



African Institute for
Applied Economics

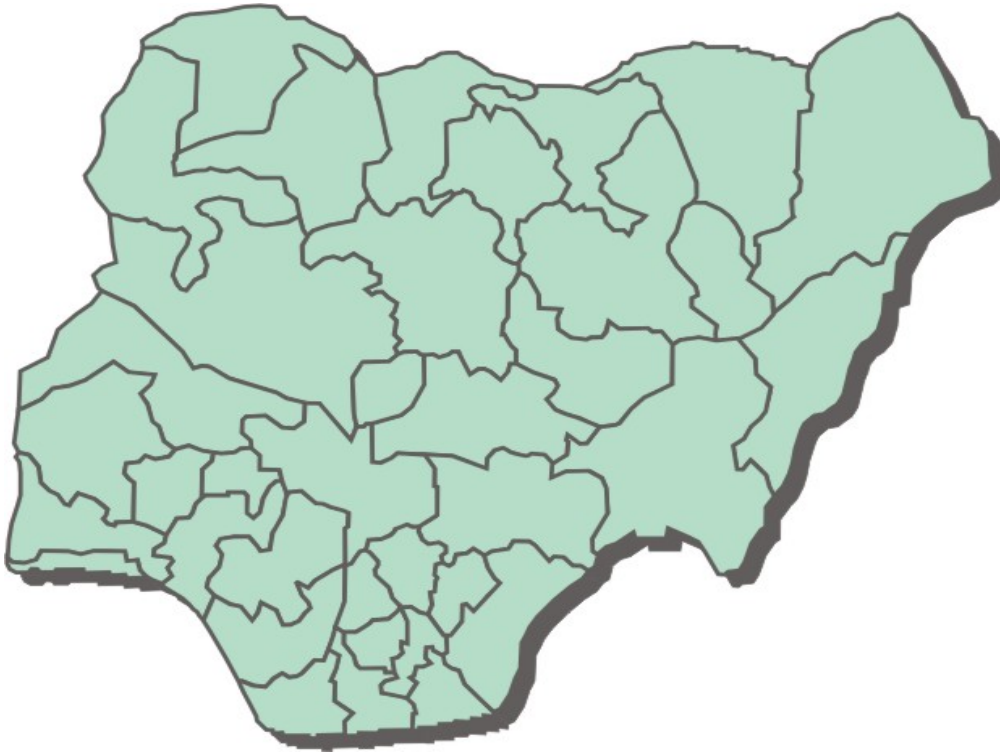


Central Bank
of Nigeria



National Planning
Commission

BECANS



**COMMUNIQUE of
2ND National Forum on
Business Environment Competitiveness of Nigerian
States**

Transcorp Hilton Hotel
16th August, 2007

PREAMBLE

One of the strategic policy thrusts of Nigeria's economic reform is the promotion of enabling environment for the growth and competitiveness of the private sector. This policy agenda constitutes the centerpiece of ongoing reforms, currently represented by the seven-point agenda of the federal government and the various economic diversification programmes of respective state governments. The programme on business environment and competitiveness across Nigerian states (BECANS) initiated by African Institute for Applied Economics and implemented in collaboration with the National Planning Commission, Central Bank of Nigeria, private sector organizations and state governments, is aimed at producing and disseminating knowledge to support business environment reforms in the states. The BECANS Forum is the culmination of the process of participatory research, advocacy and consensus building involving ministries, departments and agencies of state and federal governments, private sector agencies and civil society organizations, for the promotion of reform agenda on business environment across Nigerian States. The Forum was held at Transcorp Hilton Hotel, Abuja on 16th August 2007.

OBJECTIVES

The Forum was convened to:

1. Launch and disseminate the BECANS business environment reports;
2. Present the business environment ratings of Nigerian states; and
3. Discuss the opportunities and reform agenda for improving business and investment climate across the states.

PARTICIPATION

The Forum was attended by over 330 participants. The participants include representatives of federal government ministries, departments and agencies, representatives of state government ministries, departments and agencies. Other participants were drawn from private sector organizations including Nigerian Association of Small and Medium Enterprises, Manufacturers Association of Nigeria, Nigerian Association of Small Scale Industrialists, Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture, National Association of Women Entrepreneurs, civil society organizations, academic institutions and the media.

The opening was performed by His Excellency, Dr. Goodluck E. Jonathan, GCON, Vice President, Federal Republic of Nigeria. The welcome address was given by the Honourable Minister of National Planning, Senator Mohammed Sanusi Daggash.

HIGHLIGHTS

The Forum featured presentations on the Framework and Findings of BECANS. The survey was anchored on four benchmarks – infrastructure, regulatory services, business support and investment promotion, as well as security. The benchmarks are further broken down into eighteen measures and seventy five indicators, containing different items of concern to stakeholders – government, private sector and civil society.

The highlights of the presentation include:

Infrastructure and Utilities

The infrastructure and utilities benchmark comprises 5 measures namely, energy, water, transportation, social infrastructure, access to information. Among the measures, energy recorded the lowest score across the states, followed by water supply. It was stressed that energy and water shortages constitute serious bottlenecks to businesses across the country.

Regulatory Services

The regulatory services benchmark is made up of 4 measures namely – business registration, tax administration, contract enforcement and commercial dispute resolution and land registration and property rights. Performance in the regulatory services is weakest among all four benchmarks used in the present competitiveness assessment. This is so both in absolute and relative terms signifying the degree to which the strengthening of regulatory institutions and frameworks is needed among states in the federation.

Business Support and Investment Promotion

Business support and investment promotion deals with government activities to provide necessary facilitation to businesses operating within their domain. Five areas of such support were identified under the BECANS – entrepreneurship promotion, access to finance, investment promotion, provision and equipment of industrial clusters and public private partnership.

Security

As in the other benchmarks, data on security is a mix of secondary data and outputs from the survey. Unlike in the other three benchmarks though, the bulk of the data is secondary; with only private sector perception on security from primary sources. The analysis on security also excludes the FCT on account of non-availability of data on crime rates

Summary of Proceedings

The Forum observed as follows:

- The private sector remains the engine of growth, the creator of jobs and wealth (government employment accounts for less than 20% of total employment). However, to be able to create jobs and wealth, enterprises must be competitive, in terms of product cost and quality.
- Although cross-country comparisons indicate low competitiveness ranking of the country-level operating environment, there were marked variations across Nigerian states, characterized by differences in policies, cost of doing business and adequacy of business incentives.
- Making the business environment more competitive is a joint responsibility of federal, state and local governments. While attention has so far, been focused on federal-level reforms to improve the business environment, the role of state and local governments has been largely neglected. Yet, state and local governments possess significant policy and fiscal jurisdictions to affect the business environment. It is therefore this critical importance of business environment for Nigeria's economic prospects and the crucial role of sub-national governments in the business environment that make BECANS so necessary.
- The business operating environment is jointly determined by federal, state and local governments, through economic governance: provision of common services (*public goods*), infrastructure and utilities, regulatory efficiency, investment and business incentives, provision of security, etc;
- Currently, the operating environment in Nigeria remains very challenging, evidenced by high cost of doing business and resulting poor international competitiveness of Nigerian primary and manufactured products;
- While the federal government has responsibility for the macro-business environment - macroeconomic framework, trade and exchange rate policies, financial sector regulation and security, state and local governments share ample constitutional jurisdictions on many equally critical determinants of domestic business environment.
- State and local governments share of federation account revenue doubled between 1999-2005 (from 23% in 1999 to 46% in 2005); they now account for more than 50% of consolidated public spending, so they have greater resources than before to affect operating environment.

- There is no convincing evidence that greater fiscal resources and policy autonomy have not translated to improved business environment at the sub-national levels.
- State and local governments have responsibility for about 84% of the total road stock in the country.
- States need flourishing private sector to increase domestic resources mobilization, e.g. stronger tax base for higher IGR. Presently, the all-states average of IGR share of recurrent expenditure is about 25%. Some states have as low as 3-5%, a very unsustainable situation, and on the average, IGR accounted for 13% of budgeted revenue in 2005.

SALIENT LESSONS

- The business environment scoreboard has provided critical insights on the main priorities and policy imperatives that should be pursued by state governments for promoting the growth and competitiveness of the private sector.
- The overall poor performance of states in infrastructure development – roads, power and water supply re-emphasize the urgency of greater inter-governmental coordination in the design and implementation of new proven solutions for solving the infrastructure bottlenecks. This is particularly urgent, given the increased budgetary resources and wider constitutional space available to the sub-national units.
- Performance on legal and regulatory services is the lowest among all the four benchmarks of business environment. The main bottlenecks are the cumbersome and time-consuming process of land registration/titling and the long waiting period for obtaining court judgments on business/commercial disputes. Reforms in land registration and commercial dispute resolution are therefore necessary to improve the business climate. On-going efforts to establish sound institutional and legal framework for alternative dispute resolution across the country should be intensified and sustained.
- The overall low performance of states in terms of access to finance and credit is equally instructive. It shows poor penetration and benefit incidence of existing finance and credit schemes across the country. State governments need to intensify efforts to promote access of enterprises and businesses to finance and credit. More organized and coordinated support for industrial areas is crucial for harnessing investment, employment and developmental potentials of industrial clusters.

- No state occupies the same position consistently across the benchmarks, measures and indicators, as there is wide cross-state variability in performance. The high variability in states' performance is evidence that national business environment is not homogenous, and vindicates the logic – that national aggregation obscures state-level differences in the business environment and gives inaccurate picture of Nigeria's investment climate.
- One area where all the states need to work harder is data gathering, analysis, storage and retrieval. With the shortage of capacity for data generation and development, BECANS faced great difficulty in obtaining basic data and statistics from the state ministries, departments and agencies (MDAs). Existing data were inadequate, incomplete and often incoherent. BECANS has therefore, exposed state government MDAs to their data inadequacies and the urgent need for state governments to develop robust data tracking and recording systems on social, fiscal and economic indicators.

CONCLUSIONS

In the march to realizing the Millennium Development Goals, and joining the league of twenty largest economies, by 2015 and 2020, respectively: The Forum agreed that:

- There is a large scope for states to learn from success stories and experiences of one another. The variability of business environment across states also raises major challenges for policy coordination and synergy across the across tiers of government. Inter-governmental coordination is needed both vertically (between federal, state and local governments) and horizontally (among states themselves). The National Planning Commission is best placed to anchor this intergovernmental policy coordination, using the machineries of the Joint Planning Board and the National Council on Development Planning.
- That the business environment in Nigeria is heterogeneous across states and national aggregation tends to be misrepresentative. Also, no state performs consistently uniformly high or low in all benchmarks. So, states have different areas of strengths, and should learn from one another.
- States can use the BECANS framework of benchmarks to set and monitor targets for service delivery and administrative reforms. However, given that data problems persist in the states, there is need to strengthen state-level capacity for data gathering and management (organization, storage, retrieval).
- With BECANS, states now have a credible, organizing framework for peer review and sharing of experiences. It was noted that the Joint Planning Board and National Council on Development

Planning had during their joint meeting from 13th-14th August 2007, adopted the BECANS framework as platform for promoting business environment reform agenda.

- State governments can collaborate on a regional basis to tackle cross-state or regional business bottlenecks that could not be handled by single states. Partnership with the private sector needs to be deepened to unleash the business environment.
- In spite of the constraints and limitations of the exercise, the state-by-state portrait of business environment is a good start in measuring progress in creating and sustaining enabling conditions of business across Nigeria. It is expected that subsequent rounds will improve upon the maiden survey.
- International development partners are urged to provide technical and financial support for the continuation of the BECANS surveys and reporting. BECANS reports should serve as an important reference for development partners in designing capacity building programmes for the states.
- The collaboration with private sector organizations, Central Bank of Nigeria and National Planning Commission for the maiden BECANS is commended. The Forum urged other federal government agencies and private sector groups to become involved in the conduct and financing of the BECANS survey, dissemination and advocacy.

Dated this 16th day of August, 2007

Abuja, Nigeria