMEs.

"There needs to be an adaptation of processes to suit the digital business."

Ore Runsewe
Founder, Arami Essentials



L & Z Integrated Farms Nig. Ltd Dairy Processing Company

How did it begin?

MB Abubakar is a dairy farmer in Kano. He was previously a banker, and was involved in setting up some farm and agriculture projects at state and federal levels before opting into farming.

Over a decade ago, his family established the L&Z Farms starting out as a poultry farm. Given the long term investment nature of the dairy business and the difficulty in accessing venture capital, the family decided to start off with the poultry farm (which has a shorter revenue cycle) to generate money and grow the dairy farm.

Initially, milk was sourced from the family's own cows, a 100% natural source and this was gradually expanded to include commercial dairy farmers around town as demand grew. Most of the farmers had established dairy farming as a hobby before turning it into a commercial venture. After exhausting the milk supply from the commercial dairy farmers, the next step was to get pastoral small holder farmers on board. As these farmers were usually nomads, and in order to deliver value to them and the farm, L&Z requested for them to be sedentary.

Being sedentary allows the animals produce more milk and makes it easier and more accessible to extract the milk. Given the success with the

pastoral farmers, L&Z began forming them into cooperatives and introducing bank accounts for ease of payments.

Following the success with the cooperatives, the farm was able to secure a loan from the government to partner on the establishment of milk collection centers where the farmers can bring their animals for their milk to be extracted before going to the processing center. Over time, the farm sought for and received some commercial agriculture credit which was used in expanding the farm and increasing its capacity generation by bringing in modern dairy processing equipment.

Using a loan obtained from Funds for Agricultural Finance in Nigeria (FAFIN), the farm has been able to upgrade its processing equipment to become one of the foremost dairy processing companies that distributes to outlets all over the country, covering the entire dairy value chain, by being producers, processors and marketers of dairy.

What are the top three things you like about doing business in Nigeria?

Most of the positives in the country happen by default. For instance, the size of the Nigerian market, has nothing to do with any policy. The market size

"There is limited venture capital in Nigeria, so it was necessary to generate money from your savings through short term investments."

MB Abubakar
MD/CEO L&Z Integrated Farms





and its vast potential is what dilutes the challenges.
What are the top three things you dislike about doing business in Nigeria?

Local products have much higher tariff – up to 60% – while imported products have tariffs of only 5%. This makes production in the country much more expensive than importation. The same set of importers are also the only ones who have access to forex, while the local producers are barred from access to forex, access to Form M, leading to an oligopoly.

Secondly, there is a lot of multiple taxation happening. All sorts of tax authorities come to demand tax. Each LGA collects tax; for instance, if you move across all 774, you're likely to pay tax 774 times.

Finally, Federal Government agencies are tilted toward revenue generation rather than trade facilitation. Customs, for example, are revenue generators instead of trade facilitators, which will cause industrial development to be a mirage.

The multinationals in this sector are companies that are established in their home countries through cooperatives and then set up in Nigeria to bring in milk.

The agencies are concerned about making money, not improving or providing services. Certification is more about the amount of money you pay than the products. For example, NAFDAC qualifies products based on monies paid. Business sustainability is not encouraged as the agencies just want to kill your business. You might end up packing up and moving to climes that are more supportive of your dreams – I became hypertensive because I ventured into entrepreneurship. And I won't be able to keep this business going with the agencies and ministries continually trying to run me down.

Do you have any recommendations on improving the business climate in Nigeria?

First, improve financing for small businesses. FMO Agric, FMITI, Finance are more interested in supporting large importers. Dairy farmers in Denmark have it easier in Nigeria than a local dairy farmer.

Secondly, address the existing infrastructure gap; for example, the cost of electricity is extremely high.

"If you move across all 774 local government areas, you're likely to pay tax 774 times."

MB Abubakar

MD/CEO L&Z Integrated Farms



AfriNolly Creative Hub Where Tech meets Art

How did it begin?

Chike Maduegbuna is the CEO of Fans Connect Online and the mastermind behind the Afrinolly App. Fans Connect Online is a digital marketing, social media and mobile app development company that focuses on creating platforms around the passion points of youths (15 – 40years) that will enable big brands to reach and engage them. The company provides cost-effective technology solutions that compliment traditional marketing activities.

The idea for Afrinolly came in May 2011 when two members of the Fans Connect Online team participated in Google's 2-day event in Nigeria. Anieto Okonkwo of Google charged the team to pay attention to African entertainment (especially Nollywood) and develop a product that will be relevant for such a growing industry. It was this that inspired the team to build Afrinolly.

Afrinolly Creative Hub serves as the first creators' space for filmmakers, screenwriters, mobile technology developers, animators, musicians, artists, and other creatives in Nigeria. The hub seeks to institutionalise global best practices and integrate the next generation of Nollywood and music artists.

Afrinolly Creative Hub seeks to facilitate exchange opportunities and network development between Africa's entertainment practitioners and between Africans and international entertainment practitioners in the area of live content production and distribution.

What are the top three things you like about doing business in Nigeria?

The demography in Nigeria is a big opportunity for anyone in tech or anyone that can work around the passion points of youths. It is not dependent on the government or the private sector. Our youth have become a 360-degree market.

Secondly, in Nigeria it is very easy to innovate and test your innovation. Once you are able to scale up your innovation within Nigeria, to a large extent you are ready for African market. For example, we have created the creative hub since 2016 to use technology to work with the creative arts to deepen the content and value chain in the industry. Within the 5 years we have been working, we are good to go to any African market. Once you are able to succeed in Nigeria, the chances of succeeding in the rest of Africa is pretty high.

Finally, necessity is the mother of invention when you don't have anything to fall back into you are forced to find your way through. Nigeria lacks the relevant level of government support.

So to succeed in Nigeria, you have to be self sufficient, you must be able to create products and services that can allow you as an entrepreneur





to stay sustainable because things are changing rapidly and you must learn how to respond to those changes. For me, it allows us to pivot. That ability to pivot gives you opportunity to grow in your area.

What are the top three things you dislike about doing business in Nigeria?

There is a big disconnect between the banks and the SMEs. The level of disconnect with the banks is too high - something needs to be done to bridge it.

The second thing is that for the amount of tax we are compelled to pay, the commensurate benefits are less and almost zero. For an SME to graduate to dealing with big brands you are expected to pre-finance a lot of your activities and pay tax such that afterwards, you ask yourself, 'what did I gain?'.

And finally, power. We just concluded a reality show for MTN, and the amount of money we spent on power and generating electricity is unbelievable. Those costs are back-breaking costs

"The demography in Nigeria is a big opportunity for anyone in tech or anyone that can work around the passion points of youths."

Chike Maduegbuna Founder, AfriNolly

Do you have any recommendations on improving the business climate in Nigeria?

Focus on youth empowerment. We have reached the point where we need a creative hub in every state. The youth have the ability to create their own market. Somebody has to warehouse it somewhere and allow people to go use the facilities at a subsidised rate. For example, the youth can be social media influencers but they lack the necessary equipment.

Secondly, those SMEs who have managed to weather the storm will become the reference point. It shows you the depth of what one needs to go through. Right now those SMEs who are doing good need to be isolated and showcased. You need to be able to segregate the different levels of people who are reaching different thresholds so others can learn from them.

"The level of disconnect with the banks is too high something needs to be done to bridge it."

Chike Maduegbuna, Founder, AfriNolly

4.3 Enforcing Contracts

The *Enforcing Contracts* sub-indicator measures businesses satisfaction with the judicial process in states, the timeliness of judicial proceedings and the cost of judicial proceedings to businesses. One of the key anchors of economic and social development is an effective judicial and legislative system.

The judiciary acts as an independent arbiter in enforcing rights in cases where an individual comes in conflict with society by violating its norms, or in cases where individuals have conflict with one another. Of the 998 SMEs surveyed, about 8% of businesses had filed a complaint in a court for breach of law in the past year. Of these respondents, the largest proportion (31%) is domiciled in the North West while only 5% are domiciled in the South East.

The low utilisation of the judicial process for enforcing contracts may be attributed to the associated costs and perceived complexity of the judicial process in Nigeria. Businesses spend an average of 6.3% of their revenue on court costs, which is a high spend considering that these costs are unique and not directly linked to regular operating activities. Businesses in the North East reported the highest spend on judicial costs as a percentage of revenue (8.8%). In comparison, businesses in the South East spend only 3% of their income on court costs. Court costs may include court fees, cost of legal representative(s), settlement costs (if applicable) etc. Across the states and the FCT, the highest court costs as a percentage of revenue was 20%, as

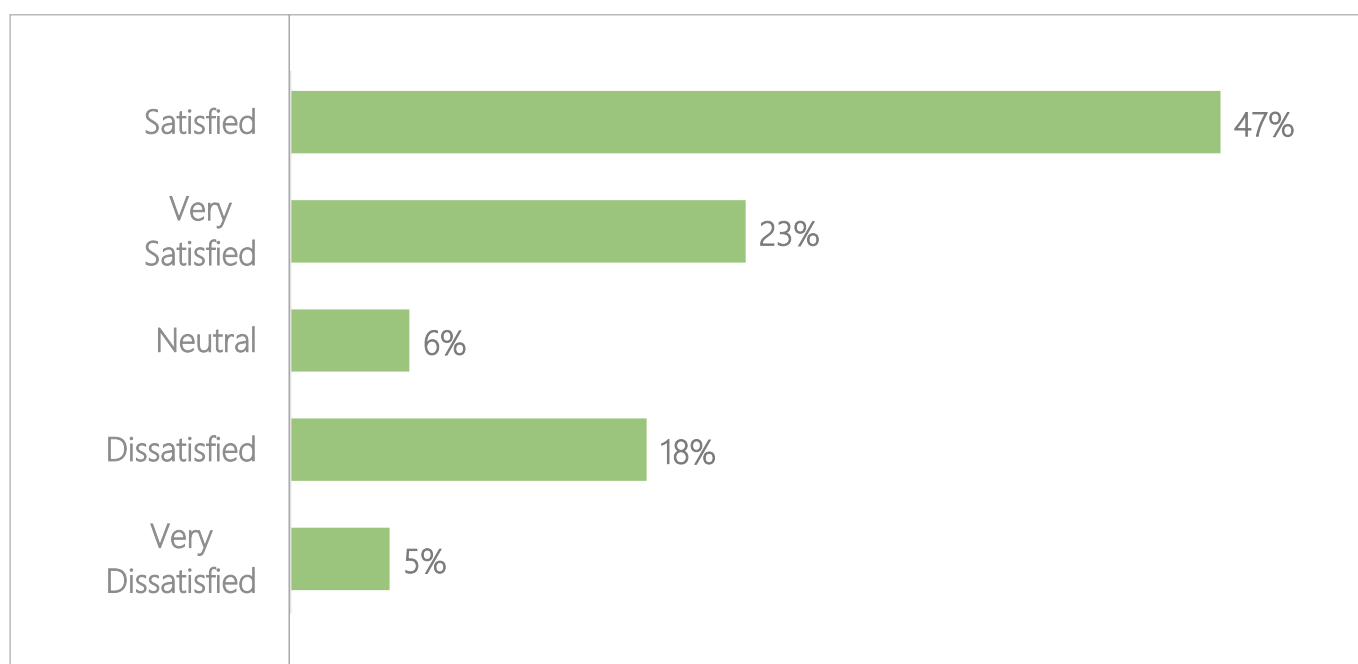
recorded in the FCT. Other states recorded costs ranging from 2% to 10% of business revenue.

Satisfaction levels with the judicial process for contract enforcement received a score of 6.82, and this was the highest contributor to the overall *Enforcing Contracts* score. Nationwide, 70% of businesses say they are satisfied with the judicial process for contract enforcement in their respective states.

Nevertheless, Tayo Oviosu, Founder and Group CEO of Paga, believes that there is still room for improvement. According to him, "Nigeria still has a long way to go in implementing a strong judicial system where the rule of law is efficiently maintained". He also believes that more should be done to unclog the courts and give the business community confidence in the judicial system.

Nationally, initiating and concluding a judicial process takes an average of 16 days, and can range from 4 days in the South West to 30 days in the North Central. The longest duration to initiate and conclude a judicial process is 210 days, as recorded in Kebbi. In the FCT, it takes up

Level of Satisfaction with the Judicial Process



to 180 days (6 months) and an average of 90 days (3 months). While there are small claims courts – whose objective is to provide access to an informal, inexpensive and speedy resolution of simple debt recovery disputes not exceeding ₦5million– in Lagos and Kano, it takes an average of 41 days in Lagos to initiate and conclude a judicial process.

Overall, the *Enforcing Contracts* sub-indicator recorded a total score of 5.65, the fifth highest

scoring sub-indicator out of the 11 spread across the homegrown indicators. To improve this process, governments and the judiciary should continue to re-evaluate the time and associated costs of the judicial process. Some levers and opportunities for improvement include: digitisation of filing procedures, the use of frontloading techniques adopted by some states, virtual arrangements for court sitting and active promotion of alternate dispute resolution approaches.

Case Stories

Tayo Ovosu, Founder (Paga)



Paga Send and Receive Money

How did it begin?

Tayo Oviosu is the Founder and Group CEO of Paga. Paga is a mobile payment company focusing on digitising cash and delivering access to financial services in emerging markets. Nigeria is Paga's first market, and the company is licensed by the Central Bank of Nigeria.

Tayo founded Paga in 2009 when the idea stemmed from his frustration carrying cash everywhere. Paga is similar to Square or PayPal – where the company's products enable individuals and merchants to send and receive money.

What are the top three things you like about doing business in Nigeria?

The enterprising nature of Nigerians. It is amazing to see this at work within a business. Nigerians have grit beyond measure and a "can do" attitude that inspires no matter the obstacles.

The openness to innovation and partnership. The business climate is one where companies are open to innovation and partnerships. New ideas are welcome and you are able to engage in win-win scenarios easily. Nigerians are direct; I've had the privilege of doing business in many countries and one thing that is very different about doing business in Nigeria is that you know fairly quickly where people stand in various matters. Nigerians are relatively direct and open. This makes it a lot easier to do business.

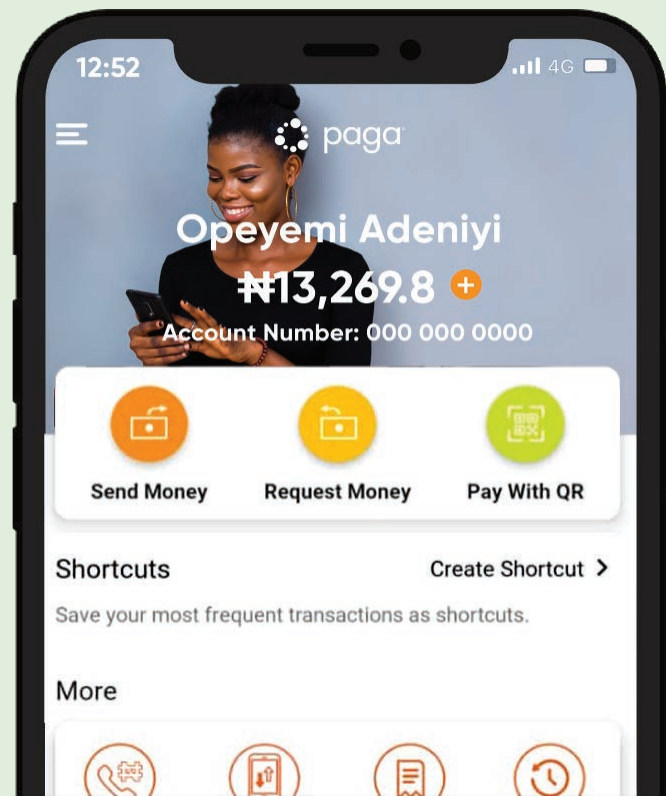
What are the top three things you dislike about doing business in Nigeria?

There are no enforced timelines for government agencies to respond when dealing with government institutions and there are no mandated response timelines for requests. As such, most needing government approval or input takes quite a while to conclude.

The public infrastructure in Nigeria has improved immensely since I moved back to Nigeria in 2008. There is clear progress on roads, power, high-speed internet. However, it is still not sufficient. Companies still have to operate generators and worry about the enabling infrastructure for their business in ways they need to in other markets.

Nigeria still has a long way to go in implementing a strong judicial system where the rule of law is efficiently maintained. This has significant repercussions on the business climate. How are contracts enforced? How do people - government and private sector alike - act when they know laws are likely not enforced? While this is a challenge, people get by it by setting many key contracts such as shareholders agreements etc to be governed by laws of other jurisdictions. This is not good for the business climate.





Do you have any recommendations on improving the business climate in Nigeria?

The top 3 things the Nigerian government can do to improve the business climate in my view are:

First, identify all residents of Nigeria. The National Identity Number (NIN) needs to be expanded rapidly so it forms the core database and source of truth for identity in Nigeria. This will have significant benefits to the business environment. The NIN can be to Nigeria what Social Security is to the United States of America. Nigerians would comply more with the rule of law because they do not want their identity tied to nefarious activities. Additionally, the credit market can open up as there will be consequences for credit.

"Create and enforce timelines for government agency responses...that are communicated to the public and enforced."
Tayo Ovosu
Founder, Paga

Create and enforce timelines for government agency responses. All government agencies should have service level agreements that bind them to respond to any requests within a clear timeline. These timelines should be communicated to the public and enforced.

Strengthen the judicial system. Building trust in the system will mean that cases move expeditiously and there is clear independence of the judiciary. A lot of progress has been made but more can be done to unclog the courts and give the business community confidence in the courts.

"Nigerians have grit beyond measure and a "can do" attitude that inspires no matter the obstacles."
Tayo Ovosu
Founder, Paga

4.4 Land, Property Acquisition & Development

The protection of property rights is a prerequisite for economic growth and prosperity. Access to official information about property rights reduces transaction costs in financial markets since it facilitates the use of real estate as collateral for obtaining credit. Nine out of ten business loans in the country are backed by collateral, often in the form of real estate.⁵⁴ Nearly one-third of SMEs interviewed for this survey cited access to finance, either as the biggest obstacle to their business or a recommendation to government to improve the ease of doing business.

The *Land, Property Acquisition and Development* sub-indicator is represented by the costs, procedures and timelines for registering property. This sub-indicator records the time taken to register business property and to receive a Certificate of Occupancy (C-of-O), the quality of property registration process, clarity of requirements for obtaining a construction permit, the amount spent on obtaining a construction permit, and leasing costs.

Efficient property registration systems have many benefits. Property owners with registered titles are more likely to invest; governments also benefit from an efficient, good-quality registry and cadastral information system. Having updated information on the territorial system is not only essential to evaluate and collect tax revenues; it also facilitates the identification and administration of real estate, which represents between half and three-quarters of wealth in most economies. With updated registry information, governments can also strategically plan the provision of services and infrastructure in their cities, as well as the growth of urban areas.⁵⁵

Registration of business property takes an average of 26 days nationwide. It takes as short as 14 days in the North East, where businesses are most satisfied with the process, and up to three times as long (44 days) in the North Central where businesses are least satisfied with the process. Average time to register a property in the states range from 4 days in Gombe and Enugu (maximum of 5 and 7 days respectively) to 108 days in Benue. Following a similar trend, the process takes as long as a year (365 days) in Lagos, 1.8 years (670 days) in Abuja, and almost two years (720 days) in Benue.

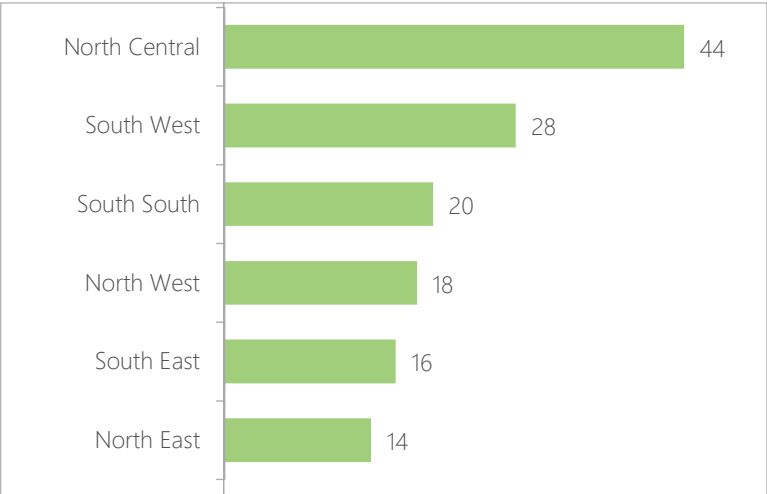
Four in five businesses nationwide register their business property by taking a trip to the registration office. Digital channels, when used, are often used in conjunction with in-office registration; less than 5% of registrations are completed without a trip to the registration office.

Overall, businesses in the North Central and the South East, especially in Ebonyi expressed low satisfaction with the property registration process. Some reasons given for this range from the speed of completing the registration process to the type of channels available for registration.

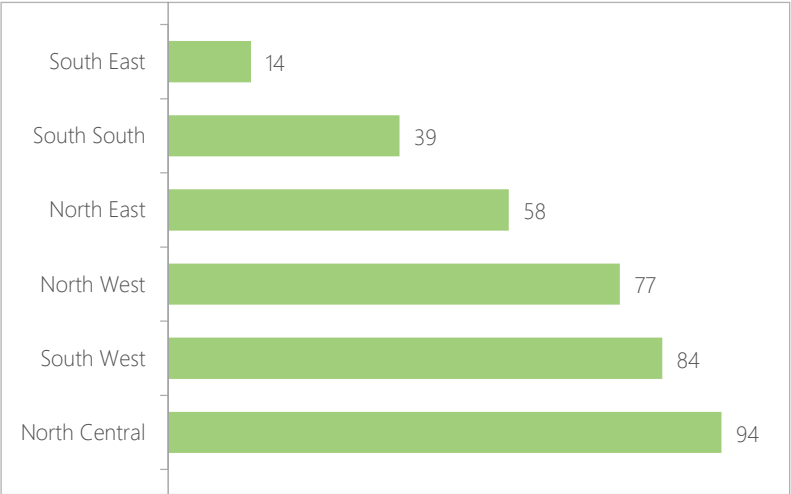
In addition to instituting and enforcing maximum times for which processes must be completed within the agencies, state governments can outline business registration requirements on the state website and enable digital payment and validation of registration costs that will inadvertently reduce the need for visits to the state office.

Forty-nine percent of businesses nationwide say that they own the business premises they operate out of. After registering a property, it takes an average of 68 days or two months to receive a Certificate-of-Occupancy (C-of-O). In some instances, this process can be completed in as quickly as 3

Average Time Taken to Register a Business Property With The State, Days



Average Time Taken to Receive A Certificate of Occupancy (C-of-O) After Property Registration, Days



days in Enugu or 6 days in Katsina. The process takes the longest average time to complete in Benue and Kaduna with completion times of 248 days (eight months) and 189 days (six months) respectively.

To obtain a construction permit it costs an average of ₦101,255. This cost varies widely across states; for example, in Katsina, Sokoto and Delta, it costs on average of ₦17,000 while the average cost is 15 times as much in Kano at an average of ₦268,181. After applying, it takes about 20 days on the average

to receive the construction permit. This activity is completed the fastest in the North East, within 10 days, and the slowest in the North Central, where it can be completed in about five weeks (38 days). Sokoto has the fastest average time nationwide, three days to receive a construction permit, while Benue has the slowest time nationwide – about three months (96 days).

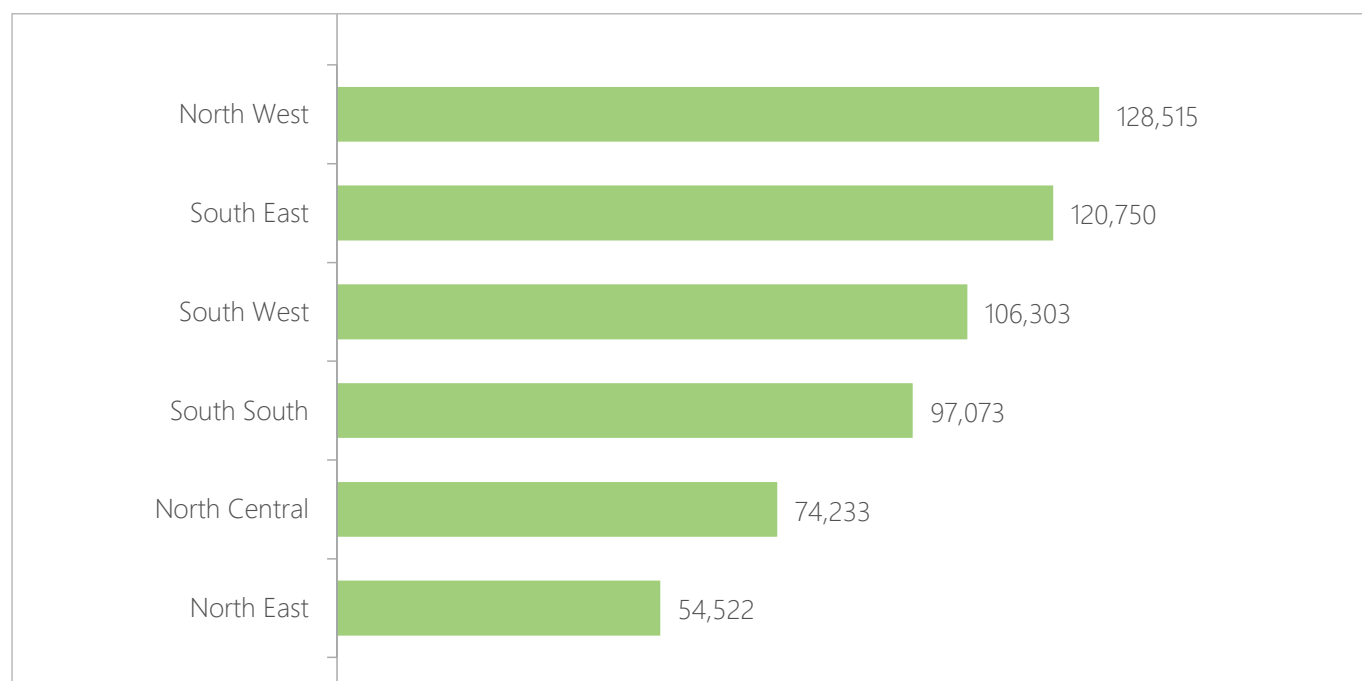
One reason for the quick turnaround time to obtain the permit may be attributed to clarity of requirements for obtaining a construction permit. Other states such as Lagos and Oyo will benefit from providing businesses with better clarity of requirements to minimise the need for intermediaries – a pain point for many businesses. A quick win for state governments in this area, could be to outline registration costs using downloadable infographics and schematics of the costs and all the processes required to obtaining a construction permit on the state websites.

Over half of businesses lease their business premises, and to do so, they spend on the average, an additional 9.9% of the cost of lease on additional

leasing fees such as legal fees, real estate agency fees and security deposits. The excessive average additional cost of lease in the South South is driven by the rates in Edo, Rivers, Akwa Ibom and Cross River, which range from 13-16%. The lowest proportion of additional costs incurred are paid in Yobe (0.5%) and Sokoto (0.7%). In Kogi, additional fees are as high as 18.3%, and in Ekiti, 20.0%; in Lagos and the FCT, lessees pay 8.7% and 18.3% of the cost of lease respectively.

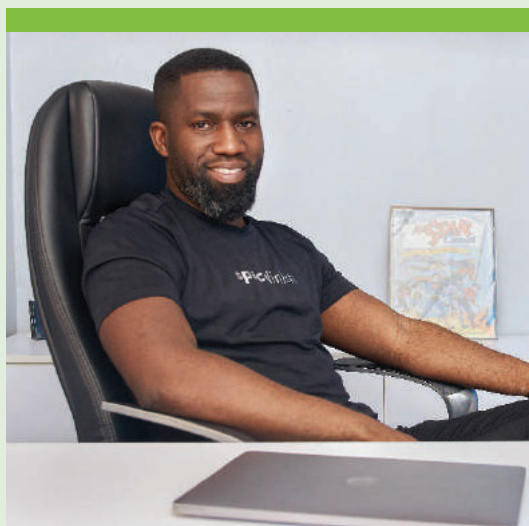
Some additional recommendations that can be implemented across Land, Property and Acquisition Development include the adoption of an integrated digital system to maintain a full view of all applications and their statuses. This should also allow businesses book application and/or inspection appointments. By reviewing the business application journeys and internal processes, state agencies can set reasonable timeframes within which officials should complete registration tasks and activities.

Average Cost to Obtain a Construction Permit (₦)



Case Stories

Remi Dada, CEO (Spacefinish)



Spacefinish Office Fit Out

How did it begin?

Remi Dada is the founder, and CEO of Spacefinish, a design company reimagining spaces to improve the quality of life. Prior to founding Spacefinish, he worked with Google and Youtube where he led the Sub-Saharan Africa team to successfully localise products like Google Search and YouTube for the African markets.

Having found Spacefinish, Remi has spent the past five years leading the Spacefinish team in developing some of Nigeria and Africa's most innovative and human-centered spaces such as the International Airports in Port Harcourt and Lagos, the first-ever Google Developer Space in Africa, the PwC Experience Centre and Andela's Epic Tower amongst many others.

What are the top three things you like about doing business in Nigeria?

In Nigeria, it is easy to identify business sectors ripe for disruption with technology.

Secondly, the growing number of Nigerians coming online provides great massive growth opportunities in the near future.

Finally, poor infrastructure in the country provides the opportunity to sell infrastructure service solutions. This presents an opportunity to strategically become a bridge between Nigeria and global players looking to enter the market.



What are the top three things you dislike about doing business in Nigeria?

There is a difficulty in accessing talent who can compete on a global scale here in Nigeria. Secondly, corruption blurs the line of business ethics. And finally, the volatile economy with devaluation of local Naira currency makes doing business in Nigeria, hard.

Do you have any recommendations on improving the business climate in Nigeria?

Firstly, good governance, policies, and regulations that will create an enabling environment for the private sector. Secondly, massive investments in the education system to create graduates with skills relevant for the global market.



New look of Port Harcourt International Airport



There needs to be innovation / disruption of archaic sectors to reduce the grip of corruption in the private sector. Finally, modern and visionary leadership in the government to make strategic investments in future proof sectors.

"There needs to be innovation / disruption of archaic sectors to reduce the grip of corruption in the private sector."

Remi Dada
CEO, Spacefinish

spacefinish^h



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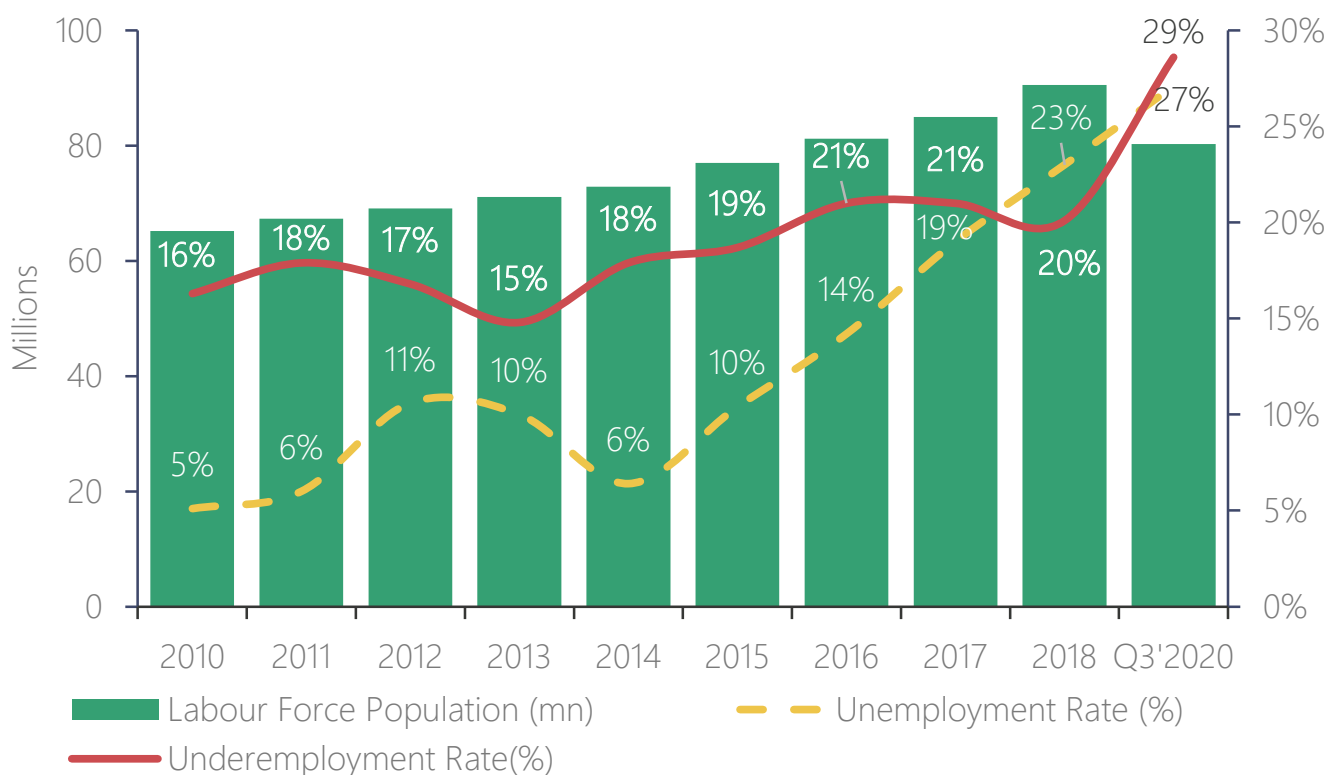
SKILLS AND LABOUR

5.0 SKILLS AND LABOUR

Small and medium scale enterprises are recognised as an instrument of economic growth and development. The SME sector is the backbone of major developed economies, as well as important contributors to employment, economic and export growth. According to the Nigeria Bureau of Statistics, small and medium scale enterprises (SMEs) in Nigeria have contributed about 48% of the national GDP in the last five years. With a total number of about 17.4 million, they account for about 50% of industrial jobs and nearly 90% of the manufacturing sector, in terms of number of enterprises.⁵⁶

While the country may seemingly have a large pool of human capital, SMEs often face challenges with attracting skilled talent. Training and development can be costly for businesses which also face the risk of attrition after investing in employees. In some cases, they seek the same level of highly skilled workers as larger employers but are unable to offer the same salaries. Significant government funding and support will be required if the country is to fully mine the potential of its youthful human capital to drive the SME engine and make Nigeria's economy a competitive force.

Labour Force, Unemployment and Underemployment in Nigeria



Source: National Bureau of Statistics



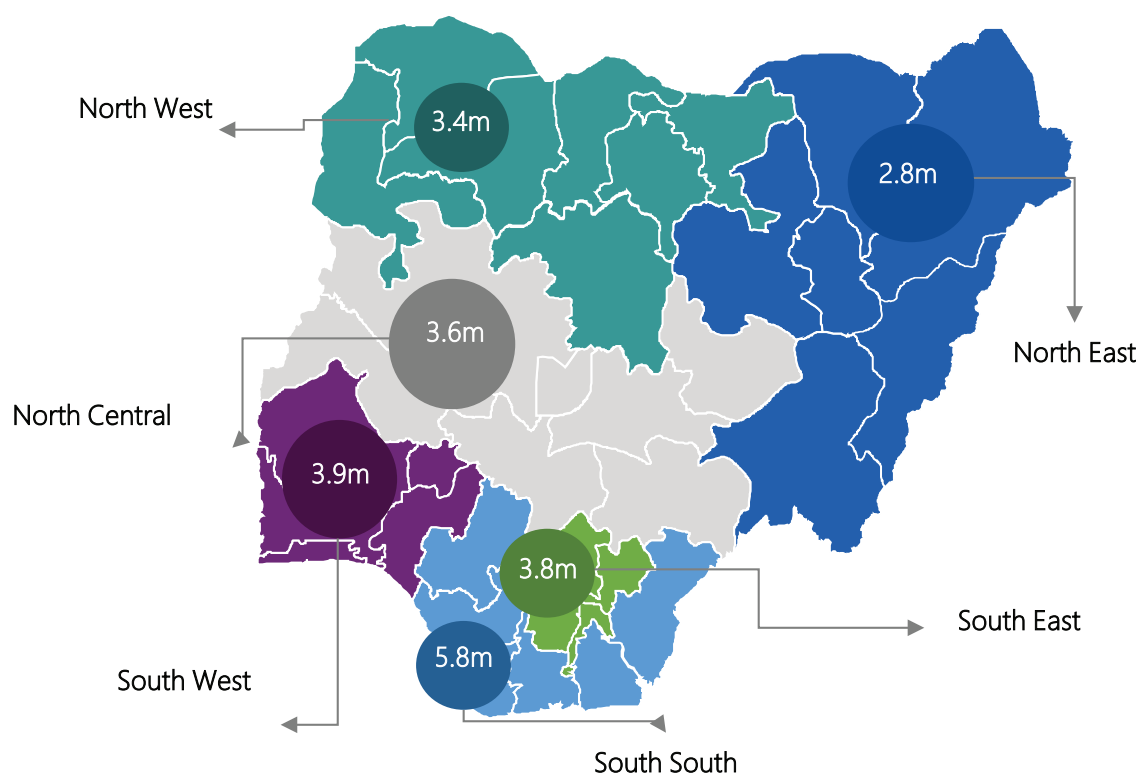
The *Skills and Labour* indicator assesses the accessibility and availability of talent in the state, and the presence of state structures to ease access to talent. This indicator has only one sub-indicator:

- *Technical and Professional Skills*, represented by the existence of a job centre/labour directory or registered skilled, semi-skilled and unskilled persons. This sub-indicator records the awareness of state recruitment agencies/talent database, the use of the state recruitment agencies for recruitment, the proportion of a business' talent pool sourced from within the state of operation and the

level of satisfaction with the availability of key talent in the state.

The overall score for *Skills and Labour* is 6.03, which is the score recorded by the *Technical and Professional Skills* sub-indicator. The South West region recorded the highest score of 6.63 for skills and labour. Ekiti leads, while Osun trails with 8.09 and 6.66 respectively. Generally, there seems to be state-provided structures to facilitate ease of access to talent.

Distribution of Unemployment in Nigeria Q4'2020



Source: National Bureau of Statistics

5.1 Technical and Professional Skills

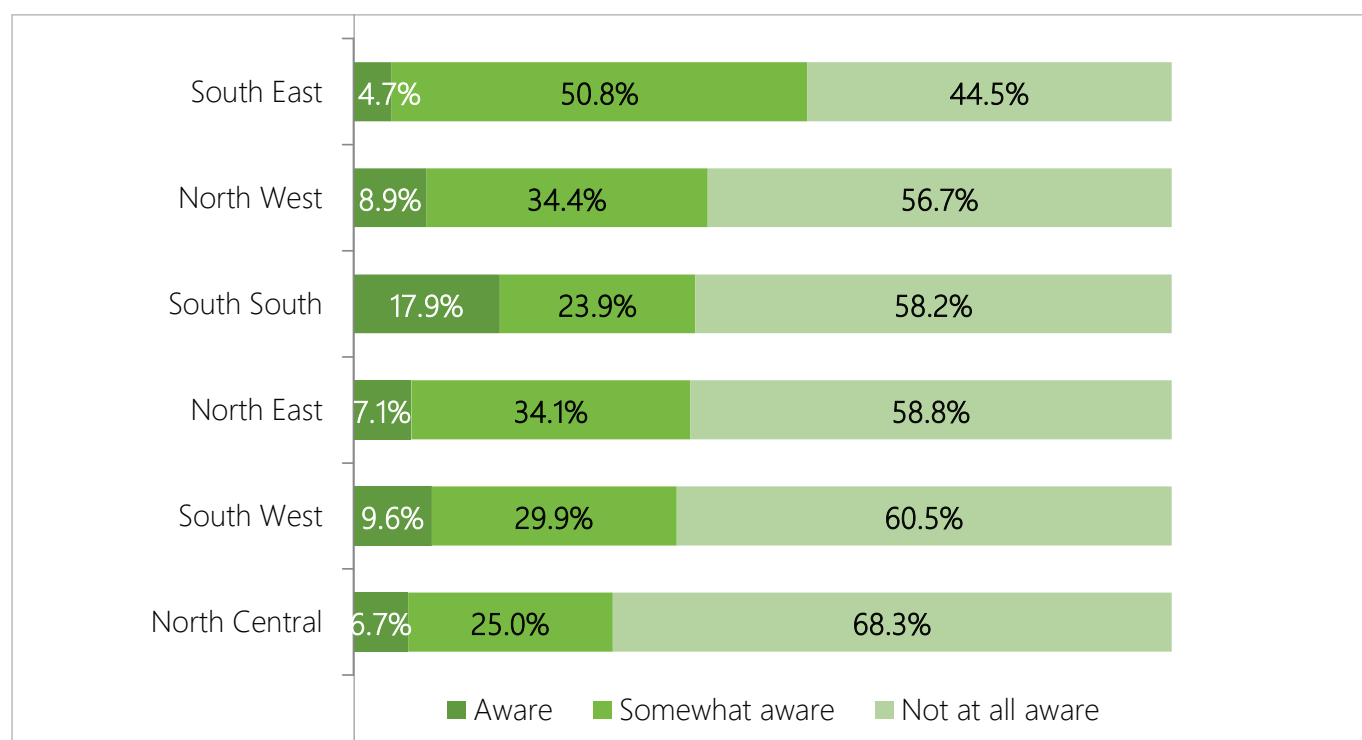
SMEs nationwide are not actively aware of state recruitment agencies/talent databases in their states of operation. In almost half (17) of the states, businesses have not or do not access a state recruitment database. The reasons for this range from unavailability to low relevance to the business, or simply lack of awareness of such databases where they are available.

With the continuously growing number of job seekers across all states in the country plus the FCT, it is expected that businesses should be able to source a large percentage of their required talents from their state of operation. Findings from our survey reveal that less than half (43%) of employees

in SMEs nationwide were sourced from their state of operation. This figure may differ by state and by business. For example, up to 91% of the talent in a business in Oyo were sourced from within the state, and in Kwara, this proportion goes up to almost 95%. This suggests that these states may be achieving talent sufficiency.

Across the regions, businesses in the South West region and the North Central region sourced 61% and 50% respectively of their talent needs from within the state. However, the South East-based businesses reported sourcing only an average of 16% of their talent needs from within the state. While in most states, the proportion of employees

Awareness of a State Recruitment Agency or Database



sourced from within the state were double-digits, states such as Enugu, Borno, Zamfara, and Ebonyi recorded single digit proportions as low as 4%, 4%, 5% and 6% respectively.

Nonetheless, there are more important factors that businesses and recruiters look out for in candidates/prospective employees other than their location of residence. These factors may range from quality of skills possessed and educational background to subject matter expertise, and in some cases physical fitness for labour-intensive jobs.

Attracting and nurturing talented workforce is becoming of increasing importance to both public and private sector organisations. The 2019 Global Competitiveness Report by the World Economic Forum concluded that Nigeria scored 30.5%, 24% and 30% in quality of vocational training, critical thinking in teaching and skillset of graduates respectively. This highlights the low skill levels of Nigerians relative to comparator countries. Another statistic shows that only 40% of Nigerians have digital skills. These skills gap limits potentials for business and economic growth. To improve the ease of doing business, none of these areas can be neglected.

Ahmad Modibbo, Co-Founder of Northeast Humanitarian Hub, is of the view that the country has a large talent pool that can be developed. For example, the Hub supports young people with start-up advisory and solution ideation/co-creation. In the same vein, Olugbenga Agboola, CEO and co-founder of Flutterwave, believes that Nigeria has some of the best talent in areas such as tech, business, sales and marketing, and that foreign organisations are going through the hoops to poach Nigerian talent. He suggests that all hands should be on deck in supporting solutions that produce top talent in the country.

The national and state governments will need to continue to roll out initiatives to harness the country's talent pool and manage the threat posed by human capital flight to other countries.

Case Stories

Iroghama Obuoforibo, CEO (Hairven &
Starzs Investments Company)

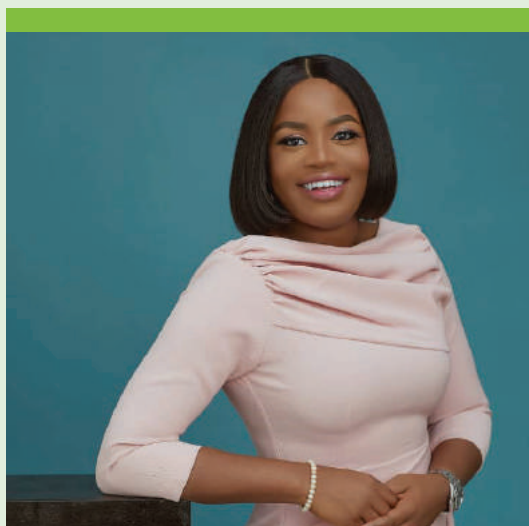
Demi Owoseje, Founder (Majeurs Chesterfield)

Olugbenga Agboola, Co-Founder (Flutterwave)

Ahmad Modibbo, Co-Founder (Northeast Humanitarian Hub)

Dr. Nasra Ali, MD (Kaldi Africa)

Haowa Bello, Founder (Madam Coquette)



Starzs Investments Company Ltd

How did it begin?

Iroghama Obuofoforibo is the Managing Director of Hair Hairven Limited. She is an entrepreneur with over a decade's worth of experience in high-impact positions across industries. She holds a first degree in Biology and Psychology from the University of Massachusetts, Boston and a Master of Science degree in Public Health and Health Promotion from Brunel University, London.

In 2010, Iroghama founded Hair Hairven Limited, a company which manufactures hair care products for the maintenance of hair extensions and natural hair. She heads strategy and business development for the beauty brand. The mission of the company has been to focus on unaddressed hair care concerns faced by women ranging from DIY weave care to growing healthy relaxed hair. The company has grown into a one-stop-shop lifestyle brand in the city of Port Harcourt, establishing multiple branches of "The Hairven Hair Bar Salon" and "The Reiki Spa", a rejuvenating day spa.

In addition to her role at Hairven, she serves as CEO of Starzs Investments Company Limited, a marine logistics company that provides vessel services to oil companies. She also serves as Executive Director at Eaglewatch security company, a security company established in 1999 which provides professional security services.

She is passionate about mentoring and capacity development. She voluntarily offers mentorship to young female entrepreneurs in a bid to contribute to advancement of the Nigerian economic ecosystem.

What are the top three things you like about doing business in Nigeria?

I like the fact that Nigeria is an emerging market, so there are a lot of opportunities. You can find an opportunity in literally everything. Even if it is an existing type of business, there are other ways you can distinguish yourself and your own business. There are opportunities everywhere and you can take advantage of them.

I also like the market size. There is a middle class that has emerged over the last few years which has further expanded the different categories of products that one can take into the market. The size of our market is also something that is of value to any business or entrepreneur in Nigeria.

Another thing that I like about doing business here is that the cost of labour is relatively affordable, considering that other aspects of doing business is relatively high so that helps to balance things out for a business owner.

What are the top three things you like about doing business in Nigeria?

I don't like the type of work ethic we have in Nigeria. Human capacity is very poor, and that is from skill to work ethic to competence to integrity. All those things, put together, can pull a business back. For instance, if you set up a business and you want



to expand to other branches, you will need to put structures in place in the first branch, train staff etc., but you find that it becomes hard to replicate the same structures and processes across board.

Secondly, the lack of raw materials or input into businesses for any sector, manufacturing or service related. I own two salons and a spa, and it is hard to get good quality materials and products for the businesses. We don't make anything and I don't like that about Nigeria.

The bureaucracy of the processes, which to a large extent has improved relatively over the last few years is still an issue. For example, taxes, CAC, and NAFDAC processes. When I had to get a NAFDAC certificate, it took us over a year to complete the process. Simple things such as trying to get licences to run your business or encountering multiple taxations at the state and federal levels are make the ease of doing business a bit tough.

Do you have any recommendations on improving the business climate in Nigeria?

First of all, simplifying processes and moving them online. This period where we have been in lockdown was very nightmarish for a lot of businesses. Especially those that had government processes that needed to be concluded. For example, because of Covid-19, CAC had a policy of not letting people come in to their offices, meanwhile they had not put the processes in place for businesses to be able to access their services remotely. So obviously, corruption kicks in because you have to pay someone, and there are delays upon delays. I would definitely say take more processes that businesses are required to follow online, that would make doing business a lot easier.

On the issue of human capacity, we don't have technical and training colleges anymore. As an employer you are employing these people who know nothing and are relying on you as a business owner to train them. Not everyone needs to go to universities, we need training schools and technical colleges to bridge the technical gap in the country.

Finally, more attention needs to be given to the resources of the country. What do we have, and how do we mine what we have?

What inputs do we need to grow our industries? As a country, we need to create fiscal policies and an enabling environment that will enable the private sector and encourage them to invest and do business in the country. They need to know this is what it will take and this is how they will get their money back. This will begin to feed other sectors and industries in the country.

For those resources that we don't have but we want the industries to thrive, how can we encourage them? For example, asking that ship builders build ships in Nigeria. One of the resources needed for that is steel, but we do not manufacture steel in Nigeria. Let us assume that it will take some time to resurrect the defunct steel plants, will the government make importation of steel tax free? Making it easy for the industry to thrive, as opposed to trying to make money off it, will encourage the industry to grow. If this steel is able to come in, a whole industry will emerge in the country and make the country a hub, and the benefits to be realised from that are far greater than slapping a massive tax policy on the importation of steel.

"We need to live by example in our own sphere of influence to improve the work ethic in this country."

Iroghama Obuoforibo, CEO
Hairven & Starzs Investments Company



Majeurs Chesterfield Where Traditional Meets Contemporary

How did it begin?

Demi Owoseje is a professional architect turned furniture manufacturer with over 8 years' experience in furniture design and build. She worked as an architect for several years before deciding to venture out and follow her passion for manufacturing. She holds a BSc degree in Architecture from London Metropolitan University in the UK and is currently in Nigeria, establishing her company Majeurs Chesterfield as a leader in good, sustainable furniture manufacturing. She is a certified leather and upholstery expert hired to work on projects for some of England's high profile individuals.

Majeurs Chesterfield is now a brand known both in England and Nigeria for its high-quality innovative designs. With its seamless blend of traditional and contemporary pieces, Demi has been able to infuse her creativity with conventional designs, training her team of local artisans to create quality furniture for her discerning clients who are increasingly demanding better quality craftsmanship.

The brand, which has barely been present in Nigeria under 3 years, has achieved multiple milestones. Demi is a part of IDAN (Interior Design Association of Nigeria) and BNI networking organisation with around 233,000 members in 8,399 local chapters worldwide. They have designed and built furniture for some dignitaries within Nigeria as well as filled many homes and creative spaces with their work.

She has been able to master the art of providing unique furniture solutions to businesses and homes that seek ways to create functional spaces using quality furnishing that is both functional and affordable.

She is passionate about manufacturing, training young individuals the art of good craftsmanship. In line with her corporate passions, she is involved in a number of pro-bono activities mentoring young men and woman in entrepreneurship.

What are the top three things you like about doing business in Nigeria?

The weather. It provides such a sunny disposition, especially coming from gloomy England.

Secondly, the determination and ambition of the average entrepreneur to survive. The appetite for success is significantly apparent everywhere we go. And finally, the scale of the population creates an excellent potential for success. The market is undoubtedly apparent for every business and every sector.

"The determination and ambition of the average entrepreneur to survive...is significantly apparent everywhere you go"

Demi Owoseje
Founder, Majeurs Chesterfield



What are the top three things you dislike about doing business in Nigeria?

Firstly, the lack of support or incentives from the government. Secondly, the lack of talent, skill or craftsmanship availability within the market. Finally, the high cost of power consumption in the average business; about 30% of revenue is spent on power generation alone.



Do you have any recommendations on improving the business climate in Nigeria?

The manufacturing sector needs tax breaks that are adequately implemented on the ground, for small businesses to break through. Additionally, the government needs to lower the cost of importing raw materials that are not vastly manufactured locally. Finally, we need to reduce the cost of bringing in expert hands for the sole purpose of training locals regularly.

"We need to lower the cost of bringing in expert hands for the sole purpose of training locals regularly"

Demi Owoseje,
Founder, Majeurs Chesterfield



Flutterwave

The Online and Offline Payment Platform for Businesses

How did it begin?

Olugbenga Agboola is the CEO and co-founder of Flutterwave. The idea of Flutterwave is that of a study in defiance. It started as early as 2011 and became a reality in 2016 as he and his co-founder started on their mission to solve the pain point of the fragmented payments ecosystem on the continent.

Sending money from one country in Africa to another was extremely difficult. Many times, the process would take you through other countries just to move money from Ghana to Kenya. This was a problem and an opportunity for the continent to open its economy to the world.

Businesses and individuals on the continent needed a way to sell themselves and their craft to the world, whether as freelancers, small business owners or as startup entrepreneurs. The Flutterwave team sought to bridge that gap and 4 years later, the mission is a success.

What are the top three things you like about doing business in Nigeria?

The people. There are few places where you will see people as dedicated to their craft as in Nigeria. A lot of startups and industries are running and breaking boundaries as a result of the determination of the people. For example, the fintech and entertainment industries in Nigeria have thrived through hard work, determination and consistency to build something out of nothing.

The Community. Beyond the people, there is a strong sense of community in the Nigerian business community. Every entrepreneur knows that you will go further with partnership and collaboration, and we have a strong sense of collaboration in our community. At some point, you will need advice from a few people or even a recommendation. We see this everyday in our very community; friendships and support that make the journey easier for entrepreneurs.

The Tech. Nigerian entrepreneurs and the business climate is embracing technology at an impressive pace. Before the lockdown went into full effect, before Covid-19, a lot of small, medium and enterprise businesses were already figuring out how they were going to integrate our solutions to start receiving money online. This intentional push to embrace technology is opening up a lot of doors and opportunities for businesses. A great example is one of our merchants, Medplus, who was able to pivot and expand its online presence when the lockdowns were put in effect.

What are the top three things you dislike about doing business in Nigeria?

Firstly, the poor credit system for small businesses. Small businesses are the lifeblood of this country. As a company, Flutterwave creates products that will suit all sizes of businesses and solutions that



will grow their revenue. For smaller businesses however, they need capital to start. Access to capital needs to be more readily available for them and the existing credit solutions continue to provide as much support as they can in the hopes that the demand and supply for credit will be fulfilled.

Secondly, the government needs to increase work in logistics. This is very important for the e-Commerce infrastructure the Nigerian business climate is building. Doorstep deliveries cannot be possible without an integrated, efficient country-wide solution. While there are organisations trying to bridge this gap, the lack of a robust logistical infrastructure makes it difficult.

Finally, there is a talent pipeline gap. As a business community, we can do more to ensure we produce and retain more talents. Nigeria has some of the best talent in tech, business, sales and marketing that foreign organisations are going through the hoops to poach Nigerian talents.

We should be open to supporting solutions that produce these talents; it goes a long way to build

the ecosystem. The world is running mainly on innovation and we need the best brains to move mountains.

Do you have any recommendations on improving the business climate in Nigeria?

First, improve the credit system through legislation and technologically-enabled business solutions. Secondly, creating and supporting more Andelas and Terragons in various other fields, careers and industries other than tech but not excluding tech.

Finally, support from the government towards growing the existing infrastructure in the society not limited to logistics, but power, and other factors that will improve the ease of doing business for entrepreneurs. There is quicker growth and spur of innovation when there is a buy-in from all the stakeholders in the ecosystem.

"Support from the government towards growing the existing infrastructure in the society not limited to logistics, but power, and other factors that will improve the ease of doing business for entrepreneurs."

Olugbenga Agboola
Co-Founder, Flutterwave

"There are few places where you will see people as dedicated to their craft as in Nigeria."

Olugbenga Agboola
Co-Founder, Flutterwave





Northeast Humanitarian Innovation Hub

Innovative solutions to
the challenges faced
by communities in
North-Eastern part of Nigeria

How did it begin?

Ahmad Tijani Modibbo's journey into the field of social innovation and technology is one which began as a young boy's dream of jetting off into space someday as a NASA astronaut. This journey has been paved with the many twists and turns of navigating the economics of being an innovator. He is the co-founder of the Humanitarian Innovation Hub and Foundation; an NSIP-Hub, a private sector driven initiative aimed at promoting socio-economic and regional development through the innovation and technology ecosystem.

The Hub is a novel idea aimed at spurring collaboration between the public, private and social sectors. Their social impact journey has been a rollercoaster ride of highs and lows as they have taken on the challenge of building a sustainable business model through the shared synergies and interests of the three main drivers of the economy for lasting impact.

Located in Northeast Nigeria, the hub's driving goal is to rebuild the conflict affected regions by utilising technology and innovation to spur growth and entrepreneurship especially among the youth. Thus, ensuring community ownership, creating jobs for the youth, improves the society, and avoids a recurrence of the insecurity and instability that affected the region.

What are the top three things you like about doing business in Nigeria?

First is the digitisation of basic needs. Essentially there are some services that you are able to do without having to go to offices directly, for example, the banking system in Nigeria is quite advanced and most things can be done online. Some CAC processes and tax processes can also be done online without having to jump from one office to another, and this makes life easier.

Diversity of talent and human capital is another thing. In Nigeria you find a vast majority of people with different talents. Sometimes, attitude does play a part but as one goes on, you are able to find a high number of people who are willing to learn and prove themselves even if they are not experts in the field in question. This creates a very large talent pool with those who are willing and ready to push through, which makes it easier. Especially for my business where we help the youth with their businesses to start up and cocreate and ideate solutions, it works great for me.

And finally the potential and opportunities. With the challenges we face in the country, all these present opportunities even if you want to make pure profit and not social impact. For every challenge you see, there is ample opportunity to create a business out of it.

"There is a high static inertia to technology and innovation...that makes looking for government support really hard."

Ahmad Modibbo

Co-Founder, Northeast Humanitarian Hub

What are the top three things you dislike about doing business in Nigeria?

The main thing is the lack of support from local actors. There is not a lot of support from the state and local governments. One thing is that they are not able to understand what a hub is, it's a little different from what they are used to so they are unable to understand what the concept is and what you are trying to do.

There is also the issue of pull back from anything technology. So as an entrepreneur, when you try and explain a technology or a solution, for example a technology solution to improve their IGR, as far as they are concerned it is almost as if you are speaking a foreign language to them. Technology to them means you buy a bunch of computers and teach people how to use Microsoft word, which is very far from what it is.

This issue goes hand in hand with the high static inertia to innovation. The Borno state government has been very active and has created a ministry for science technology and innovation, but the same cannot be said for other states. There are very few people in government who understand the concept of innovation and technology but they are like a drop in the ocean. One person may understand, but there are many others that are not open to it. Therefore, looking for government support in innovation becomes really hard.

Especially when you consider that empowerment to them means sharing keke-napep to the guys and sewing machines to the girls. Anything knowledge based is hard for them to understand.

And finally, the unnecessary bureaucracy and bottle-necks of trying to get things done with state agencies. As an individual I may have just shut it down but as a business I have to deliver on my responsibility and make sure that I see this to the end.

Do you have any recommendations on improving the business climate in Nigeria?

First off, it is important there is a reorientation and reeducation around the concepts of technology and innovation to reduce the high static inertia to innovation as mentioned earlier.

Tax breaks for small businesses and companies at initial setup and countering the multiple taxation problem. It is important for start-ups starting at that initial bit to have maybe a few years of tax breaks.

For certain industries if you get in and have pioneer status you enjoy that privilege. But for smaller companies who may not even have the capacity to employ a full time lawyer, and are probably not profitable for the first few years, those tax breaks are very important.

This is because the taxes paid as a small company are ridiculous and with many tax agencies involved, it creates unnecessary frustrations for yourself as a business.

"For every challenge you see, there is ample opportunity to create a business opportunity out of it, even if it is for pure profit and not for social impact."

Ahmad Modibbo

Co-Founder, Northeast Humanitarian Hub





Kaldi African Coffee Home to the best of African Coffee

How did it begin?

Dr. Nasra Ali is the Managing Director of Kaldi Africa Limited – Nigeria's premier specialty coffee roasters. The company has been in business since 2014 and has enjoyed a steady growth.

Their focus is to share the best of African coffee for the African market, by not only providing the best of African coffee but also providing top of the line machinery and much-needed training.

The company is registered with NAFDAC, SON and the Specialty Coffee Association of Europe and America.

What are the top three things you like about doing business in Nigeria?

The first thing I like most about doing business in Nigeria is the accessibility of most regulatory bodies. The regulators are usually willing to help my business when the need arises. Also, the regulators are always willing to discuss and update businesses accordingly on any new matters arising and how these matters may affect businesses.

The second will be the availability of hard working human capital. My business has resilient workers; the presence of these workers has contributed to an increase in our productivity.

Finally, Nigeria is Africa's commercial hub, i.e. the biggest economy in Africa. Hence, its large population provides a market for coffee products. I rest assured that there is demand for my products in the market.

What are the top three things you dislike about doing business in Nigeria?

Customs regulations and charges, as currently practiced in the country, inhibits growth. The charges we pay on our goods coming into the country effectively takes out a large percentage of our profit element. The customs regulation and processes associated with exporting goods out of the country should be looked into by the Nigerian Customs.

Infrastructure deficit is also a major pain point for businesses in Nigeria. Logistics costs associated with movement of goods within the country outweighs that associated with exportation. The cost of financing electricity is too high in the country. I have to use my generator to complement power received from the distribution company. This translates to an unreasonable high provision for electricity every month.

"The first thing I like most about doing business in Nigeria is the accessibility of most regulatory bodies."

Dr. Nasra Ali
MD, Kaldi African Coffee



In addition, the lack of relevant human capital means I have to rely on expatriates or spend more on training.

Lastly, poor access to finance is also a big dislike. The lack of willingness of banks to provide credit to business owners is really discouraging. I think banks should position themselves as financing partners of business owners (both the well-known business owners and the start-ups).

Do you have any recommendations on improving the business climate in Nigeria?

I think the educational sector can be reformed such that students and citizens have access to quality education that factors in 21st century skill requirements. In essence, I believe the national educational curriculum can be more embracing of technical, vocational and digital skills. The spirit of intrapreneurship should also be developed in the minds of our youths.

"One recommendation for the government would be to improve the access for SMEs to finance."

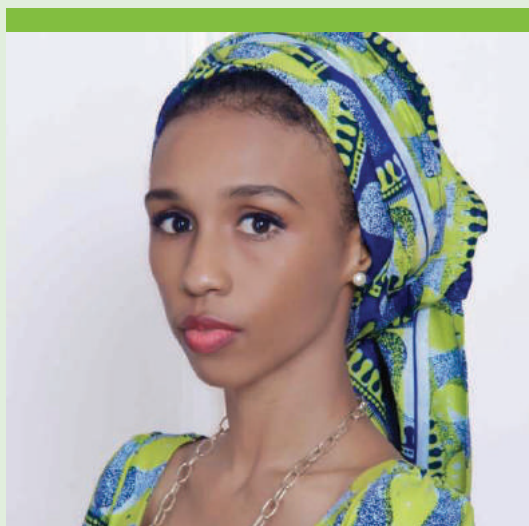
Dr. Nasra Ali
MD, Kaldi Africa

The government should provide more funding interventions for business owners. Businesses suffered from the economic downturn of last year. Hence, the government and financial institutions should create more room for small business owners to access funding.

The government should provide a tax haven for businesses. Tax havens will ensure that funds are channeled into business growth opportunities.

Finally, the government should support local content. The Nigerian Coffee industry is saturated with a lot of well-known foreign brands. The government can do more to protect local brands from unfair competition.





Madam Coquette Couture Leather Goods

How did it begin?

Haowa Bello has always wanted to be a voice for the voiceless. She has always wanted to work with ordinary people to create extraordinary things. In 2008, she got her chance when she started Madame Coquette. She took up the challenge of producing luxury leather handbags in her native Nigeria. With minimal use of machinery, local artisans use traditional tools and techniques to produce a variety of high-quality bags and purses.

In addition to producing locally, the brand was committed to promoting artisanship and skill development in the community. Each piece is hand cut and carefully put together with superb craftsmanship and attention to detail. The label has recorded sales not only in Nigeria, but in North America and Europe. In 2014, Bello set up a small goat farm to study the relationship between animal feed and the quality of skin derived from animals raised in a controlled environment.

Fula Farms came to the conclusion that suggests there is a direct relationship between the quality of leather derived from animals and the quality of care

the animals receive. In addition to studying animal skin, Bello supports and promotes rural women and their plight for economic empowerment.

In 2017, Bello began exploring the potential of dairy farming in Nigeria. Fula Farms works with families in small clusters and has recently set up a cooperative managing upwards of 50 cows. The farm works closely with a group of rural women to produce fresh milk and a specific type of cheese popular in Nigeria. The products are produced and packaged by the women in surrounding settlements

What are the top three things you like about doing business in Nigeria?

There are a lot of gaps in the market which present many opportunities for entrepreneurs. It promotes creativity and innovation; forcing you to think outside the box.

Secondly, Nigeria's high population presents an opportunity for a large market. If you have a product that works, the market is there.

"Labour is limited if it is not skilled."
Haowa Bello
Founder, Madam Coquette



Featured on CNN's
African Voices
in 2015



Finally, there are low barriers to entry into the market for MSMEs. Some might argue this point, but a lot of business have started and are running because of this.

What are the top three things you dislike about doing business in Nigeria?

Firstly, the economic instability places a heavy burden on small businesses. The constant price fluctuations limit the effective planning and make it hard to forecast.

Secondly, there is little to no access to affordable financing and or capital.

Finally, the unavailability of skilled labour is often overlooked. Studies always emphasise Nigeria's large labour force but labour is limited if it is not skilled.

Do you have any recommendations on improving the business climate in Nigeria?

It is important to provide an enabling environment for businesses; this will improve the business climate in Nigeria.

Secondly, the government needs to review policies that support and protect local businesses. Increase the support and initiatives for small businesses that offer affordable and sustainable financing.

Finally, improve the quality of the workforce by investing in more resourcing in all forms of education, from conventional to vocational.

"Nigeria's high population presents an opportunity for a large market. If you have a product that works, the market is there."

Haowa Bello
Founder, Madame Coquette



APPENDIX

APPENDIX

Details on Methodology

The report showcases the attractiveness of the states and regions for SMEs and highlights SME success stories, while reporting on the general business climate of the leading commercial city in each state, identifies and ranks the constraints to, and opportunities for improving business competitiveness across the states.

This report presents its findings in fully aggregated and partly aggregated forms. The fully aggregated form assigns a score to each state based on the responses received from the SMEs in that state. The score is based on each state's average score across the four homegrown areas with respect to an established standard or best practice where applicable, or to the best-performing state on each homegrown area. The scores were calculated by normalising quantifiable survey results into a scale of 0-10.

Three scoring models were applied to calculate the scores:

- Scaled, a point-based model where a sub-indicator is assigned a rating on a 10-point scale.
- Binary, an absolute value model where a sub-

indicator is assigned a rating on a 2-point scale. To be used where a sub-indicator can have only two objectively possible choices.

- Relative weight, a 10-point weighted model where the best performing state or an accepted benchmark is assigned the highest or lowest score for that sub-indicator, and the scores of other states, weighted and ranked relative to this score.

Aggregated scores provide a means to benchmark states with other states in a consistent manner, allowing for exchange of learnings of what is working well in each state. It also provides a basis to assess each state for future studies and to understand the rate of improvement of the business environment in each state in a consistent and replicable manner. Aggregated scores are reported at both the national level and at the state level.

The contents of this report provide the outcomes of the survey in each state in a partially aggregated form to show how respondents responded to the survey.

Infrastructure & Security

Detailed Scores

State	Electricity	Transportation	Primary Healthcare	Security
Abia	4.29	4.29	5.44	4.41
Adamawa	4.64	4.64	7.64	8.05
Akwa-Ibom	7.85	7.85	6.89	6.01
Anambra	4.36	4.36	7.50	5.47
Bayelsa	4.85	4.85	7.39	5.01
Benue	3.92	3.92	7.07	3.93
Borno	5.89	5.89	7.90	7.43
Cross-River	5.03	5.03	6.67	5.62
Delta	4.64	4.64	7.10	4.31
Ebonyi	4.83	4.83	7.12	6.05
Edo	3.88	3.88	7.78	6.39
Ekiti	2.19	2.19	8.04	7.79
Enugu	5.70	5.70	7.77	6.45
FCT	4.02	4.02	7.34	3.19
Gombe	5.86	5.86	7.50	7.99
Imo	3.66	3.66	7.48	6.97
Kaduna	5.97	5.97	7.37	6.04
Kano	6.35	6.35	7.38	5.12
Kogi	3.60	3.60	8.16	6.90
Kwara	5.72	5.72	7.12	6.31
Lagos	2.47	2.47	6.79	3.12
Nasarawa	2.58	2.58	6.09	4.77
Niger	6.21	6.21	7.44	3.77
Ogun	2.20	2.20	7.97	5.67
Ondo	4.43	4.43	7.19	6.02
Osun	2.69	2.69	7.47	5.99
Oyo	4.10	4.10	7.43	5.72
Rivers	1.46	1.46	6.80	3.62
Taraba	3.34	3.34	8.75	7.51
Yobe	5.83	5.83	7.34	6.17
Bauchi	6.80	6.80	7.22	7.35
Jigawa	5.03	5.03	7.98	5.71
Katsina	4.54	4.54	6.61	4.60
Kebbi	7.02	7.02	7.73	6.82
Plateau	5.51	5.51	7.19	3.82
Sokoto	6.32	6.32	7.53	6.30
Zamfara	4.97	4.97	7.31	6.36



Transparency & Accessibility to Information Detailed Scores

State	Investment Promotion	State Information Structures
Abia	2.51	5.78
Adamawa	5.16	3.87
Akwa-Ibom	4.66	5.57
Anambra	7.68	4.32
Bayelsa	7.60	5.19
Benue	6.69	5.70
Borno	0.54	2.38
Cross-River	4.87	3.33
Delta	3.27	3.16
Ebonyi	6.91	4.02
Edo	2.42	5.18
Ekiti	4.73	4.47
Enugu	2.38	4.69
FCT	6.77	6.50
Gombe	9.35	8.69
Imo	7.35	6.17
Kaduna	4.63	5.31
Kano	3.38	3.38
Kogi	3.24	4.51
Kwara	0.54	3.15
Lagos	6.38	6.60
Nasarawa	7.52	5.97
Niger	4.12	4.06
Ogun	2.38	4.65
Ondo	6.12	5.93
Osun	4.29	6.88
Oyo	2.27	3.02
Rivers	7.23	7.40
Taraba	2.21	2.57
Yobe	4.84	3.46
Bauchi	7.88	6.46
Jigawa	9.25	6.65
Katsina	4.96	6.51
Kebbi	7.07	6.89
Plateau	4.73	5.58
Sokoto	8.69	6.33
Zamfara	1.08	1.92

Regulatory Environment

Detailed Scores

State	Paying Taxes	Starting a Business	Enforcing Contracts	Land, Property Acquisition and Development
Abia	4.78	5.60	5.57	4.63
Adamawa	4.53	6.46	N/A	5.44
Akwa-Ibom	8.24	6.79	4.94	4.86
Anambra	5.80	8.19	7.17	5.86
Bayelsa	5.38	5.20	6.06	5.39
Benue	4.39	6.18	3.80	2.76
Borno	7.38	8.48	6.18	7.41
Cross-River	4.12	3.79	N/A	5.86
Delta	4.67	4.17	6.17	5.15
Ebonyi	7.01	6.55	N/A	4.82
Edo	3.47	3.76	N/A	3.53
Ekiti	5.72	4.20	N/A	4.68
Enugu	7.43	6.13	N/A	8.38
FCT	4.02	3.45	1.42	4.66
Gombe	5.75	8.21	6.44	7.64
Imo	4.22	3.29	5.46	3.91
Kaduna	5.70	6.19	8.75	4.43
Kano	3.60	3.41	3.58	4.39
Kogi	3.60	5.82	5.73	3.76
Kwara	3.93	4.36	5.57	3.52
Lagos	2.95	3.82	3.55	4.15
Nasarawa	3.65	4.40	3.54	3.51
Niger	6.79	6.62	7.55	6.45
Ogun	4.93	5.15	8.56	4.91
Ondo	6.77	5.32	6.97	5.96
Osun	5.29	5.58	7.05	3.28
Oyo	4.51	5.25	5.59	2.88
Rivers	3.20	4.71	7.63	4.29
Taraba	4.78	4.93	N/A	7.33
Yobe	3.73	5.85	N/A	7.15
Bauchi	5.52	7.20	N/A	7.13
Jigawa	7.40	4.06	4.84	6.76
Katsina	6.05	6.45	6.70	9.02
Kebbi	6.77	6.39	4.84	7.26
Plateau	7.80	5.97	2.84	7.65
Sokoto	8.70	8.39	6.10	8.44
Zamfara	6.29	2.88	N/A	6.41

Skills and Labour Detailed Scores

State	Technical and Professional Skills
Abia	4.02
Adamawa	6.12
Akwa-Ibom	7.69
Anambra	7.23
Bayelsa	6.23
Benue	7.03
Borno	2.94
Cross-River	6.61
Delta	3.85
Ebonyi	5.00
Edo	5.54
Ekiti	8.09
Enugu	4.65
FCT	7.35
Gombe	7.94
Imo	7.09
Kaduna	5.39
Kano	4.61
Kogi	6.69
Kwara	6.37
Lagos	7.30
Nasarawa	6.26
Niger	3.48
Ogun	7.44
Ondo	6.81
Osun	6.66
Oyo	6.90
Rivers	7.90
Taraba	3.25
Yobe	5.76
Bauchi	6.97
Jigawa	7.51
Katsina	6.67
Kebbi	5.52
Plateau	5.99
Sokoto	5.49
Zamfara	2.86

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