

BECANS BUSINESS ENVIRONMENT REPORT

Volume 1, Number 1, 2007

BUSINESS ENVIRONMENT AND COMPETITIVENESS ACROSS NIGERIAN STATES *NATIONAL SYNTHESIS REPORT*

Eric C. Eboh

Chukwuma Agu

With contributions from:

E. M. Igbokwe

J. I. Lemchi

O. Ujah

A. I. Achike

V. Onodugo

I. Mohammed

A. Chukwu

C. N. O. Mordi

C. M. Anyanwu

B. O. N. Okafor

N. I. Akpan

BECANS BUSINESS ENVIRONMENT REPORT

Volume 1, Number 1, 2007

BUSINESS ENVIRONMENT AND COMPETITIVENESS ACROSS NIGERIAN STATES *NATIONAL SYNTHESIS REPORT*



AFRICAN INSTITUTE FOR APPLIED ECONOMICS

In collaboration with



National Planning Commission



Central Bank of Nigeria

BECANS Business Environment Report

Volume 1, Number 1, 2007

Published by

African Institute for Applied Economics

128 Park Avenue, GRA

P.O. Box 2147 Enugu, Nigeria

Phone: (042) 256644, 300096

Fax: (042) 256035

Email: aiaeinfo@aiae-nigeria.org

www.aiae-nigeria.org

FIRST PUBLISHED, 2007

© **African Institute for Applied Economics**

ISSN 1597-9954

All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording or any information storage and retrieval system, without permission in writing from the copyright owner.

PREFACE

Like every democratic nation, there is ample space for Nigeria's non-state agents to influence public policies and hold government accountable. For this space to be well harnessed, private sector and civil society must themselves be well organized and equipped to conduct evidence-based advocacy. As non-state actors increasingly engage and dialogue with government on national economic agenda, the underlying concern is how to make the domestic business environment more internationally competitive and conducive to private sector growth. The solution lies in policy, institutional and administrative reforms which improve public service delivery and enhance ease of doing business across the country.

Making the business environment more competitive is a joint responsibility of federal, state and local governments. While attention was 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 the 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.

This is the premise upon which the African Institute for Applied Economics (AIAE) initiated BECANS as a flagship programme on research-based advocacy for better business environment across Nigeria. Beginning from 2003 when the concept was first discussed, AIAE carried out research and analysis to develop appropriate models and indicators for measuring state-level business environment in Nigeria. Simultaneously, stakeholders were mobilized to participate according to respective organizational strengths and potential relevance.

It is satisfying that the seed that was sown four years ago has now yielded desired first fruits. In advocacy, BECANS stands out today as the largest single public-private sector coalition for improving business environment at the sub-national level in Nigeria. On the research side, we have produced the first ever business environment scoreboard of Nigerian states (BESONS). The business environment scoreboard has two mutually complementary sub-products. One is the business environment index of Nigerian states (BEIONS). The other is business environment report on Nigerian States (BERONS).

The business environment scoreboard analyses and ranks the performance of the states on four benchmarks divided into eighteen measures and seventy five indicators. It profiles the strengths and weaknesses of the states. The scoreboard has multiple uses. It is a valuable information tool for policymakers, evidence base for advocacy, information guide for businesspeople/investors and study object for researchers and academics. The scoreboard

creates for the first time a disaggregated, that is, state-by-state portrait of business environment in Nigeria. The impact could be far reaching. By the scoreboard, state governments can benchmark business environment reforms over time as well as learn from success stories and experiences of other states. Businesspeople and investors can obtain information about the characteristics of different business locations across the country. Advocacy by private sector will become more credible. More intensive research into the business environment index can give better explanation of business environment at the state level.

Having provided the facts through the aggregate scoreboard and states reports, it is incumbent on stakeholders to make the decisions and take action. This is the logic behind the BECANS state-level advocacy committees. Advocacy is crucial to disseminate the scoreboard and stimulate policymakers to undertake needed reforms. The challenge for AIAE is to update and revise the scorecard on a regular basis to reflect the dynamic conceptual methodological and empirical conditions in the business environment. This is necessary to chronicle annual progress or regression in improving the environment for business and investments throughout Nigeria.

We recommend BECANS business environment report series as information, enlightenment and educational material. It is useful to researchers, teachers, policymakers, technocrats and media people. Also, businesspeople, investors, company managers and executives, professional groups and civil society will greatly benefit from the reports.

Professor Eric Eboh

Executive Director

African Institute for Applied Economics

August 2007

ACKNOWLEDGEMENT

We wish to express our profound gratitude to the government institutions and private sector organizations that are collaborating with us on the BECANS programme.

The National Planning Commission (NPC) plays the central role in coordinating intergovernmental participation across the country. It does this through the statutory intergovernmental mechanisms of the Joint Planning Board (JPB) and the National Council on Development Planning. We are particularly grateful to the Central Bank of Nigeria (CBN) for providing funding assistance and technical inputs through the Research Department. Our thanks also go to the federal government agencies including the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), Nigerian Investment Promotion Commission (NIPC) and National Bureau of Statistics (NBS).

We very much appreciate the cooperation of state governments in the BECANS programme. State government ministries, departments and agencies cooperated with field assessment teams during the survey and data collection. Without the cooperation and understanding of the state government agencies, the data collection would not have been possible. We are encouraged by the fact that state government authorities acknowledge the unique value of BECANS to their efforts to promote private enterprise, enhance employment and reduce poverty.

Many private sector organizations make invaluable contributions to the success of BECANS. We acknowledge with thanks the collaboration and support from Manufacturers Association of Nigeria (MAN), Nigerian Association of Small and Medium Enterprises (NASME), Nigerian Economic Summit Group (NESG) Ltd/Gte and Human Rights Law Services (HURILAWS). The private sector organizations participate in BECANS in the critical areas of data collection and verification, feedback on results and utilization of the reports as evidence base for advocacy and dialogue with the government.

We are grateful to the members of the Technical Working Group (TWG) of BECANS. In particular, we acknowledge the outstanding contributions of members of the research team including Prof. Edwin Igbokwe, Dr. Jones Lemchi, Dr. Mrs. A. I. Achike, Mr. Vincent Onodugo, Mr. Ibrahim Mohammed, Mr. Oliver Ujah and Mr. Amaechi Chukwu. These persons participated in the methods design, data verification, quality reviews and report writing. Also, we acknowledge the great deal of work done by the numerous persons who carried out the survey and data collection in the various states of the country.

We benefited greatly from the technical inputs and review comments from staff of Research and Statistics Department of Central Bank of Nigeria. We note with gratitude the encouragement from Dr. O. J. Nnanna, former Director, Research and Statistics Department, Central Bank of Nigeria. We place on record the valuable contributions of staff of the Research Department of Central Bank of Nigeria. They include Mr. C. N. O. Mordi, Director, Research and Statistics Department, Mr. C.

M. Anyanwu, Deputy Director (Real Sector Division), Mr. B. S. Adebuseyi, Deputy Director (Industrial Studies Division), Mr. B. O. N. Okafor, Assistant Director (Real Sector Division). Others are Mr. N. I. Akpan, Economist (Real Sector Division) and Mr. C. A. Eluemunor, Assistant Economist (Real Sector Division), Mr. B. I. C. Maduagwu, Senior Economist (Real Sector Division) and Mrs. O. O. Duke, Principal Economist (External Sector).

The support staff at African Institute for Applied Economics worked in a manner that turned the huge logistics challenges of BECANS to an historic opportunity for service to our fatherland. The BECANS story will continually give tribute to the vibrancy and tenacity of the AIAE staff including Mr. Celestine Nzeh, Mr. Ito Diejomaoh, Mr. Uzochukwu Amakom, Mr. Moses Oduh, Ms. Kobi Ikpo, Mr. Chiwuike Uba, Mr. Innocent Ifelunini, Mrs. Beatrice Ndibe, Ms. Ijeoma Onyemobi, Mr. Favour Inyere, Ms. Queeneth Anyanwu, Ms. Chinyere Onyia, Mr. Kingsley Udonsek and Mr. Umunna Oha.

We are thankful for the encouraging comments and advice of numerous individuals throughout the challenging maiden research and mobilization phase of BECANS. Their words of encouragement inspired us to be focused and resolute in overcoming the constraints to the implementation of BECANS. This publication of the business environment scoreboard of Nigerian states is indeed a vindication of the encouragement. In particular, we acknowledge the immense contributions of state governments' representatives at the first BECANS Stakeholders Forum on Business Environment across Nigerian States, 6th-7th July 2007. The contributions influenced the reviews of the methods and instruments by the Technical Working Group.

Great tribute is due to the founding fathers of African Institute for Applied Economics who have provided great inspiration and encouragement. By implementing BECANS, we build upon this solid foundation for AIAE as a strategic catalyst for evidence-based policy reforms in Nigeria.

To all stakeholders, this first-ever business environment scoreboard of Nigerian states is a historic milestone worth celebrating.

Professor Eric Eboh

*Executive Director,
African Institute for Applied Economics*

Dr. Chukwuma Agu

*Research Coordinator,
African Institute for Applied Economics*

August 2007

TABLE OF CONTENTS

PREFACE	5
ACKNOWLEDGEMENT	7
TABLE OF CONTENTS	9
List of Figures	11
ACRONYMS AND ABBREVIATIONS	15
1.0 INTRODUCTION	17
1.1 Context	17
1.2 Objectives	19
1.3 Structure and Organs	19
2.0 METHODOLOGY AND PRINCIPLES OF ANALYSIS	21
2.1 Defining Business Environment	21
2.2 Measuring the Quality of Business Environment	22
2.3 Modeling approach	24
2.4 Data Collection	27
2.5 Data analysis, quality reviews and limitations	30
2.6 Organization of the Report	32
3.0 NATIONAL OUTLOOK OF STATES' PERFORMANCE ON BENCHMARKS AND MEASURES	33
3.1 Average Performance on the Overall Index	33
3.2 Average performance on Measures under respective Benchmarks	35
4.0 NATIONAL OUTLOOK OF STATES' PERFORMANCE ON THE INDICATORS UNDER RESPECTIVE MEASURES	40
4.1 Infrastructure and Utilities	40

4.2	Legal and Regulatory Services	54
4.3	Business Support and Investment Promotion	67
4.4	Security	75
5.0	THE BUSINESS ENVIRONMENT SCOREBOARD	77
5.1	Infrastructure and Utilities	77
5.2	Scoreboard on Legal and Regulatory Services.....	89
5.3	Business Support and Investment Promotion	97
5.4	Scoreboard on Security	109
5.5	Business Environment Index of Nigerian States (BEIONS)	115
6.0	SALIENT LESSONS	119
	CONSULTED LITERATURE	121
	ANNEX I: DATA COLLECTION INSTRUMENT	124
	ANNEX II: DATA SOURCES AND TECHNIQUES FOR COMPUTATION, SCORING AND BENCHMARKING	133

List of Figures

Figure 1: Average scores on the four benchmarks.....	33
Figure 2: Highest and lowest average scores on measures in respective benchmarks	34
Figure 3: Average performance on measures under infrastructure	35
Figure 4: Average performance on measures under legal and regulatory services	36
Figure 5: Average performance on measures under business support and investment promotion	38
Figure 6: Average performance on measures under security	39
Figure 7: Distribution of states according to daily hours of public electricity supply	41
Figure 8: Distribution of states according to percentage difference between actual and official price of petroleum products.....	42
Figure 9: Distribution of states according to availability of petroleum products	43
Figure 10: Distribution of states according to daily public water supply (litres) per capita.....	44
Figure 11: Distribution of states according to cost of 20 litres of private water supply	45
Figures12: Distribution of states according to population of firm's water supply from private sources	46
Figure 13: Distribution of states according to the number of post offices per 100,000 persons	47
Figure 14: Distribution of states according to incidence of ownership of mobile phone	47
Figure 15: Distribution of states according to availability and status of state-owned website..	48
Figure 16: Distribution of states according to cost per kilometer of road transport.....	49
Figure 17: Distribution of states according to availability of airport.....	49
Figure 18: Distribution of states according to pupil-teacher ratio	50
Figure 19: Distribution of states according to education share of capital budget	51
Figure 20: Distribution of states according to health share of capital budget	52

Figure 21: Distribution of states according to private sector rating of waste management.....	53
Figure 22: Distribution of states according to frequency of waste disposal	53
Figure 23: Distribution of states according to evidence that the state accepts taxes only from duly registered business names.....	54
Figure 24: Distribution of states according to availability of task force against display of unregistered business names	55
Figure 25: Distribution of states according to time for obtaining certificate of business registration after all papers have been filed	56
Figure 26: Distribution of states according to availability of online, real-time access to CAC services.....	56
Figure 27: Distribution of states according to the status of database of taxable persons.....	57
Figure 28: Distribution of states according to modalities for publication of tax assessment notices.....	58
Figure 29: Distribution of states according to availability of mechanism for validating taxes paid to other tiers of government	59
Figure 30: Distribution of states according to evidence of tax appeal tribunal.....	59
Figure 31: Distribution of states according to availability of one-stop shop for tax payments..	60
Figure 32: Distribution of states according to number of taxes and levies paid by manufacturing firms.....	60
Figure 33: Distribution of states according to availability and status of judicial statistics and caseload factor on judges	62
Figure 34: Distribution of states by time lag in obtaining court judgment on business dispute	62
Figure 35: Distribution of states according to availability of formal alternative dispute resolution	63
Figure 36: Distribution of states according to availability of cadastral map	64
Figure 37: Distribution of states according to availability and provisions of domesticated land tenure law consistent with the Land Use Act.....	64

Figure 38: Distribution of states according to time taken to obtain C of O for land.....	65
Figure 39: Distribution of states according to status of land transactions.....	65
Figure 40: Distribution of states according to length of time it takes to obtain Governor's Consent for transfer of rights of ownership of land.....	66
Figure 41: Distribution of states according to existence of law to protect private property	66
Figure 42: Distribution of states according to policy on entrepreneurship	67
Figure 43: Distribution of states according to evidence of periodic awards to deserving entrepreneurs.....	68
Figure 44: Distribution of states according to equivalent share of NACRDB loans in agriculture capital budget.....	69
Figure 45: Distribution of states according to relative access to SMEEIS	69
Figure 46: Distribution of states according to relative number of bank branches	70
Figure 47: Distribution of states according to equivalent share of ACGSF loan in agriculture capital budget.....	70
Figure 48: Distribution of states according to ACGSF loan repayment rates	71
Figure 49: Distribution of states according to existence of incentives for promoting technology innovations.....	72
Figure 50: Distribution of states according to availability of incentives to promote linkages between large and small firms	72
Figure 51: Distribution of states according to availability and status of investment guide	73
Figure 52: Distribution of states according to availability and status of business directory	73
Figure 53: Distribution of states according to availability of water for industrial areas.....	74
Figure 54: Distribution of states according to existence of public-private partnership in credit provisioning.....	75
Figure 55: Distribution of states according to incidence of reported crimes	76
Figure 56: Ranking of states on infrastructure and utilities.....	78

Figure 57: Ranking of states on energy	80
Figure 58: Ranking of states on water supply	82
Figure 59: Ranking of states on access to information.....	84
Figure 60: Ranking of states on transportation	86
Figure 61: Ranking of states on social infrastructure	88
Figure 62: Ranking of states on legal and regulatory services	90
Figure 63: Ranking of states on business registration.....	92
Figure 64: Ranking of states on contract enforcement/commercial dispute resolution.....	94
Figure 65: Ranking of states on land administration	96
Figure 66: Ranking of states on business support and investment promotion	98
Figure 67: Ranking of states on entrepreneurship promotion	100
Figure 68: Ranking of states on access to formal finance.....	102
Figure 69: Ranking of states on investment promotion	104
Figure 70: Ranking of states on support for industrial areas	106
Figure 71: Ranking of states on public –private partnership	108
Figure 72: Ranking of states on security	110
Figure 73: Ranking of states on crimes (major and minor).....	112
Figure 74: Ranking of states on police coverage and assessment of security	114
Figure 75: Ranking of states on the aggregate Business Environment Index	116
Figure 76: Outlook of top five states.....	117
Figure 77: Outlook of bottom five states.....	118

ACRONYMS AND ABBREVIATIONS

ACGSF	Agricultural Credit Guaranteed Scheme Fund
ADB	African Development Bank
ADR	Alternative Dispute Resolution
AERC	African Economic Research Consortium
AIAE	African Institute for Applied Economics
BC	British Council
BECANS	Business Environment and Competitiveness across Nigerian States
BEIONS	Business Environment Index of Nigerian States
BERONS	Business Environment Reports on Nigerian States
BESONS	Business Environment Scoreboard of Nigerian States
BMOs	Business Membership Organisations
BOI	Bank of Industry
CBN	Central Bank of Nigeria
CAC	Corporate Affairs Commission
DFID	UK Department for International Development
FIRS	Federal Inland Revenue Service
GON	Government of Nigeria
IMD	Institute for Management and Development
MAN	Manufacturers Association of Nigeria
MDAs	Ministries, Departments and Agencies
NACCIMA	Nigerian Association of Chambers of Commerce, Industries, Mines and Agriculture

NACRDB	Nigerian Agricultural Co-operative and Rural Development Bank
NASME	Nigerian Association of Small and Medium Enterprises
NASSI	Nigerian Association of Small Scale Industries
NBS	National Bureau of Statistics
NCC	Nigerian Communications Commission
NESG	Nigerian Economic Summit Group
NIPC	Nigerian Investment Promotion Commission
NPC	National Planning Commission
PPP	Public-private partnership
SJG	Security, Justice and Growth
SMEs	Small and Medium Enterprises
SMEDAN	Small and Medium Enterprises Development Agency of Nigeria
UNECA	United Nations Economic Commission for Africa
UNDP	United Nation Development Programme
UNIDO	United Nations Industrial Development Organisation
USAID	United States Agency for International Development
WB	World Bank
WBI	World Bank Institute
WEF	World Economic Forum

1.0 INTRODUCTION

1.1 Context

Like all nations, Nigeria's private sector is entrusted with the economic role of wealth creation and employment generation. In line with this goal, one cardinal thrust of economic reforms is growing the private sector to become the real engine of growth and prosperity. For the private sector to play this role effectively, however, requires the competitiveness of enterprises. Since enterprises operate in a national environment which enhances or hinders their ability to compete domestically or internationally, business environment is inevitably crucial for the competitiveness of enterprises. Poor business environment tends to increase cost of doing business, which in turn, retards economic competitiveness. In the same vein, bad business environment negates firm-level productivity and efficiency of resource use. Theory and evidence underscore the inverse relationship between international competitiveness of nations and domestic cost of doing business. Notwithstanding the efficiency and cost-effectiveness of firms, overall performance can still be undermined by difficult operating environment (Eifert and others 2005). Other factors remaining unchanged, countries with stable relatively lower-cost business climate are more likely to secure competitive edge in world markets. This is why nations today strive to ease domestic conditions for business and investments.

In Nigeria, the need for better business environment is particularly cogent. The lingering widespread poverty and unemployment reinforce the case for a competitive private sector that creates jobs, generates wealth and fosters sustainable economic growth and poverty reduction. Ironically, anecdotal and empirical evidence shows that poor domestic business environment is the bane of private sector competitiveness. Poor infrastructure and utilities, inefficient regulatory and promotional services and low levels of security continue to pose major concerns throughout the country. In order to improve the operating environment for business and investments, federal and state governments have since 2004 been implementing varying degrees of economic policy and institutional reforms. The reforms are encapsulated in the National Economic Empowerment and Development Strategy (NEEDS) and the States' Economic Empowerment and Development Strategies (SEEDS).

Despite the reforms, Nigeria's business environment remains a key challenge. Confronting this challenge requires paradigm shift to evidence-based business environment reforms. The paradigm shift predicates on shared responsibility and synergy between federal, state and local governments. It is operationalized through public-private dialogue and private sector advocacy supported with verifiable evidence. This paradigm shift explains the mission of the Business Environment and Competitiveness across Nigerian States (BECANS) Initiative.

The logic of BECANS is cogent and contemporaneous. As a federation, Nigeria business environment stakeholders need sustainable capacity in promoting competition, peer review and mutual learning across constituent states. But, currently, there is acute shortage of model benchmarks and indicators for evaluating and comparing business environment across the states. Consequently, state-level reforms are not sufficiently evidence-based, but are largely unsystematic, poorly-targeted and not sustained. The situation is not helped by the poor quality of business environment advocacy at the state level. Progress recorded by the federal government in macroeconomic management and institutional reforms could be compromised by lack of commensurate state-level business and investment climate reforms to curb cost of doing business.

Unlike the pre-1999 situation, state and local governments currently enjoy wider policy and fiscal spaces to influence cost of doing business, thanks to increased fiscal decentralization and changes in revenue sharing arrangements occasioned by the Nigerian Constitution 1999. The evidence is clear. The share of sub-national budget spending in the consolidated public spending increased from 23 percent in 1999 to 46 percent in 2005 (World Bank, 2007). Moreover, estimates show that sub-national budget spending in 2005 was almost four times higher in real terms than the 1999 level. Out of the 39 different taxes and levies approved by Taxes and Levies (Approved List for Collection) Act 21 of 1998, state and local governments are statutorily responsible for the collection of 80% of the total number. The way state and local governments administer tax collection to enterprises and businesses has great impact on cost of doing business.

In addition, state and local governments have primary responsibility for providing basic public services (including roads, water, health, education, sanitation and justice). Some estimates show that state and local governments account for up to 80% of the total road stock across the country¹. Fortuitously, recent positive developments in fiscal decentralization have enhanced the potentials of sub-national governments to deliver public services. But, the potentials have been compromised by the fact that increased budget spending by sub-nationals have not translated to improvements in service delivery and human development. Many state-level infrastructural, regulatory, social and promotional services which impinge on the business environment remain inadequate, ineffective and inefficient.

¹ Reported in BECANS Working Paper No. 2, p. 27.

Failure of increased budget spending to produce better service delivery exposes the need to improve policy and institutional capabilities at the sub-national levels. So, without robust mechanisms to equalize institutional capacity and policy synergy across the tiers of government, fiscal decentralization can, in a counterintuitive sense, pose risks to Nigeria's international economic competitiveness.

1.2 Objectives

BECANS is aimed at promoting evidence-based business environment reforms throughout Nigeria. It is deliberately focused at the state-level business environment. It is based on the strategy of producing and disseminating live evidence to influence private sector advocacy and consequently, state government reforms.

The specific tasks are to:

- Develop framework benchmarks and indicators for evaluating and monitoring business environment and competitiveness across the states
- Gather empirical data for evaluating the benchmark and indicators
- Fit the data on the benchmarks and indicators to gauge states' performance
- Prepare business environment reports and ratings
- Facilitate the use of business environment reports for private sector advocacy
- Promote the use of the business environment reports/ratings as bases for reforms
- Provide feedback on business environment conditions at the state level.

1.3 Structure and Organs

The structure of BECANS integrates research, dissemination and advocacy. Within this framework, the organs are as follows:

1. Advisory Committee
2. Technical Working Group
3. State-level Advocacy Committees

Advisory Committee

The Advisory Committee provides overall guidance and oversight. It comprises the key partners including the African Institute for Applied Economics. The Advisory Committee comprises the National Planning Commission, Central Bank of Nigeria, Manufacturers Association of Nigeria, Nigerian Association of Small and Medium Enterprises and Human Rights and Law Services.

Technical Working Group

The technical working group is the research hub. Its membership is drawn from experts and practitioners from across the country. The group prepares background review and analyses, develops, evaluates and applies methodological framework, conducts periodic technical reviews and supervises data collection, process and analyze data and prepare reports. Within the technical working group, there is the scientific team. This think-team incorporates cutting-edge research tools and analysis to defining and measuring the indicators.

State-level Advocacy Committees

There is Advocacy Committee in every state. The Advocacy Committee is the advocacy organ at the state level. It brings together government, private sector and civil society in an open and frank dialogue based on the BECANS reports. It comprises representatives of the private sector including Manufacturers Association of Nigeria, Nigerian Association of Small and Medium Enterprises, Nigerian Association of Small Scale Industrialists, Chambers of Commerce. The state government representatives come from the State Planning Board, Ministry of Commerce/Industry, Ministry of Finance, Ministry of Land/Land Registry and Board of Internal Revenue. The private sector representatives anchor sensitization, enlightenment, advocacy and respective states. This is done through workshops, dialogue events, forums and meetings. The Committee represents government-private sector partnership for setting and promoting the BECANS agenda for reforms in the state. The Advocacy Committees provide feedback on the reports, disseminate the report, canvass for needed reforms and provide feedback on reforms.

2.0 METHODOLOGY AND PRINCIPLES OF ANALYSIS

2.1 Defining Business Environment

Business environment refers to the enabling conditions for private enterprise and business competitiveness in an economy. Gareth (2004) defines the business and investment climate in terms of a range of policy, regulatory, legal and institutional factors that determine the incentives for private sector investment. A similar definition views business environment as the nexus of policies, institutions, physical infrastructure, human resources and geographic features which influence the efficiency with which different firms and industries operate (Eifert and others 2005). The state, through government policies, institutions and administrative services, has primary responsibility for the business environment. The quality of economic governance can rightly be benchmarked against the ability and effectiveness of government institutions in ensuring good enabling environment for private economic activities. The link between governance, business environment and competitiveness is therefore obvious, as reflected by some governance indicators that embed aspects of the business environment, for example, the World Bank Institute's Governance Indicators (1996-2006). Also, based on the logic, the World Economic Forum (WEF) defines competitiveness as the set of factors, policies and institutions that determine the level of productivity of a country (Lopez-Claros and others, 2006). Deepening the definition, competitiveness connotes the ability of a country to achieve sustained high growth rates in gross domestic product per capita for medium- to long-term prosperity.

The modern concept of competitiveness evolved from long history of economic thinking that can be traced to the works of classical economists, including Adam Smith's *An Inquiry into the Nature and Causes of the Wealth of Nations* published in 1776, David Ricardo's *Law of Comparative Advantage* and Michael Porter's *Competitive Advantage of Nations* published in 1990. The Global Competitiveness Index, developed by Jeffrey Sachs and John MacArthur and modified by Professor Xavier Sala-i-Martin provides a holistic overview of the factors that are critical to driving productivity and competitiveness. Accordingly, these factors are defined in terms of nine broad mutually inclusive pillars of competitiveness: institutions, infrastructure, macroeconomy, health and primary education, higher education and training, market efficiency, technological readiness, business sophistication and innovation (Lopez-Claros and others, 2006). None of these nine pillars can alone ensure competitiveness. Countries which implement wide-ranging factors within coherent framework policies should be more competitive. For example, though macroeconomic stability is precondition for sustained growth, two countries can have comparable macroeconomic indicators but different

competitiveness ratings. This underscores the role of institutions and services in explaining productivity growth. For any economy, institutions matter because achieving growth goes beyond simply fixing inflation or addressing macroeconomic volatility. Of equally critical importance are accountability, efficiency and transparency in the delivery of public services and the manner in which government interacts with the private sector.

2.2 Measuring the Quality of Business Environment

Approaches in measuring and evaluating business environment vary according to the dimension being captured, how it is conceptualized, the rationale, thrust and objectives of the measurement. Past and current investment climate assessments however reveal comparable methodologies and techniques across institutions across the globe. Most methodologies adopt quantitative indices for benchmarking and monitoring investment climate. Some examples are noteworthy:

- World Bank's Doing Business Indicators, launched in 2004 and now covers 175 economies.
- World Economic Forum's Global Competitiveness Index first published in 1979, now covers 117 economies.
- Index of Economic Freedom commenced in 1995 by Heritage Foundation and Wall Street Journal and now covers 157 countries
- Governance Indicators started in 1996 by the World Bank Institute and now covers 212 countries.
- Performance Indicators of States Economic Empowerment and Development Strategy (SEEDS), inaugurated in 2005, covering all the states of Nigeria.
- Institute for Management and Development's World Competitiveness Scoreboard launched in 1989 and benchmarks performance of 55 countries based 323 criteria measuring different facets of competitiveness.

The Index technique is based on scientific derivation of the composite measure of attributes of the business environment. Its theoretical tenet lies in the systematic and consistent use of valid and reliable scales and procedures in measuring the extent to which the business environment of a country possesses desirable properties.

- The World Bank's Doing Business Indicator is an aggregate measure of ease of doing business based on ten constituent factors - starting a business, dealing with licenses, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, closing a business.
- The World Economic Forum's Global Competitiveness Index is a composite benchmark of overall performance based on two sub-benchmarks - Growth Competitiveness Index and Microeconomic Competitiveness Index. The growth competitiveness index brings together the technology sub-index, public institutions sub-index and macroeconomic environment sub-index. The microeconomic competitiveness index combines the company operations and strategy sub-index and the quality of business environment sub-index.
- The Heritage Foundation's Index of Economic Freedom is an aggregate measure of performance on ten pre-defined indicators of economic liberties – business freedom, trade freedom, fiscal freedom, freedom from government, monetary freedom, investment freedom, financial freedom, property rights, freedom from corruption and labour freedom.
- Institute for Management and Development (IMD) World Competitiveness Scoreboard is based on four sets of competitiveness factors: economic performance, government efficiency, business efficiency and infrastructure. Each of these factors is further divided into five sub-factors, each highlighting different facets of competitiveness. The five sub-factors together comprise a total of twenty specific categories that define competitiveness issues more explicitly.
- Worldwide Governance Indicators of the World Bank Institute aggregates performance on six candidate dimensions of governance: voice and accountability, political stability and absence of violence, government effectiveness and regulatory quality, rule of law and control of corruption.
- Performance Indicators for measuring progress of SEEDS in the states is based on four benchmark criteria: policy, budget and fiscal management, communication and transparency and service delivery. Each benchmark criterion is broken down into component measures which are evaluated by a set of indicators.

2.3 Modeling approach

The BECANS model defines sub-national business environment along four dimensions or factors: infrastructure and utilities, legal and regulatory services, business support and investment promotion and security. These factors or dimensions are called BECANS benchmarks.

The four benchmarks are derived based on theoretical knowledge and research evidence of the critical bottlenecks to business environment and competitiveness of enterprises across Nigeria. Ample evidence is contained in a wide range of studies. These include Nigeria Governance and Corruption Survey in 2001 (GON, 2001), World Bank Investment Climate Study in 2002 (Marchat and others, 2002), UNIDO Manufacturing Enterprise Survey in 2002 and 2005 (UNIDO 2002 and 2005), DFID/Nigeria review of business and investment climate surveys (Williams, 2004), USAID Investor Roadmap and Enabling Environment Survey (USAID/Nigeria, 2001), CBN Baseline Economic Survey of Small and Medium Industries in Nigeria (CBN, 2004) and British Council's Security, Justice and Growth (SJG) Survey on Multiple Taxes, 2006.

Every benchmark is divided into measures, reflecting the criteria for analyzing the benchmark. The number of measures varies across the benchmarks. Infrastructure and utilities has five measures and twenty two indicators. Legal and regulatory service has five measures and thirteen indicators. Business support and investment promotion has four measures and ten indicators. Security has four measures and ten indicators. Altogether, the Business Environment Index of Nigerian States (BEIONS) is based on eighteen measures and seventy five indicators. The measures and indicators have been selected based on the study of literature on the domestic business environment and feedback from the business community, government agencies and academics. The benchmarks, the constituent measures, their assigned weights and indicators upon which the measures are evaluated are given in Annex I.

The overall measure of the quality of business environment is the business environment index of Nigerian States (BEIONS). The business environment index is a weighted aggregate of scores on the four benchmarks. BEIONS uses a continuous scale from 0-100, where a score of 100 represents the most conducive business environment. BEIONS is stated using percent terminology. The principle of weighting cuts across the layers of measurement, from benchmarks, measures to indicators. The benchmark score is the weighted sum of scores on the constituent measures. Similarly, the score on the measure is the weighted sum of scores on respective indicators.

The business environment index is computed as follows.

$$BEIONS = \sum_{B=1}^{n_B} S_B W_B$$

$$S_B = \sum_{M=1}^{n_M} S_M W_M$$

$$S_M = \sum_{i=1}^{n_i} S_i W_i$$

BEIONS = Business Environment Index of Nigerian State

S_B = total score on benchmark

W_B = assigned weight of benchmark

B = benchmark

n_B = number of benchmarks

S_M = total score on measure

W_M = assigned weight of measure

m = measure

n_M = number of measures

S_i = score on indicator

W_i = assigned weight of indicator

i = indicator

n_i = number of indicators

Each indicator is answered in terms of a number of options. The options are assigned scores based on the applicable grading scale. The score of 0.0 point or 0% on an indicator does not necessarily imply that the state has zero unit of the particular property or attribute. The fact that a state scores maximum points or 100.00% on an indicator also does not necessarily imply that the state has maximum quantum of that particular property or attribute. Rather, the

two extreme scores merely reflect the two opposite ends of the applicable grading scale. With the exception of two measures -major crimes and minor crimes -the grading scales measure the properties directly, that is, the higher the score on the scale the higher the quantum of the property. The grading scale that measures the incidence of major crimes and minor crimes is inversely constructed, that is, regressive in nature. This means that the lower the score on the indicator or measure, the higher the incidence of major crimes and minor crimes and vice versa.

The cross-cutting application of unequal weights is deliberately designed to reflect the potential relative impact of the respective factors in the domestic business environment. Equal weighting will be required if it is not imperative to bias the overall score towards any one factor or policy direction. To standardize the scale, however, it is recommended that the standard deviation method be used to derive a new uniform scale². For each indicator, the standardized value can be computed as follows.

$$(STDvalue)_i = \frac{x - \bar{x}}{S}$$

STDvalue = standardized value

x = original value

\bar{x} = average value of the surveyed states

N = number of states

S = standard deviation

The BEIONS is constructed based on 49 hard indicators (secondary data from government ministries, departments and agencies) and 26 soft indicators (data from survey of business and company executives). So, hard indicators constitute 65.33% of the total number of indicators. On the other hand, in terms of relative weight in the business environment index, hard indicators account for 65.5 points (that is, 65.5%) while the remaining 34.5 points (or

² Institute for Management and Development's World Competitiveness Year book 2006.

34.5%) is based on soft indicators³. Aggregating the results of the seventy five indicators makes the total consolidation, which leads to the overall BEIONS ranking.

2.4 Data Collection

Investment climate assessments are essentially diagnostics oriented. The data needs range from primary (soft) to secondary (hard) data, as well as qualitative to quantitative data. Similarly, data sources and collection techniques are many and diverse. Data types, sources and collection methods are guided by the core principles of complementarity and triangulation. Also, by its diagnostic nature, business environment and competitiveness assessments use a variety of methods including document review, opinion survey of business leaders, company executives and investors, enterprise survey, fact finding missions and targeted interviews. Whichever is the case, it is the scientific norm for researchers to clearly specify the types and sources of data used. Here are some examples to illustrate:

- World Bank's Doing Business Indicators are based on the independent expert study and assessment of factual data collected from government ministries, departments and agencies.
- World Economic Forum's Global Competitiveness Index is based on a combination of publicly available data and survey data that captures the perceptions and observations of business leaders in a given country.
- World Bank's Worldwide Governance Indicators are computed from data provided by a large number of enterprise, citizen and expert survey respondents in countries. The data are gathered from a number of survey institutes, think tanks, non-governmental organizations, and international organizations.
- World Competitiveness Scoreboard of the Institute for Management and Development (IMD) is based on combination of hard (secondary) data obtained from country and international reports and executive opinion survey.
- Index of Economic Freedom of the Heritage Foundation and Wall Street Journal is based on cross-country secondary data from existing global and international reports, independent research studies and country profiles.

³ This compares well with the World Competitiveness Yearbook 2007 which computes the World Competitiveness Index based on 323 criteria comprising hard data (two-thirds or 67%) and opinion survey (one-third or 33%) – see Kaufman and others, 2007.

The BECANS data collection methods reflect theoretical principles, knowledge of the national data landscape and the necessity to overcome practical data challenges in Nigeria. Data on sub-national business environment in Nigeria entails wide-ranging sources - government (ministries, departments and agencies- MDAs) and private sector. In the same vein, the indicators imply different kinds of data. While some indicators require secondary data from government MDAs, others are based on qualitative assessments of business and company executives.

Prior to data collection, the methods and instruments were developed by the Scientific Team and validated through several seminars and workshops. The seminars and workshops culminated into the 1st national forum on business environment across states, held from 6th-7th July 2006. The stakeholder forum drew participants from the federal government, state governments, private sector and civil society. With the benefit of valuable inputs of the national forum, the methods and instruments were revised and fine-tuned.

There are two broad categories of sources of data: administrative records, document evidence and statistics from government ministries, departments and agencies which provide hard data; and survey of assessments and observations of business and company executives which provide primary or soft data. Data were collected from government agencies by fact-finding teams in the states.

For the opinion survey, business and company executives (that is, respondents) were selected by proportionate random sampling method. The total sample was set at one thousand five hundred (1,500) firms or enterprises. Most national opinion polls – those conducted by the known and well-respected pollsters – use a sample size of approximately 1,200-1,500, which reduces sampling error tolerance to approximately ± 2.5 to 3%⁴. It is also observed that a properly chosen sample of 1,500 cases should not miss the true population value by more than 2.5% in either direction. In the same vein, it has also been observed that a sample size of 1,500 would be capable of sampling an entire nation or just one city⁵.

The allocation of sample quotas to states was done based on the relative weight of its internally generated revenue to total internally generated revenue from all study states. This proportionate sampling (application of sampling weights) was done to ensure fair and balanced representation of the states' population of firms in overall sample. Because the population of firms is not uniform across the states, it is imperative to use proportionate

⁴ Meyer, P. 1979. *Precision Journalism*. Bloomington: Indiana University Press.

⁵ Warwick, D., and Lininger, C. 1975. *The Sample Survey: Theory and Practice*. New York: McGraw-Hill.

(weighting) methods, especially since the analysis involves comparability across sub-groups of the population⁶.

In every state, the list of registered and operating businesses and companies was compiled based on information provided by existing private sector membership organizations including Manufacturers Association of Nigeria, Nigerian Association of Small Scale Industries, Nigerian Association of Small and Medium Enterprises, National Association of Chambers of Commerce, Industry, Mines and Agriculture and Board of Internal Revenue. The respondent-firms were selected from the list compiled in every state by picking blindly from the lot, until the sample quota of the state is achieved. The business and company executives of the selected firms were interviewed.

Given that the estimated population of firms is more than one hundred thousand firms for the whole country⁷, and that predefined sample size is one thousand five hundred firms (1500), a confidence level of 95% gives an estimated margin of error⁸ approximately ± 3 .

To cross-check the error margin, we compute explicitly as follows. The calculation is derived from the following formula:

$$e = \frac{t_{i-1} \sqrt{(p\%(100 - p\%))}}{\sqrt{s}} \quad 9$$

e = sampling error,

s = the sample size = 1500

t_{i-1} = t-value at 0.05 probability level; 1.96

p = an estimate of the proportion of people falling into the group in which you are interested in the population; 50% (50% is used on assumption of maximum variation in the population)

⁶ This is elaborated in Butler, J. S. 2000. "Efficiency results of MLE and GMM estimation with sampling weights". *Journal of Econometrics*, 96, pp. 25-37.

⁷ Data from Corporate Affairs Commission shows there were 650,000 registered companies as at end of December 2006.

⁸ Israel, Glenn. 1992 Fact Sheet PEOD-6, Program Evaluation and Organizational Development, Florida Cooperative Extension Service, Institute of Food and Agricultural Sciences, University of Florida.

⁹ Lohr, Sharon L. (1999). *Sampling: Design and Analysis*. Pacific Grove, California: Duxbury Press

$$e = \frac{1.96\sqrt{(50(100-50))}}{\sqrt{1500}} = 2.53$$

The sampling size of 1500 is considered adequate for the opinion survey of business and company executives, as it will give a margin of error of $\pm 2.53\%$ at the 95% confidence level.

The sources of data and computation of values corresponding to respective indicators are given in Annex II. Data collection took place from December 2006 to February 2007.

2.5 Data analysis, quality reviews and limitations

Data processing and rigorous quality reviews were carried out to ensure completeness, consistency and integrity of data. Quality control in evaluation of the indicators was ensured to enhance credibility and reliability of the scorings and rankings. The framework of quality control has two dimensions. One is internal consistency. The other is cross-state consistency. Internal consistency ensures accurate correspondence between assigned scores and supplied evidence. It eliminates incidence of under- or over-scoring of indicators. Cross-state consistency ensures comparability, by using identical standards across all states. It eliminates the problem of unequal or changing grading scale.

The survey faced the challenges of similar research on Nigeria, where there is lack of robust and updated social and economic data on sub-national conditions. Ironically, the shortage of accurate and timely data on sub-national indicators of business environment is one of the main reasons for BECANS. Data triangulation was ensured to cross-check integrity of the information.

The fieldwork and subsequent data collection exercise received very high and commendable cooperation from state government officials. Getting adequate and good quality data was the main challenge across the states. All states and FCT were covered except Ogun state. This was because the state did not take part in the 2006 National Planning Commission SEED benchmarking exercise to which the BECANS survey was tied. Police data on reported crimes was not available for FCT. Hence, FCT was assessed on three out of the four benchmarks. The overall scoreboard therefore does not show FCT in comparison to the states. FCT is only compared to the states only at the benchmark level.

Some indicators in the initial design were dropped after preliminary survey due to paucity of data. This is because data on relevant indicators were not available from the states. For example, it was not possible to get data on the total length of tarred roads in the states. The

data was scanty in few states and non-existent in many states. Data on tarred roads in Lagos and Kaduna states was more complete than others. The indicator – length of tarred roads per unit area – was omitted from final set because of lack of data for comparability across the states. The quality review process was essentially iterative in nature, as it was necessary to cross-check data sources to ensure data integrity, consistency and reliability.

One key debate in the technical working group is the plausibility of including indicators which are not strictly in the domain of state governments. For example, business registration is the function of the Corporate Affairs Commission – a federal agency, just as security is the primary function of the Nigeria Police. Also, some indicators such as tele-density and incidence of mobile phone ownership are not necessarily determined by the state governments. Their inclusion in the final set of indicators is deliberately designed to capture the business environment in the states, without necessarily being constrained by the limits of direct jurisdiction of the state governments. The study mirrors the business environment in the states, including some indicators which are not directly affected by state governments. While state governments may not have direct constitutional jurisdiction in these business environment spheres, there are several forms of innovative collaboration with federal agencies that can promote the efficiency and effectiveness of service delivery by federal agencies in the states. Some states are already showing examples in this direction and others need to follow..

Besides sampling error, any assessment like ours would be subject to measurement errors. Data from government ministries, departments and agencies would not be perfect. On the other hand, the private sector survey is open to risks of subjective judgement and asymmetric information among different respondents. For example, one respondent may assess aspects of the business environment in his/her area with little or no information about the situation in other areas. What would be considered as “good” by one respondent, could be seen as “very good” by another. The incidence of respondents’ asymmetric experiences could lead to duplicity in scales of measurement, thereby raising validity and reliability questions¹⁰. To overcome this risk, BECANS presented a range of options with pre-assessed and quantified degrees of attributes in question. Respondents were asked to choose between the pre-assessed options, thereby reducing subjectivity or duplicity in scale. This technique helped to standardize measuring scales across respondents. Despite the potentials for errors, the results and findings represent correct picture of the situation across the states.

¹⁰ Lall (2001) in his criticism of World Economic Forum’s competitiveness index stated that in a qualitative survey, different respondents may not use the same benchmark in giving their responses.

2.6 Organization of the Report

This object of this report is to present the results and findings of the first cycle of BECANS research and survey. The report has 6 sections.

Section 1 is the introduction. It gives the context, objectives, structure and organs of BECANS. Section 2 contains the methodology and principles of analysis. Section 3 describes the national outlook of states' performance on benchmarks and measures. Section 4 gives the national outlook of states' performance on the indicators under the respective measures. Section 5 presents the business environment scoreboard on the benchmarks. Section 6 outlines salient lessons emanating from the findings.

3.0 NATIONAL OUTLOOK OF STATES' PERFORMANCE ON BENCHMARKS AND MEASURES

3.1 Average Performance on the Overall Index

Average score on the overall Business Environment Index (BEIONS), leaving out the performance of FCT is 48.52%. With a range of 24.2 and standard deviation of 10%, the scores are considerably dispersed away from the mean. Out of the 35 states studied, 18 score above the mean while 17 score below it. The average overall performance and average performance on the four benchmarks are shown in Fig 1.

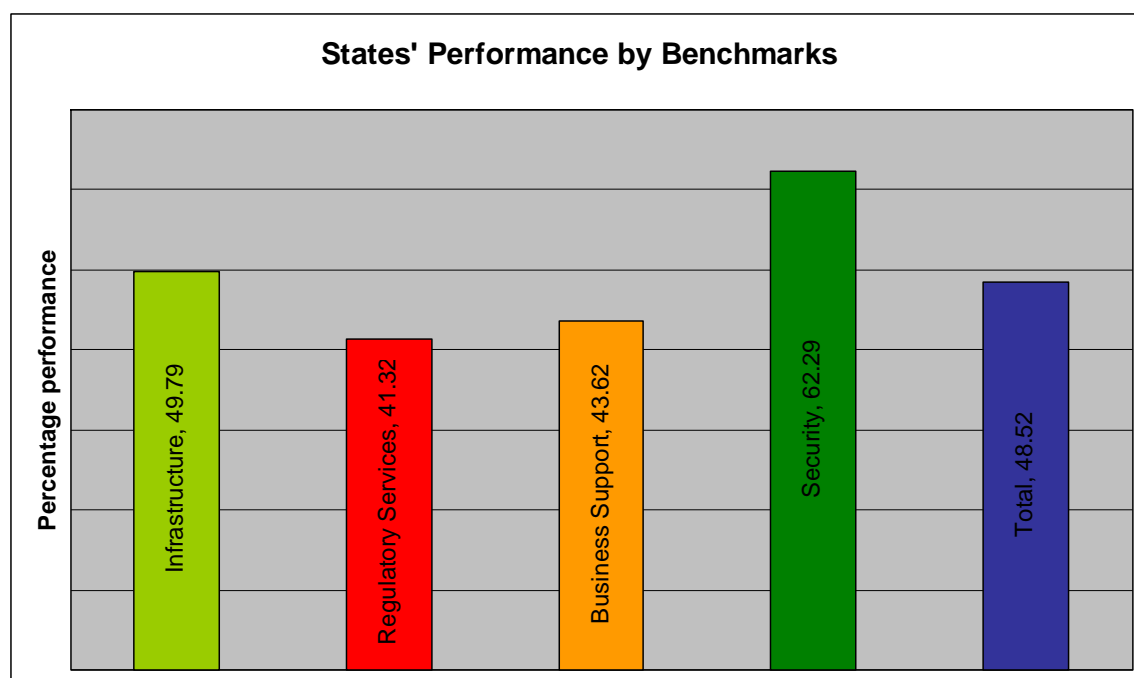


Figure 1: Average scores on the four benchmarks

States' average score of 62.29% on the security benchmark is the highest among the four benchmark areas. States' average score on security is also higher than the overall average score of 48.52%. States' average score on infrastructure is 49.79% while that of business support and investment promotion is 43.62%. The lowest average score of 41.32% is on legal and regulatory services benchmark. The above-average score on security is congruent with findings from recent private sector surveys. Neither the World Bank Enterprise survey in 2002 nor the UNIDO Manufacturing enterprise survey in 2002 and 2004 found security as the main problem of business environment across the states. While this does not imply that security is

not a problem, it shows that the business community rates security problem lower than the physical infrastructure bottleneck.

Fig. 2 shows the highest and lowest scores among the measures under respective benchmarks.

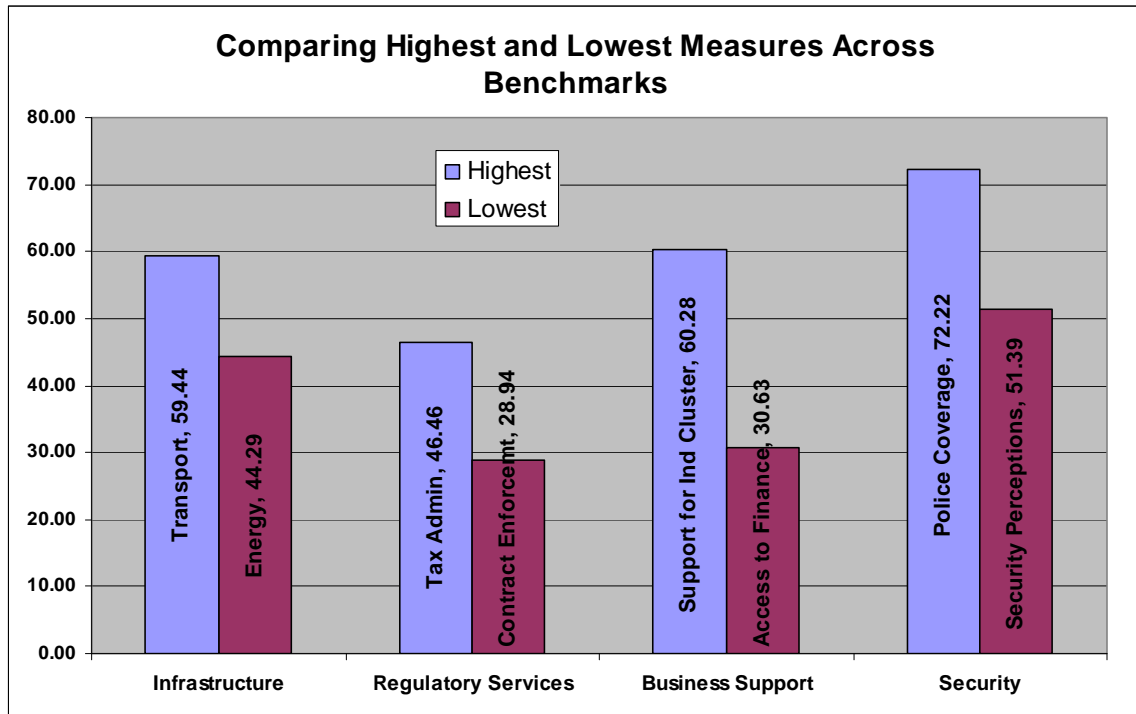


Figure 2: Highest and lowest average scores on measures in respective benchmarks

States' average score of 72.22% in police coverage (under security) is the highest average score among all the measures while average score of 28.94% under contract enforcement/commercial dispute resolution is the lowest among the average scores of measures. The highest score under infrastructure is on transport (59.44%) while the lowest score under infrastructure is on energy (44.29%). The highest score under legal and regulatory services is on tax administration (44.46%) while the lowest score is on contract enforcement/dispute resolution (28.94%). The highest average score under business support and investment promotion benchmark is on support for industrial cluster (60.28%) while the lowest average score is on access to finance (30.63%). The highest score under security is on police coverage (72.22%) while the lowest score is obtained in businesspeople's assessment

of security (51.39%). One instructive finding is that average performance on assessment of security falls far short of the average performance on police coverage. This implies that police coverage did not actually translate to better security for businesses in the states.

3.2 Average performance on Measures under respective Benchmarks

3.2.1 Infrastructure and Utilities

Fig. 3 shows the average score on all five measures in infrastructure (the number of indicators in each measure is enclosed in parenthesis in the diagrams). The second highest average score after transportation is on access to information (57.36%) while the third highest average score is on social infrastructure (48.59%). Average scores of 45.42% (for water supply) and 44.29% (for energy) are the least among the measures of the benchmark.

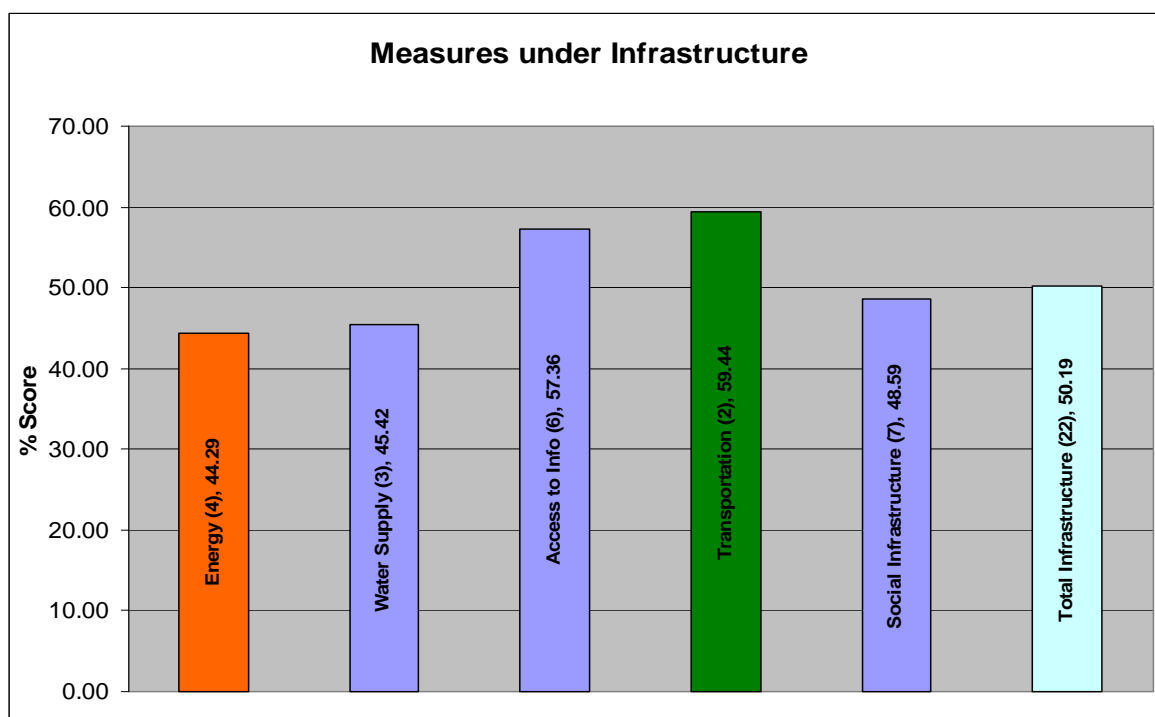


Figure 3: Average performance on measures under infrastructure

The findings here corroborate recent assessments which identify power and water as main infrastructure bottlenecks to businesses in Nigeria.

3.2.2. Legal and Regulatory Services

Fig. 4 shows the average score on the four measures in legal and regulatory services. Average score of 46.46% in tax administration is the highest among the measures of the benchmark. This is followed by business registration with average score of 44.55%. Average score in land administration and property rights comes next at 43.19% while the contract enforcement/commercial dispute resolution measure occupies the bottom with average score of 28.94%.

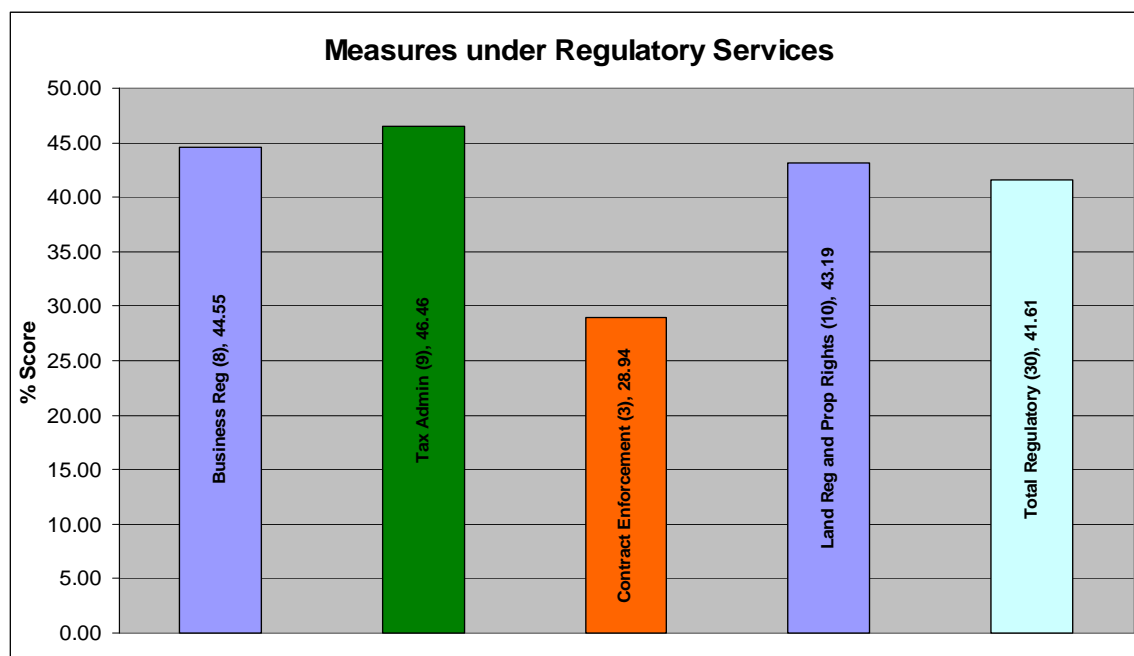


Figure 4: Average performance on measures under legal and regulatory services

The study shows that, overall, states score relatively low on legal and regulatory services. The relatively better performance on business registration, in comparison to other measures under the legal and regulatory services benchmark is positive sign of the ongoing reforms by the Corporate Affairs Commission. However, more work still needs to be done to computerize business registration and reduce the processing time. The very poor overall performance on the contract enforcement measure is of great concern, considering the critical importance of transparent, efficient and trusted dispute resolution mechanisms for investor confidence.

Overall, performance on tax administration is relatively above average for measures under the legal and regulatory services benchmark. This finding is apparently consistent with findings of comparable studies. Previous assessments have also found that though multiple taxation and double taxation may be important bottlenecks to businesses, business and company executives rank it secondary to problems of physical infrastructure. The World Bank Investment Climate Survey in 2002 showed that tax problem ranks below questions of infrastructure and finance. According to the study, while firms reported relatively low tax burden, they stressed the considerable transaction costs in dealing with tax authorities at the state and local government levels.

3.3.3 Business Support and Investment Promotion

Fig. 5 shows the average score on the five measures under business support and investment promotion. Average score of 60.28% on support for industrial areas is the highest among the measures of the benchmark. This is followed by investment promotion with average score of 53.89%. Average scores of 52.78% in entrepreneurship promotion and 48.61% in public private partnerships follow in declining order while average score of 30.63 in access to finance is the least among the measures of the benchmark.

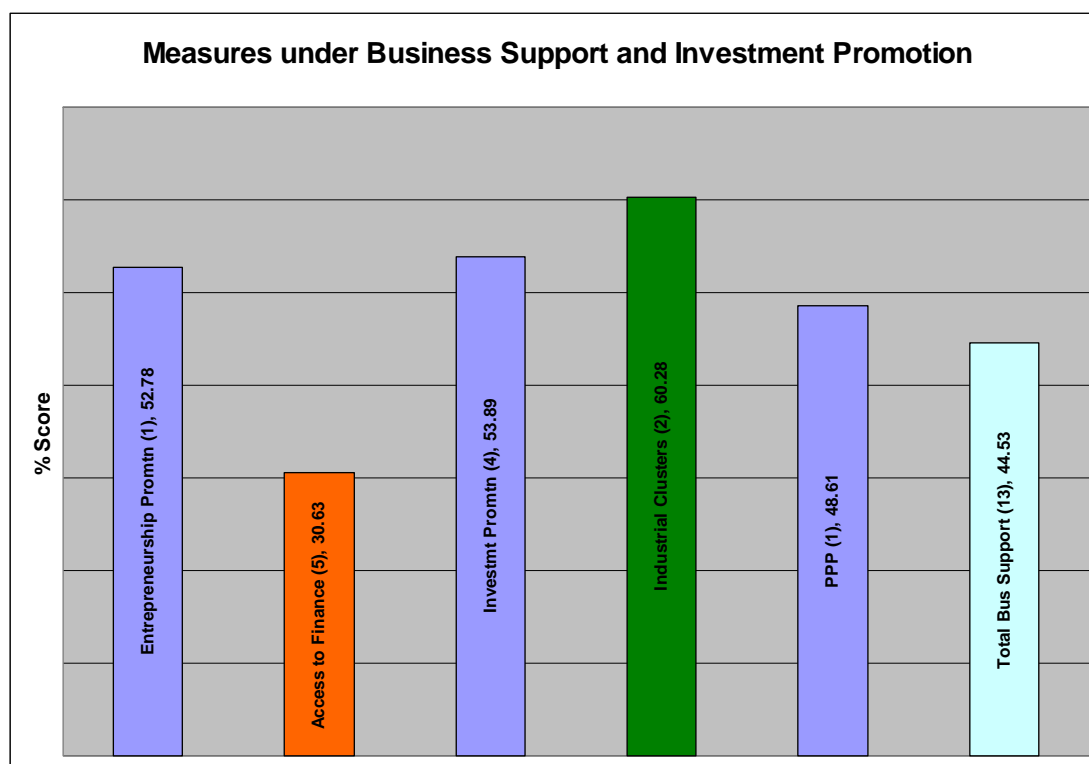


Figure 5: Average performance on measures under business support and investment promotion

The study shows access to finance as a major bottleneck to businesses across the states. This is consistent with findings of recent investment climate assessments which identify finance and credit as critical constraints for businesses and investment growth. Many private sector surveys identify access to finance as second only to physical infrastructure as bottleneck to business¹¹. It is noteworthy that states' performance on support to industrial areas is relatively high, compared to other measures of business support and investment promotion. This development needs to be sustained and improved upon in order to harness the opportunities and advantages of enterprise clusters.

¹¹ UNIDO Manufacturing surveys in 2002 and 2004; World Bank Investment Climate survey in 2001/2 and CBN baseline survey of small and medium industries in 2004.

3.3.4 Security

Fig. 6 shows the average score on the four measures under security. Average score of 72.22% in police coverage is the highest among the measures of the benchmark. This is followed by minor crimes with average score of 69.12% and major crimes with average score of 62.04%. (It is important to restate here that crimes are measured on inverse scale, that is, the higher the score, the lower the incidence of crime). Average score in perception of security is lowest among measures of the benchmark with states' average of 51.39%.

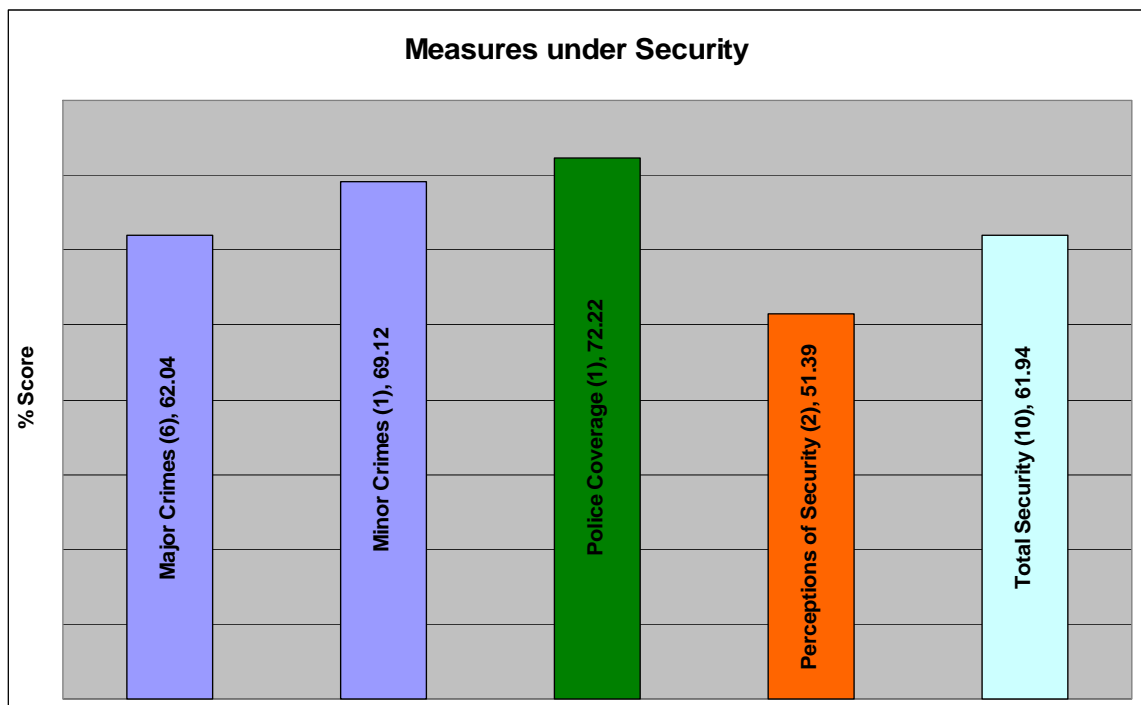


Figure 6: Average performance on measures under security

States' average score on police coverage is less than the performance on both crimes and assessment of security. This suggests that police coverage did not necessarily translate into lower incidence of crimes or better security in the eyes of business and company executives. This raises a major challenge for the police to become more efficient and effective in crime prevention and control.

4.0 NATIONAL OUTLOOK OF STATES' PERFORMANCE ON THE INDICATORS UNDER RESPECTIVE MEASURES

This section analyzes the performance of the states against respective indicators. The indicators are the smallest levels of measurement. While a total of 75 indicators were assessed, only a sample of indicators is presented here for illustrative purposes. The illustration is done for respective benchmarks. The bars in the diagrams show the number of states reporting respective options.

4.1 Infrastructure and Utilities¹²

There are five measures in the infrastructure and utilities benchmark – energy, water supply, access to information, transportation and social infrastructure. The outlook of states' performance on the constituent indicators is presented as follows.

4.1.1 Energy

There are four indicators under energy – two on electricity and another two on petroleum products (one on availability and the other on cost). Performance of the states on one indicator each reflecting public electricity supply, availability and cost of petroleum products is given by Figs. 7, 8 and 9 as follows.

¹² Detailed literature on the BECANS perspectives on infrastructure and utilities in Nigeria is contained in BECAN Working Paper No. 2, 2006.

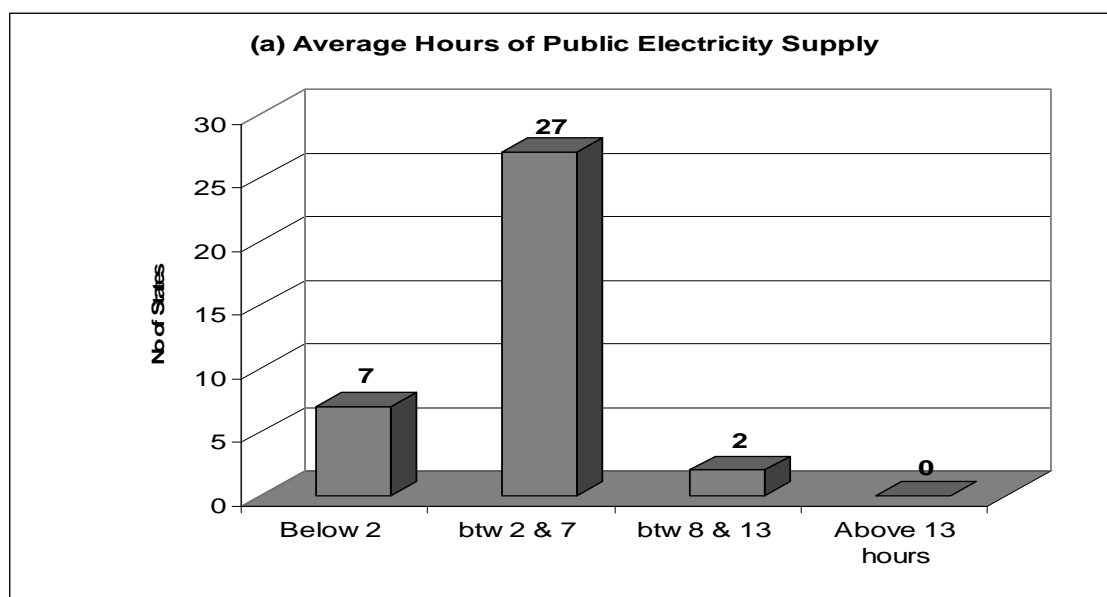


Figure 7: Distribution of states according to daily hours of public electricity supply

It cannot be over-emphasized that power is the most critical constraint to enterprise competitiveness across the states. Nigeria's power consumption compares poorly to other countries in Africa. Estimates¹³ show that per capita public electricity consumption in Nigeria is 126 KWh, compared to Ghana 309 KWh, Botswana 1357 KWh and South Africa 4704 KWh. In the same vein, UNIDO Manufacturing Enterprise Survey 2004 found that firms have only 2.98 days of public electricity in a week. World Bank Investment Climate survey in 2002 found that 97.4% of firms have self-provisioned (private) electricity to overcome shortages of public electricity. State governments can take innovative steps to work together and with the federal government to address the electricity problem.

¹³ World Fact Book (July 2007)

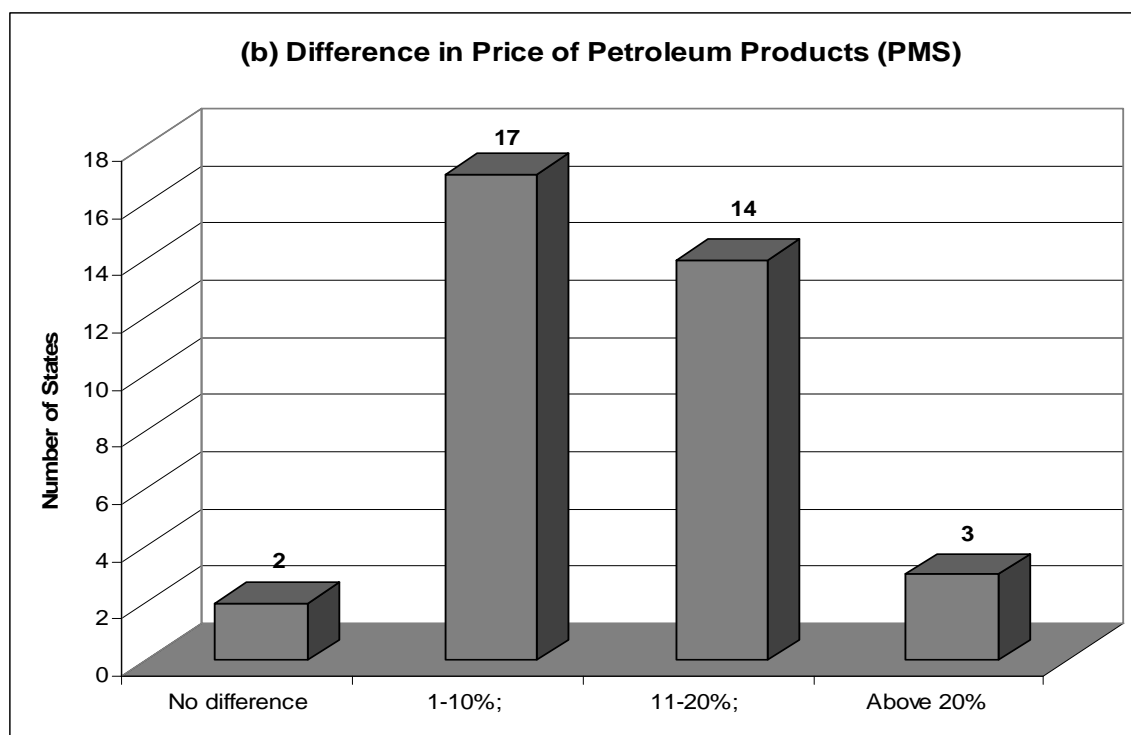


Figure 8: Distribution of states according to percentage difference between actual and official price of petroleum products

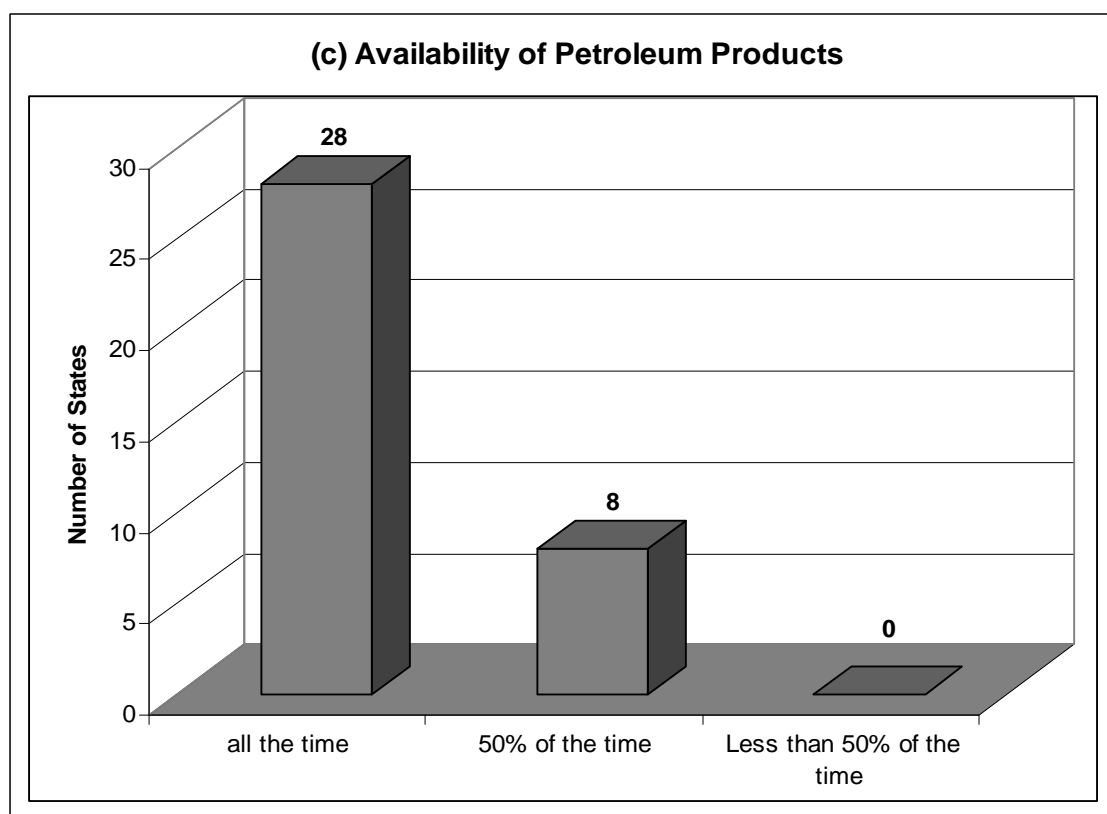


Figure 9: Distribution of states according to availability of petroleum products

One important suggestion from the results on availability of petroleum products is that the deregulation of the downstream sector has tended to increase availability of products to users. However, the problem of differential between the official regulated price and actual purchase price remains a knotty issue in the deregulation of the downstream sector.

4.1.2 Water Supply

Public water supply measure has three indicators dealing with availability and cost of water. Performance on all three indicators of water supply is given in Figs. 10 -12 as follows.

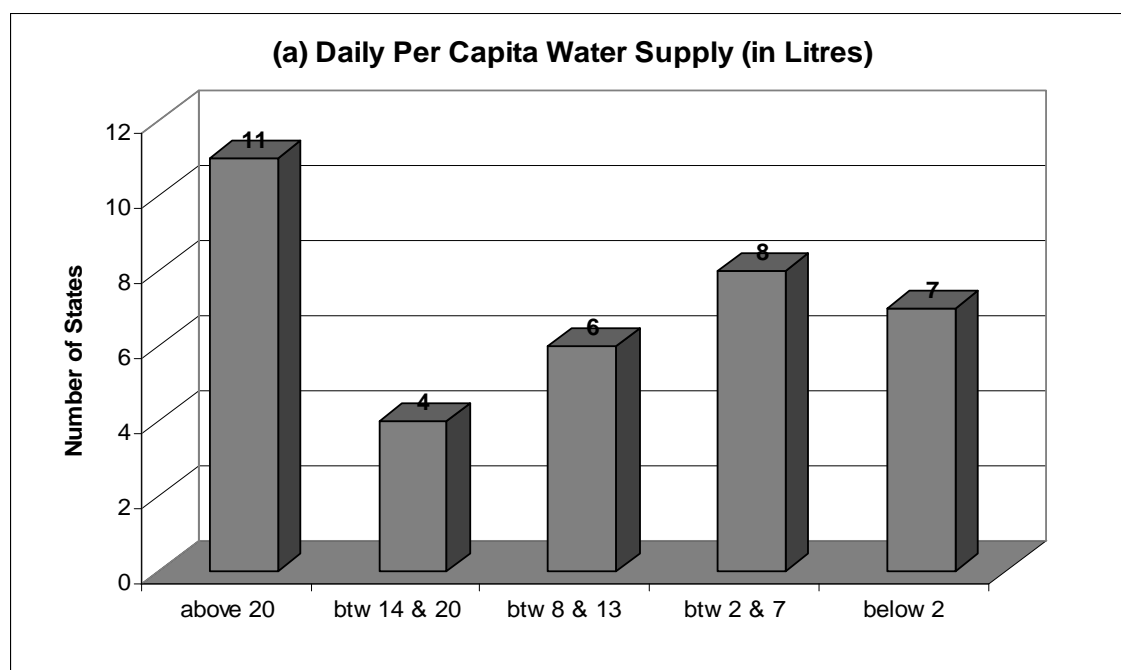


Figure 10: Distribution of states according to daily public water supply (litres) per capita

The finding reveals very poor state of public water supply across the states. About 92% of the firms in the Skoup and Company survey of industrial clusters in Eastern Nigeria reported electricity as their biggest production problem, followed by water (85%). In particular, recent manufacturing sector assessments found that manufacturing enterprises receive adequate water supply in only two days per week¹⁴. The daily per capita water supply falls far short of the standards recommended by the World Health Organisation¹⁵. The study of industrial clusters in eastern Nigeria (Skoup and Company Ltd, in collaboration with the International Finance Corporation and World Bank) in 2003 found that more than half of the studied firms own boreholes for water production. In a particular industrial cluster (Nnewi), over 90% of the firms reported that all the water used is self-provided, UNIDO Manufacturing Enterprise survey in 2004 indicates that firms whose production relies heavily on water, such as food and beverages, chemicals and pharmaceuticals, cosmetics and foam industry, have especially

¹⁴ UNIDO Manufacturing Enterprise Survey, 2004. United Nations Industrial Development Organisation and Centre for the Study of African Economies, Oxford.

¹⁵ According to World Bank's World Development Indicators, 2005, only 30% of Nigerians have access to safe drinking water. WHO recommended standards range from 70-130 litres per capita per day.

reduced their dependence on publicly provided water supply. Also, the Central Bank of Nigeria baseline survey of small and medium enterprises in 2004 found that public water is a big bottleneck to enterprise performance and competitiveness. It is obvious that state governments need to take cogent steps to address the problem of water supply to industries, enterprises and households. Improved public water supply will significantly reduce the cost of doing business and make enterprises more competitive.

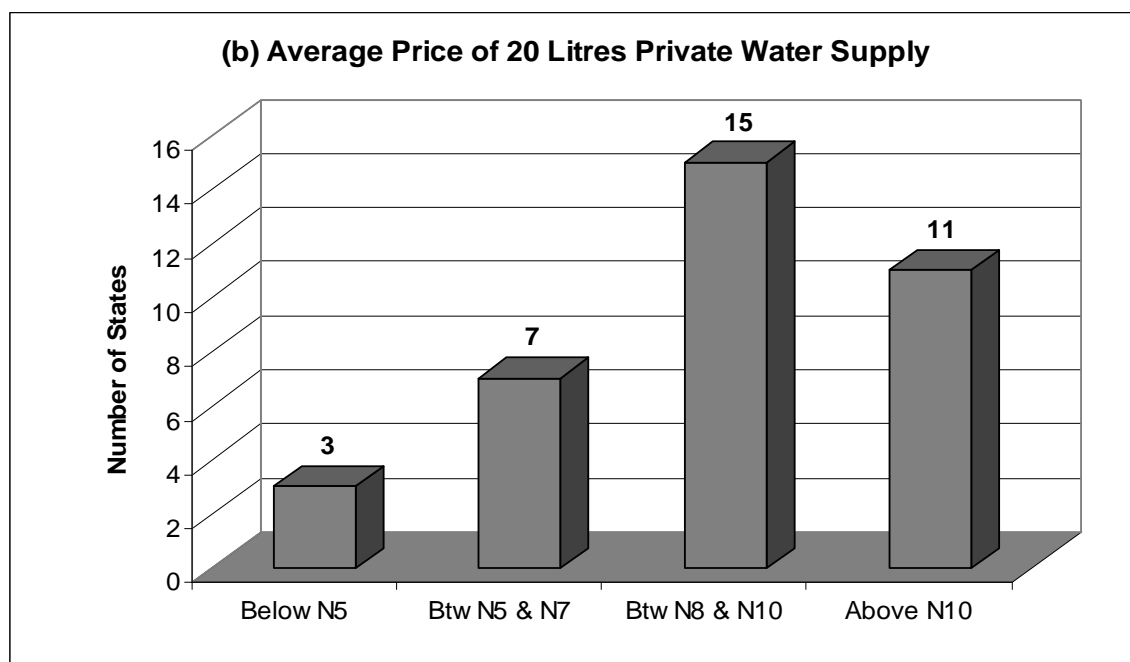
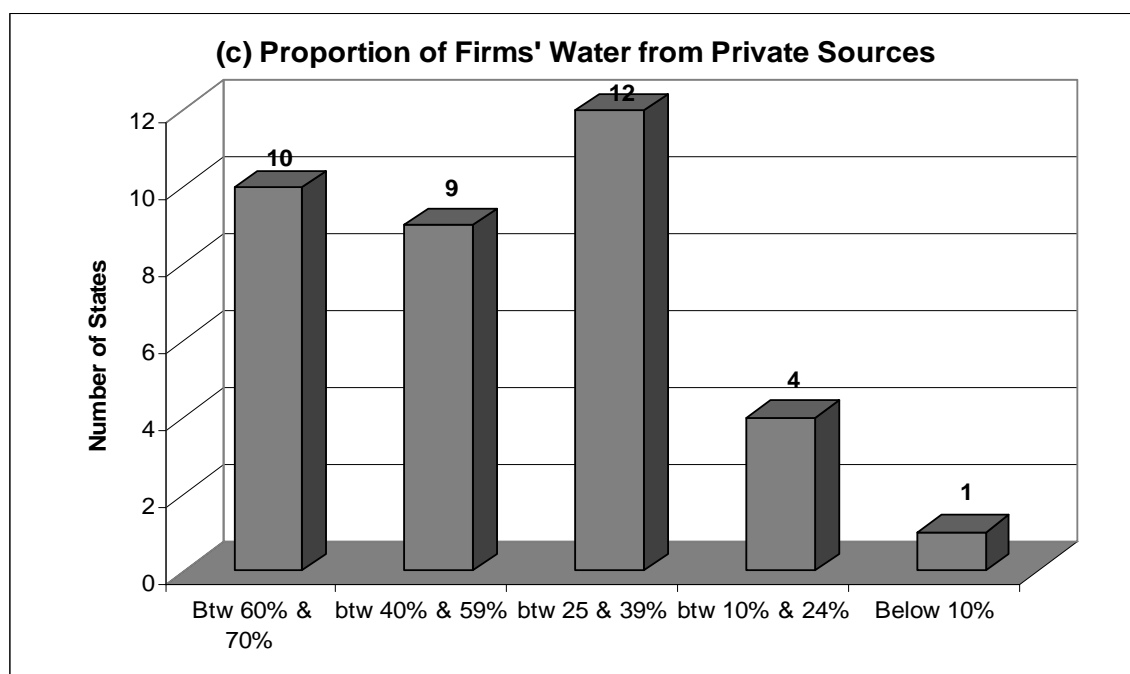


Figure 11: Distribution of states according to cost of 20 litres of private water supply



Figures12: Distribution of states according to population of firm's water supply from private sources

4.1.3 Access to Information

The access to information measure has six indicators covering availability of post offices, tele-density of fixed lines, incidence of mobile phone ownership, availability of television and radio stations as well as availability and status of state-owned website. The distribution of state performance in three of these (availability of post offices, incidence of mobile phone ownership, and state website) is analyzed in figures 13 through 15 as follows:

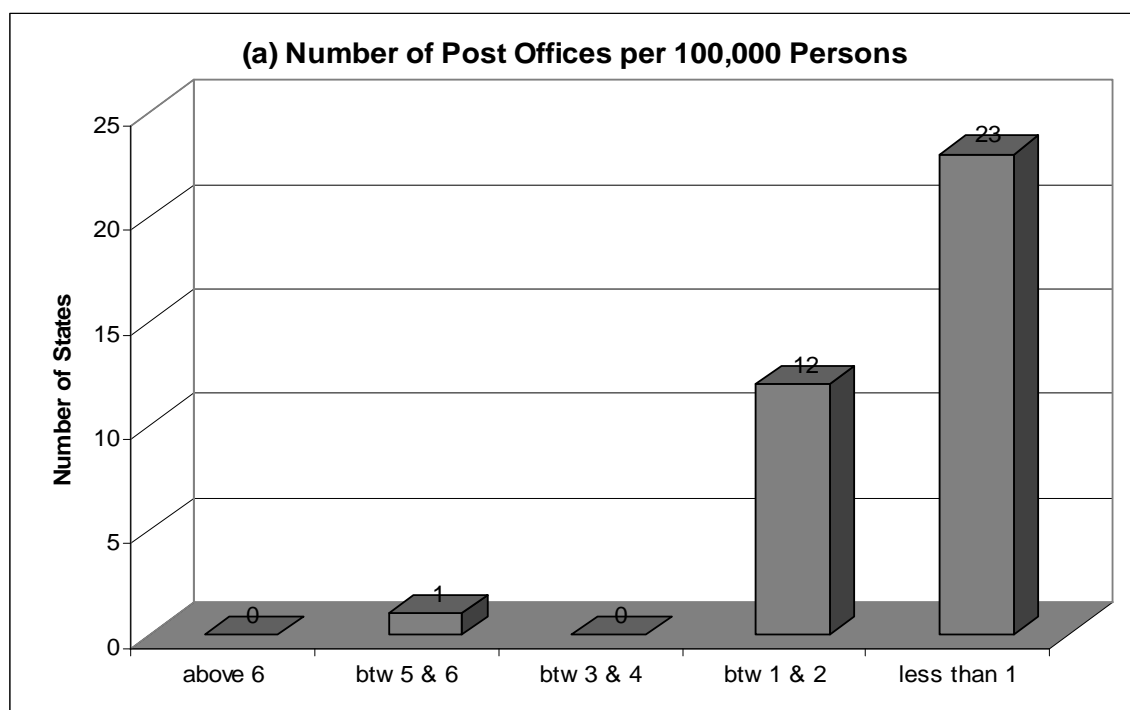


Figure 13: Distribution of states according to the number of post offices per 100,000 persons

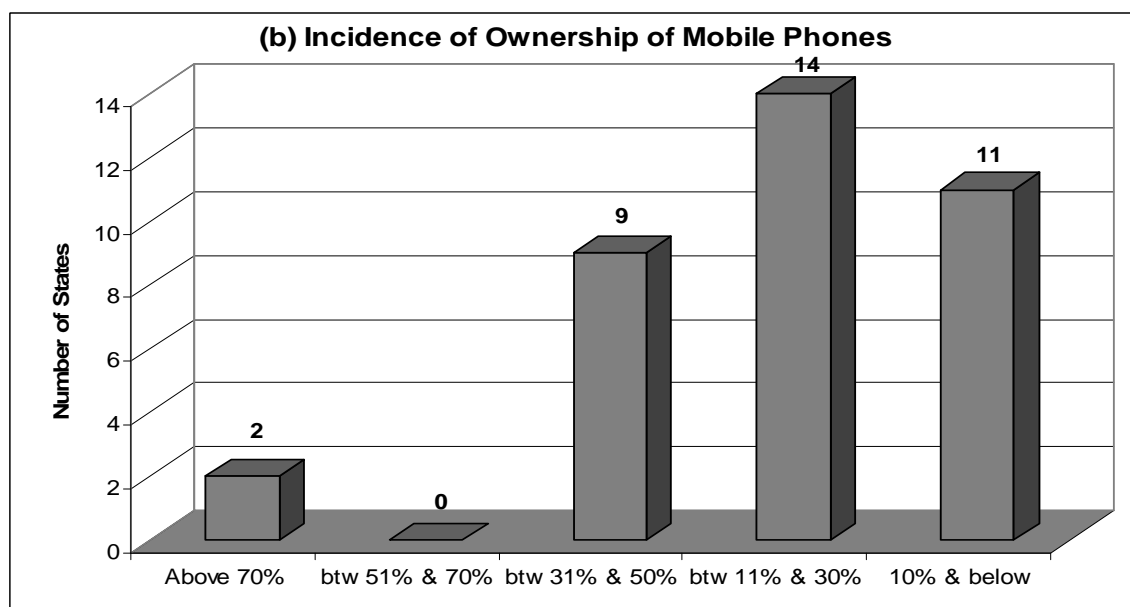


Figure 14: Distribution of states according to incidence of ownership of mobile phone

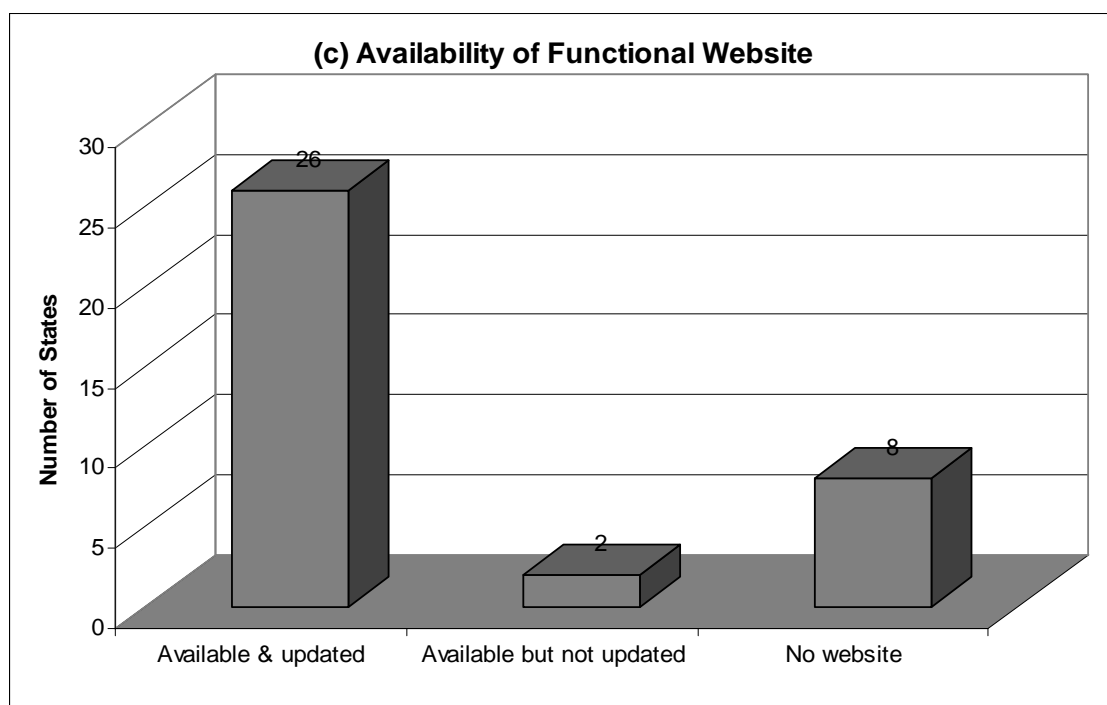


Figure 15: Distribution of states according to availability and status of state-owned website

4.1.4. Transportation

There are only two indicators of the transportation measure. These are cost per kilometer of road transport and availability of airport. The performance of the states in each of the two indicators is shown in Figures 16 and 17 as follows:

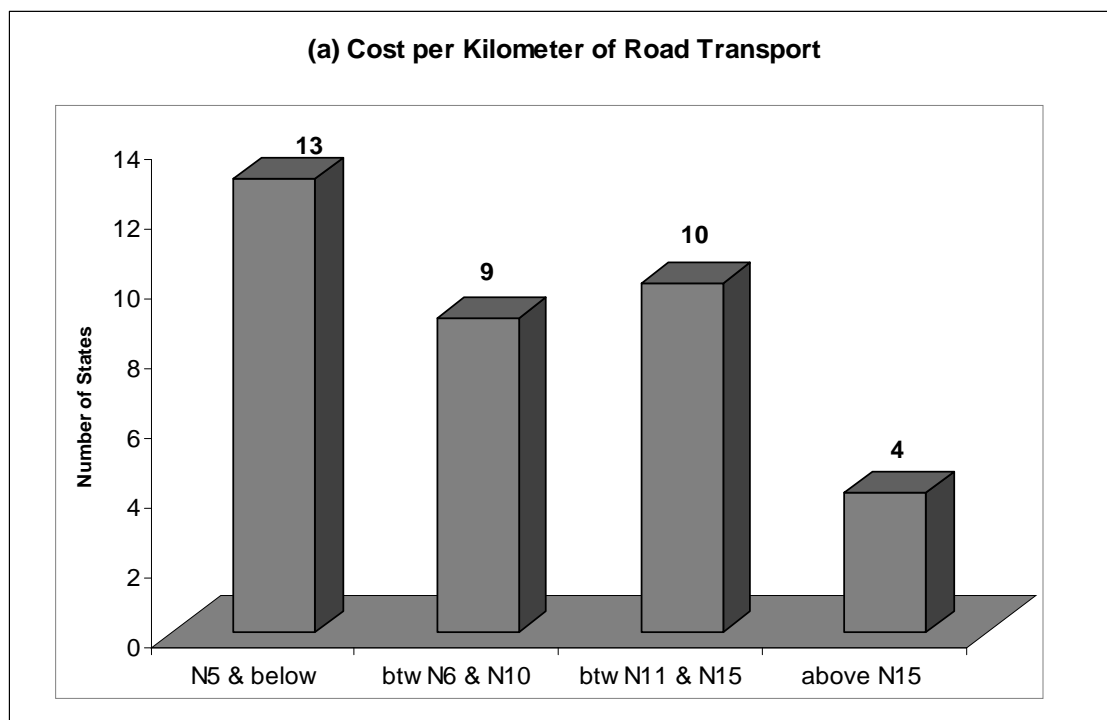


Figure 16: Distribution of states according to cost per kilometer of road transport

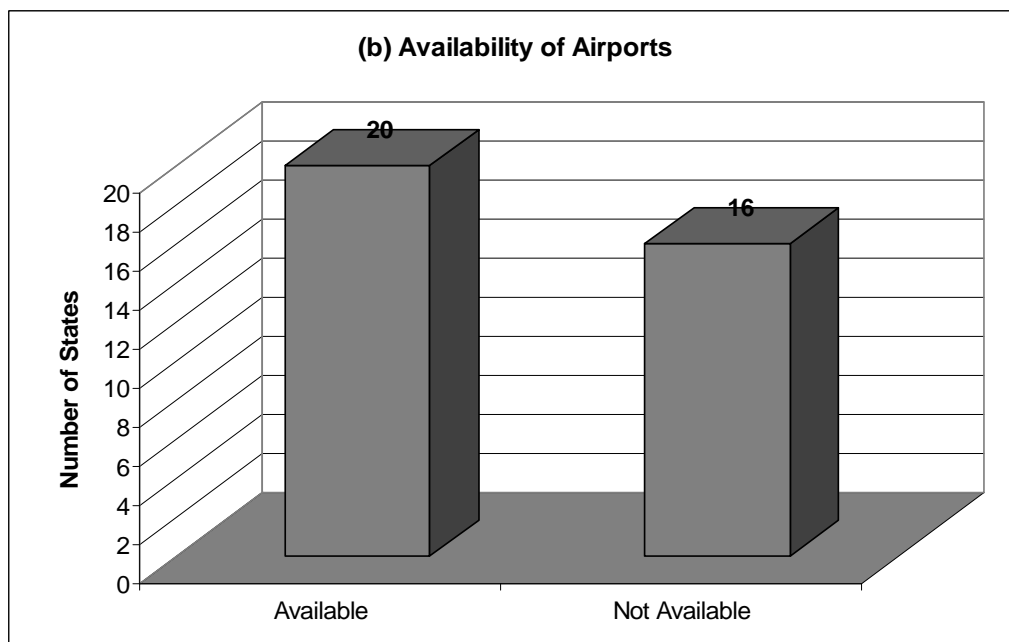


Figure 17: Distribution of states according to availability of airport

4.1.5 Social Infrastructure¹⁶

The social infrastructure measure reflects investment in human capital by the state government. The measure comprises 7 indicators. These include 3 indicators on education (primary school enrolment rate, pupil-teacher ratio and education share of capital budget), 1 indicator on health (health share of capital budget) and 3 indicators on environmental sanitation (private sector rating of waste management, frequency of waste disposal and monthly wage disposal levy). A sample of states' performance is shown as follows - Figs. 18-22.

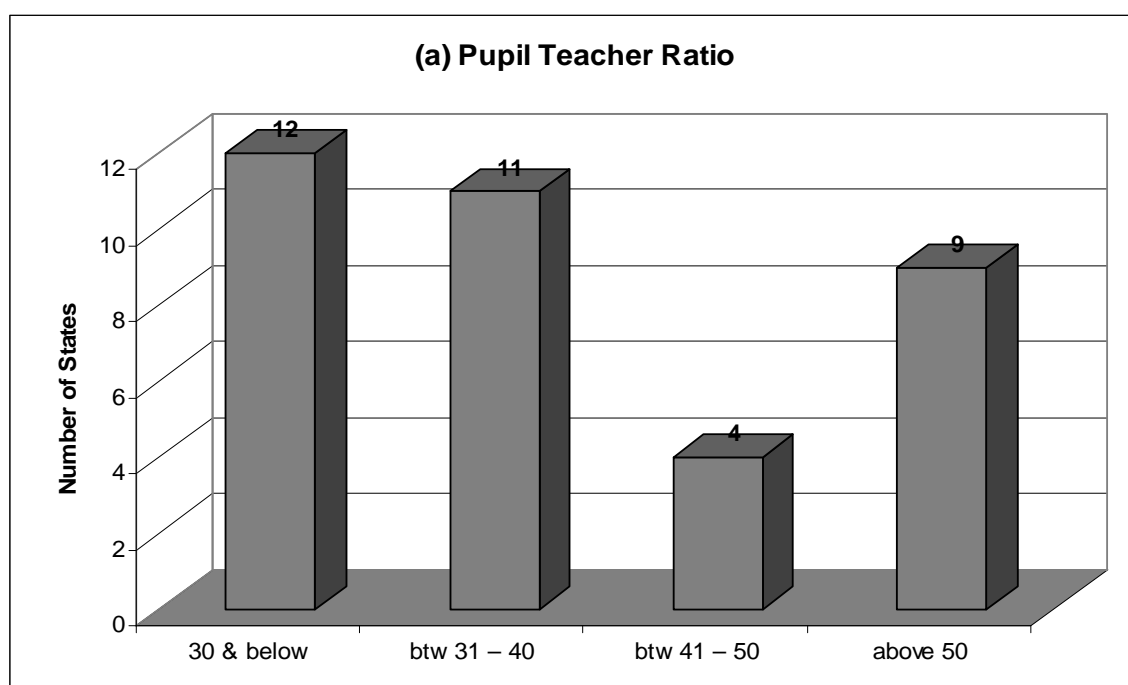


Figure 18: Distribution of states according to pupil-teacher ratio

The distribution of states according to education share of capital budget is given as follows – figure 19.

¹⁶ Detailed literature on BECANS perspectives on budget and public expenditure across Nigerian states is contained in BECANS Working Paper No. 3, 2006.

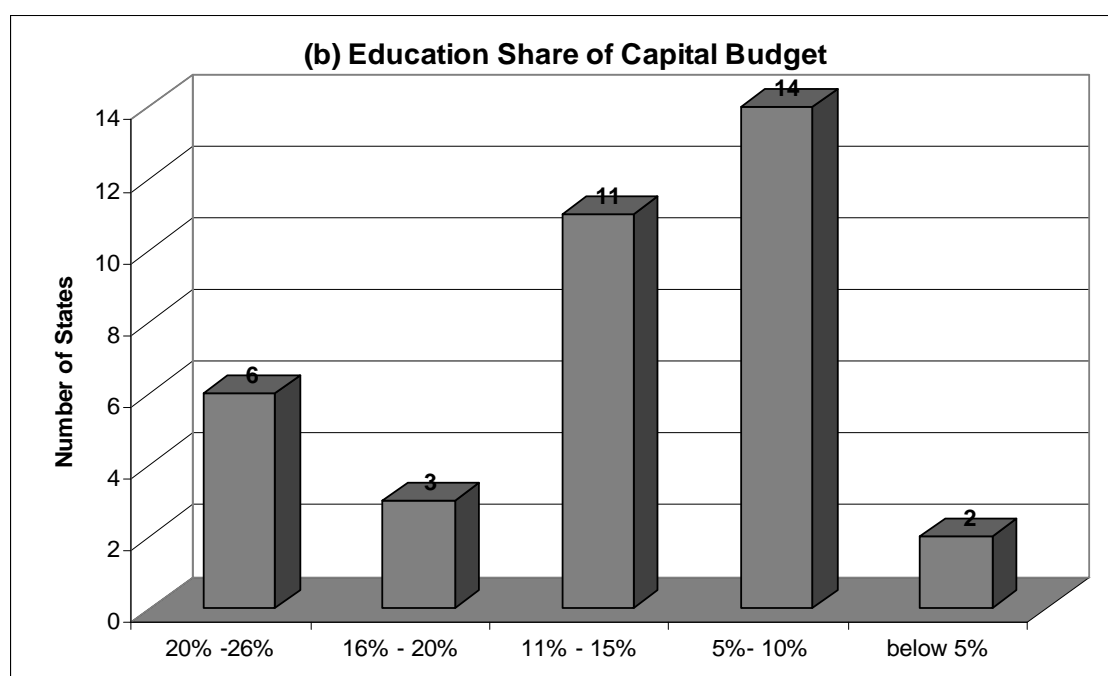


Figure 19: Distribution of states according to education share of capital budget

All-states average of education share of capital budget is 6.8%. Across the states, education share of capital budget ranges from a low of 1.0% in Plateau state to 14.8% in Enugu State. Fig. 19 above shows that less than one quarter of the states devote up to 20% of their capital budget allocation to education. So, in many states, budget allocation to education falls short of the benchmark of 20% agreed to under the Education for All Fast Track Initiative¹⁷.

The distribution of states according to health share of capital budget is as follows – figure 20.

¹⁷ Berg, A. and Z. Qureshi, 2005. The MDGs: Building Momentum. Finance and Development. A quarterly magazine of the IMF. September 2005. Volume 42, Number 3.

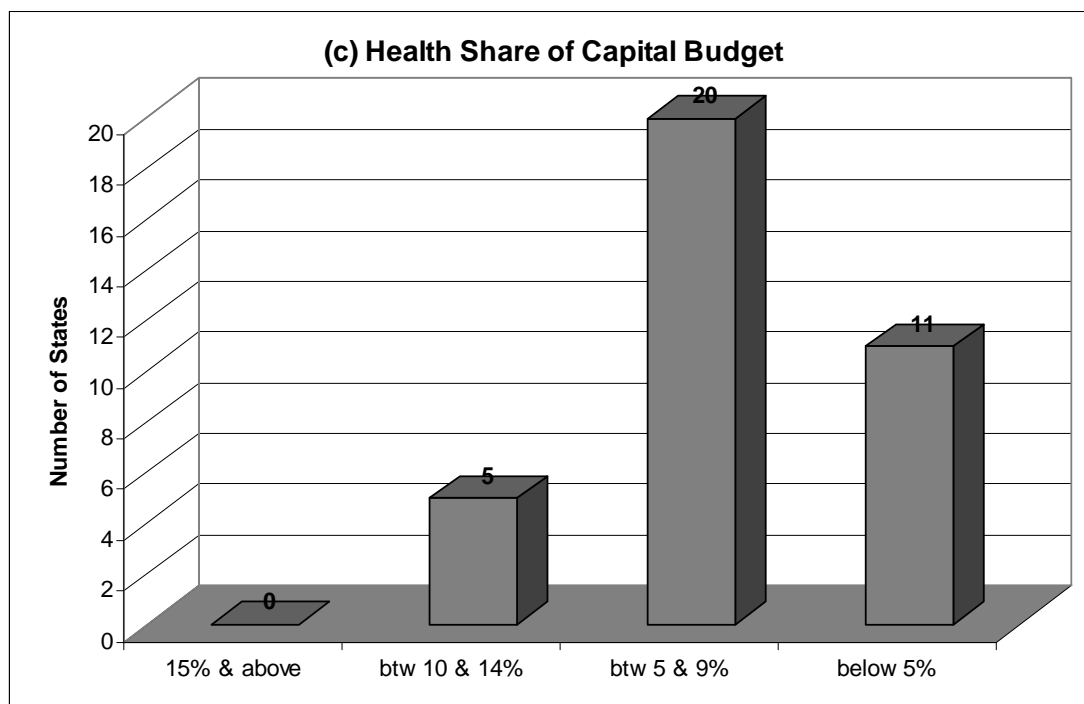


Figure 20: Distribution of states according to health share of capital budget

All-states average of health share of capital budget is 13.0%. Across the states, health share of capital budget ranges from 3.1% in Ondo State to 26.52% in Adamawa State. Fig. 20 shows that close to 90% of the total number of states devote less than 9% of capital budget to health. This is well below the benchmark of 15% adopted by African governments in 2001 in Abuja¹⁸.

¹⁸ "Does the IMF Constrain Health Spending in Poor Countries? Evidence and Agenda for Action. Report of the Working Group on IMF Programs and Health Spending. Washington, D. C. Center for Global Development. June 20, 2007.

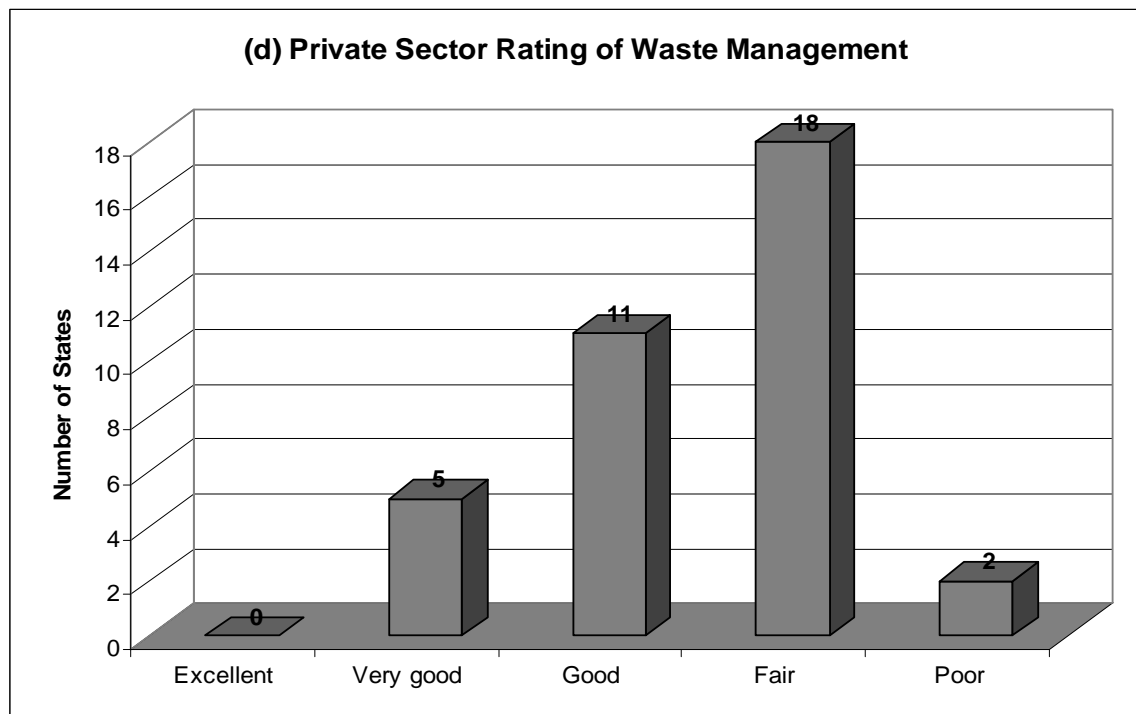


Figure 21: Distribution of states according to private sector rating of waste management

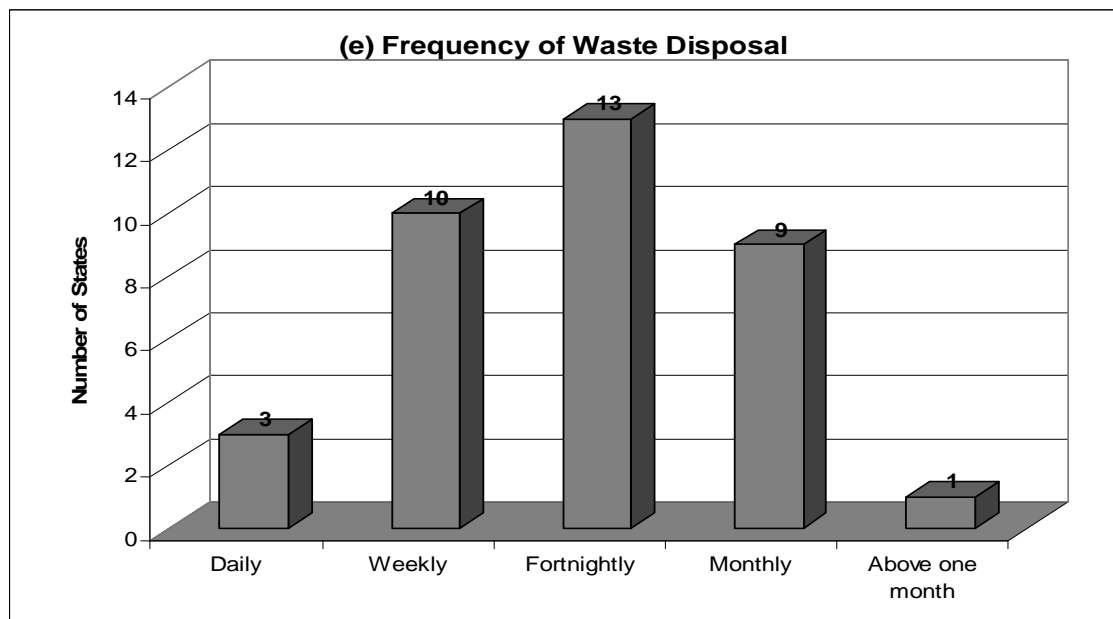


Figure 22: Distribution of states according to frequency of waste disposal

4.2 Legal and Regulatory Services

There are 4 measures under legal and regulatory services covering business registration, tax administration, contract enforcement/commercial dispute resolution and land administration. The distribution of states according to performance on the constituent indicators is presented in this sub-section.

4.2.1 Business registration

Business registration measure has 8 indicators mostly dealing with compliance with the Companies and Allied Matters Act (CAMA), existence of Corporate Affairs Commission in the state. Available data from CAC indicates that there is CAC in all states of the federation with the exception of Bayelsa. No state branch of the CAC has published service charter. Four indicators have been selected to demonstrate the national outlook of states' performance, as shown by Figs. 23-26 as follows.

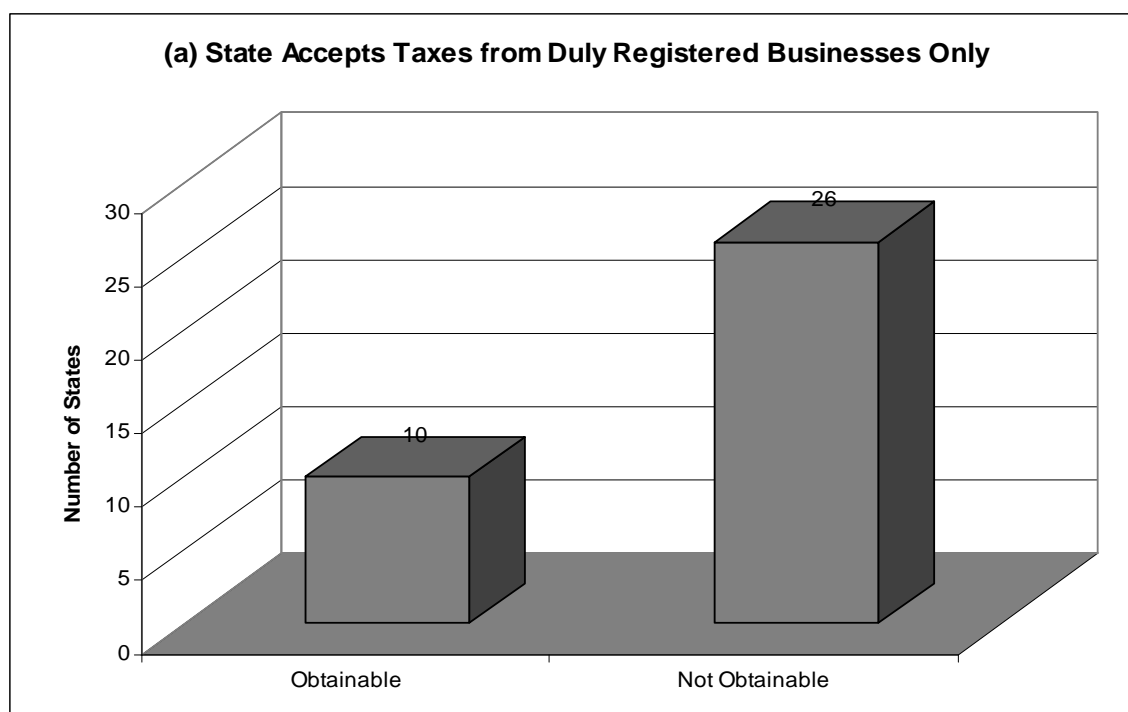


Figure 23: Distribution of states according to evidence that the state accepts taxes only from duly registered business names

The finding shows that many state governments do not yet have in place mechanisms for verifying the registration status of companies and businesses before they are subjected to payment of taxes and levies. This underscores the arbitrary and unorganized nature of tax collection across the states.

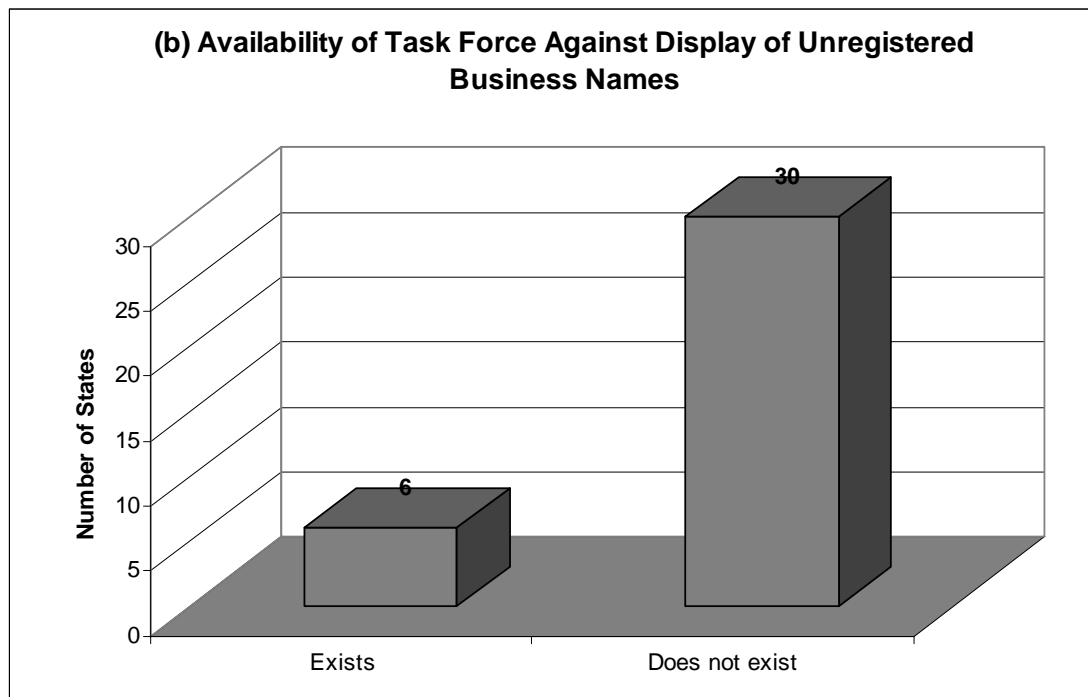


Figure 24: Distribution of states according to availability of task force against display of unregistered business names

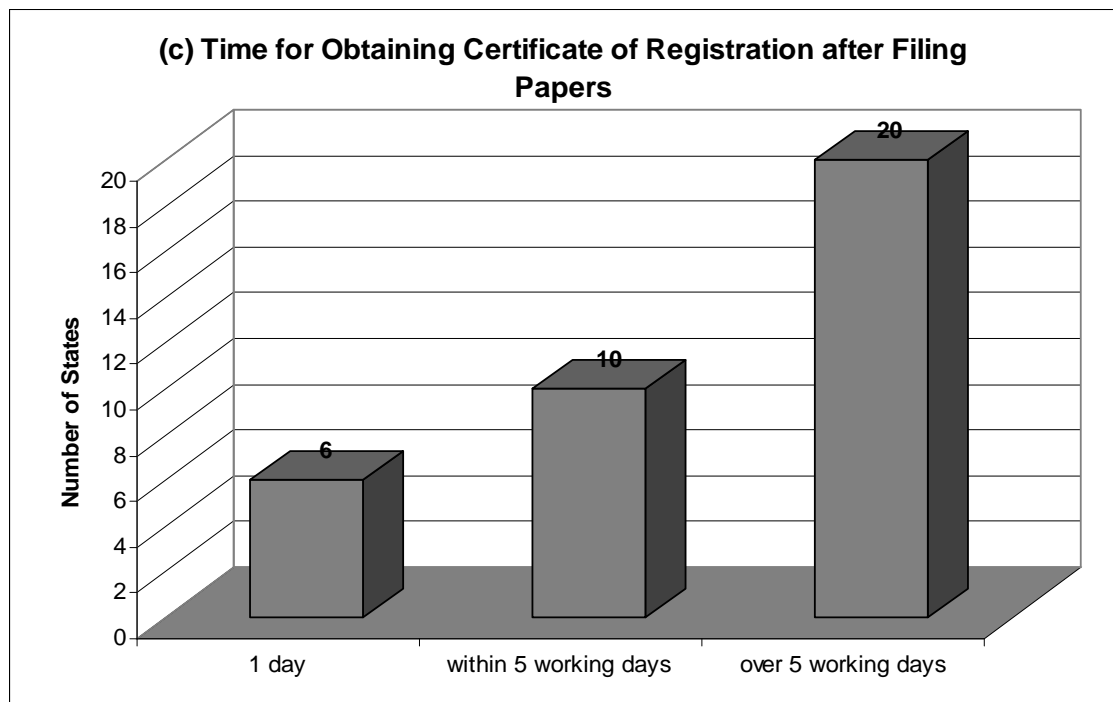


Figure 25: Distribution of states according to time for obtaining certificate of business registration after all papers have been filed

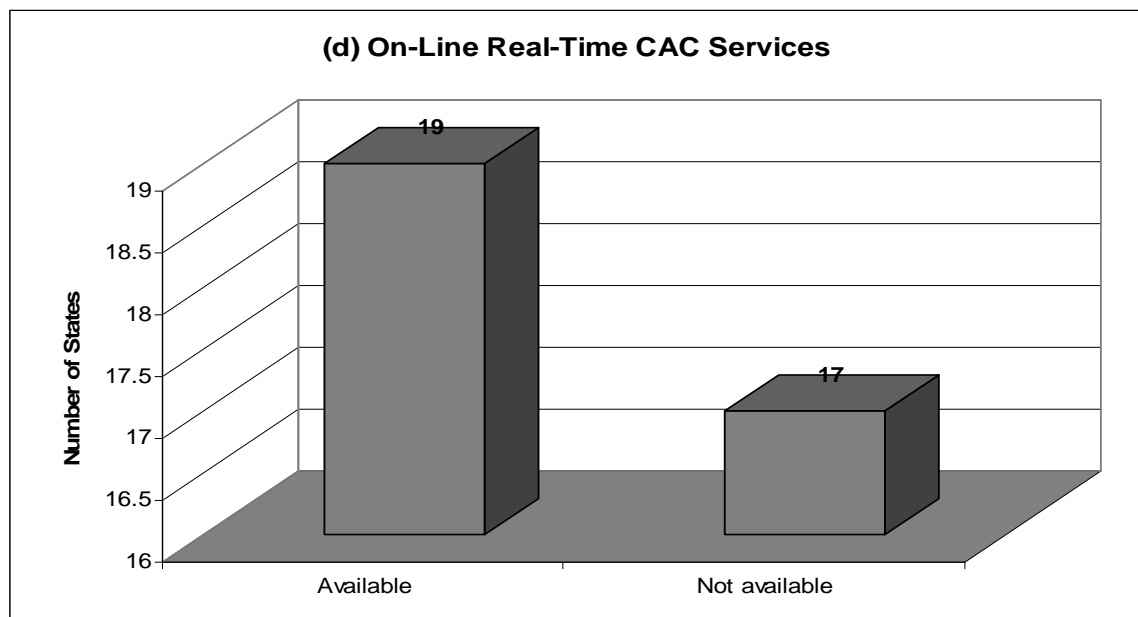


Figure 26: Distribution of states according to availability of online, real-time access to CAC services

4.2.2 Tax Administration

Tax administration has 9 indicators evaluating institutional and administrative processes for tax assessment and collection. It includes indicators on the number of taxes paid by manufacturers, transparency and efficiency of tax enforcement mechanisms. The national outlook of states' performance of states is illustrated using 6 indicators including availability of database of taxable persons, publication of tax notices, processes for validating taxes paid to other tiers of government (to avoid double taxation), existence of tax appeal tribunal and existence one-stop shop for tax payments (harmonized tax payment) and the sheer number of taxes paid. Figs. 27-32 show the distribution of states according to their performance on these tax administration indicators.

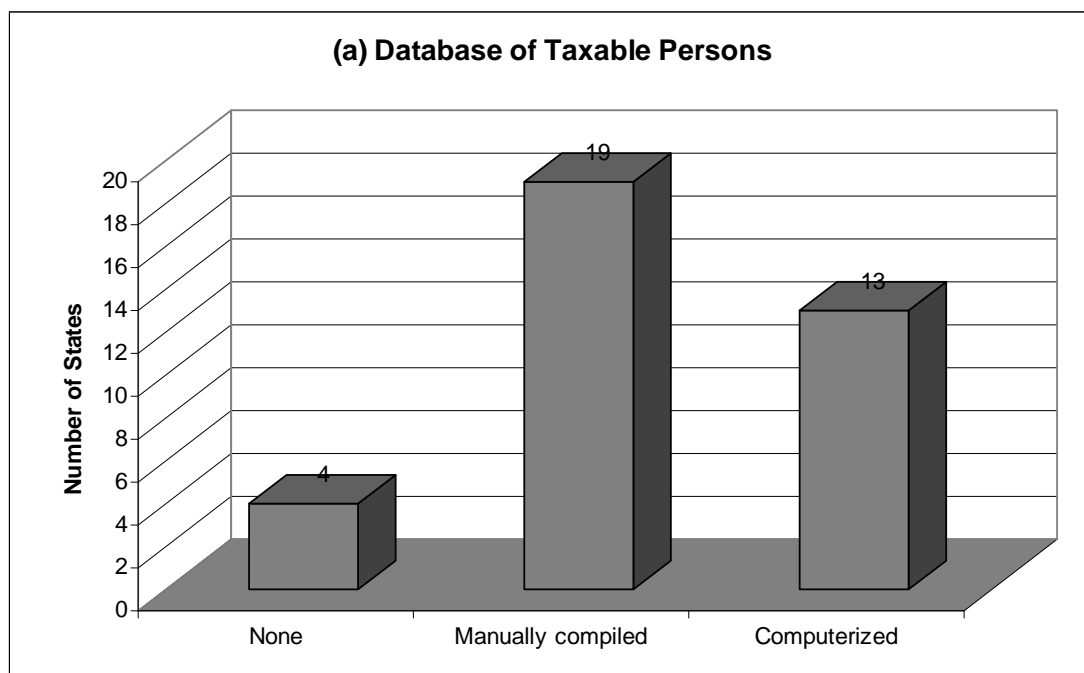


Figure 27: Distribution of states according to the status of database of taxable persons

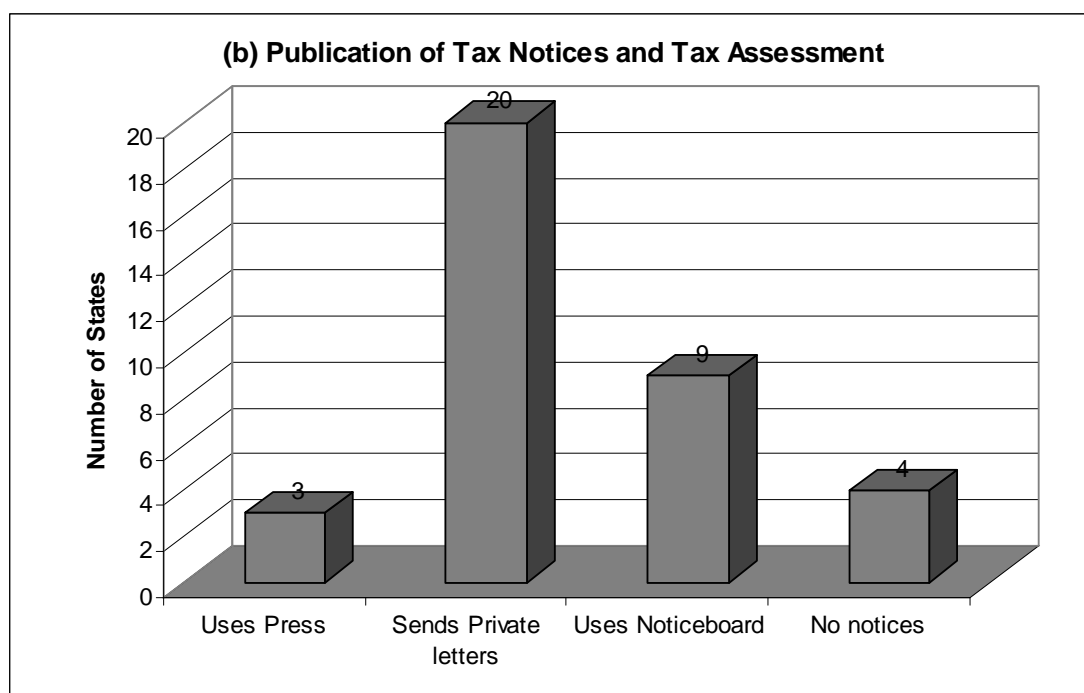


Figure 28: Distribution of states according to modalities for publication of tax assessment notices

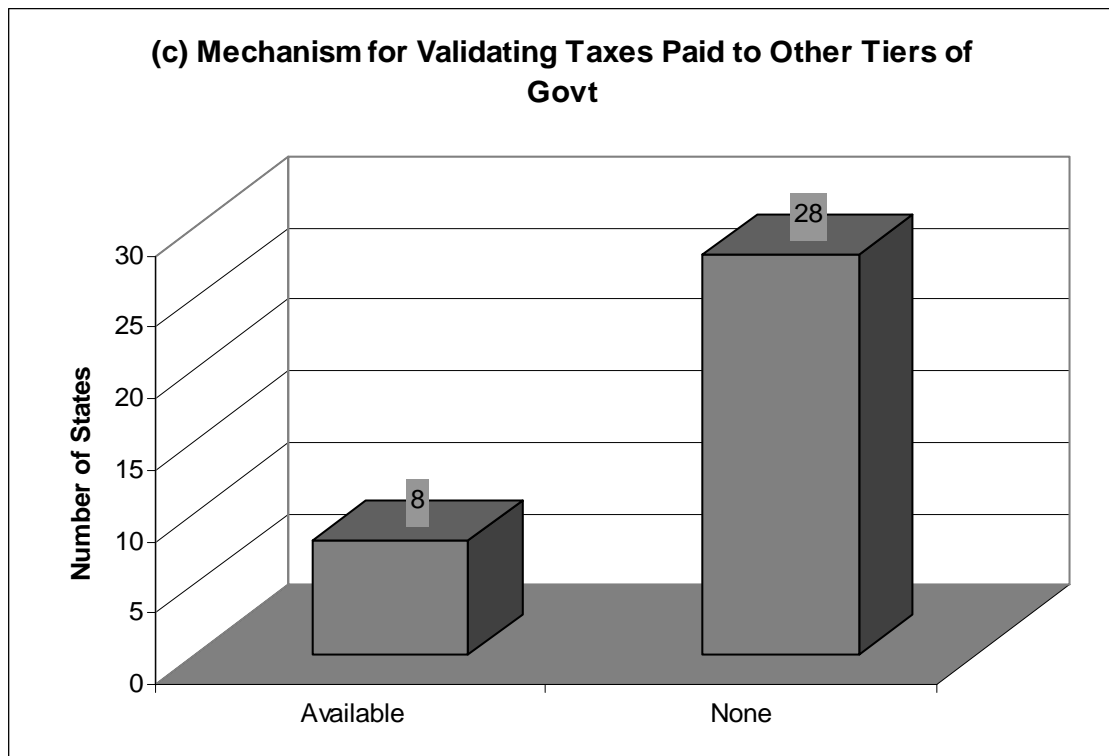


Figure 29: Distribution of states according to availability of mechanism for validating taxes paid to other tiers of government

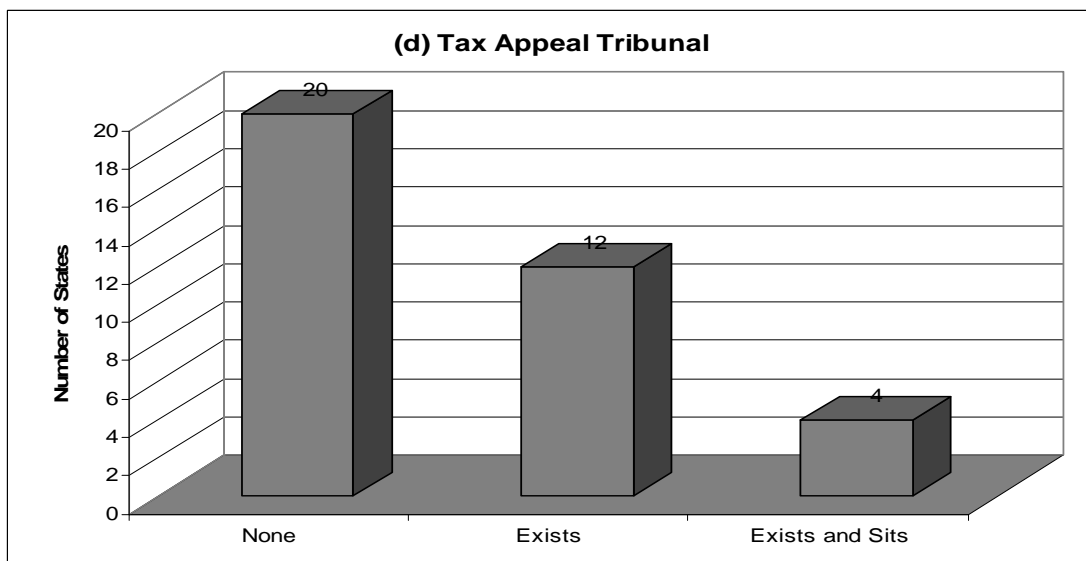


Figure 30: Distribution of states according to evidence of tax appeal tribunal

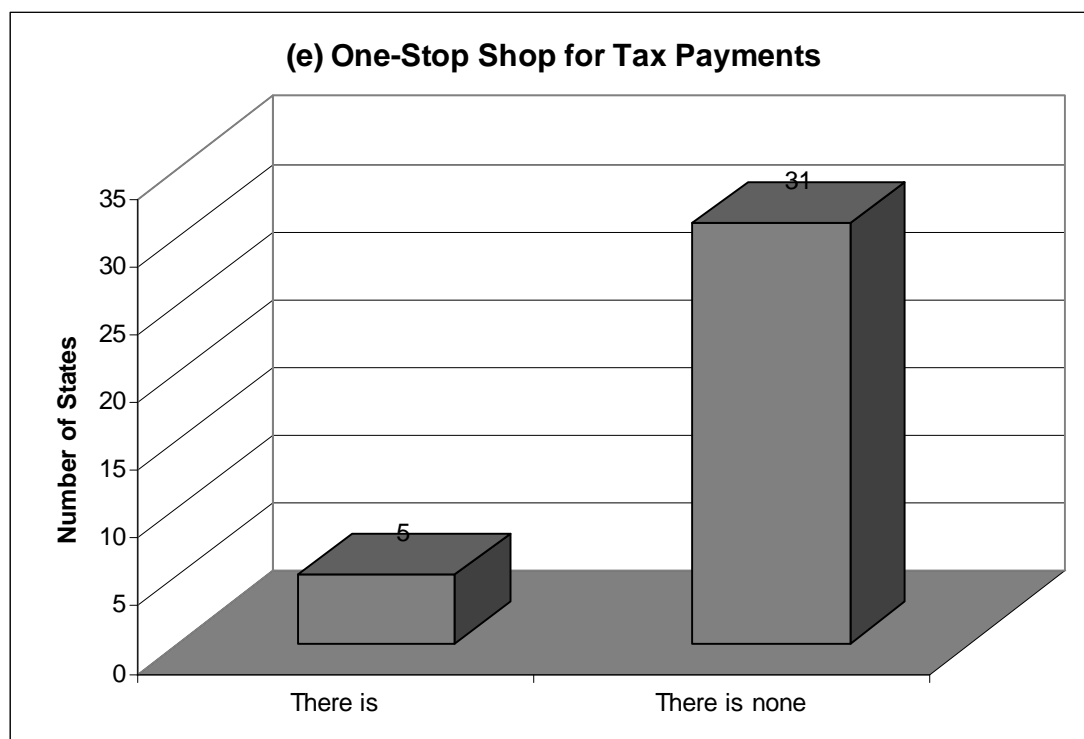


Figure 31: Distribution of states according to availability of one-stop shop for tax payments

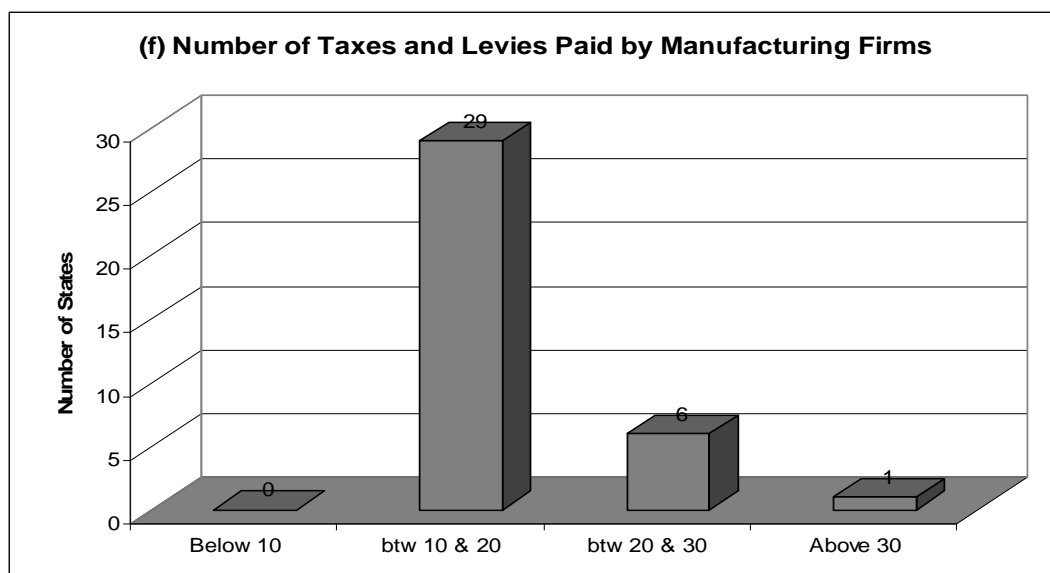


Figure 32: Distribution of states according to number of taxes and levies paid by manufacturing firms

The findings corroborate concerns about the lingering problems of multiple taxation and double taxation across the country. The Nigerian tax system is beset with arbitrariness, overlapping systems, poor coordination and administration across the tiers of government¹⁹. The survey carried out by the Nigerian Economic Summit Group in collaboration with the British Council's Security, Justice and Growth programme has identified 40 different types of taxes and levies in three survey states – Cross River, Kano and Lagos.

Based on time and cost measures, the tax system is poorly rated. Recent study shows that entrepreneurs make 35 payments, spend 1,120 hours, and pay 31.37% of gross profit in taxes²⁰. The comparable time duration in paying taxes are 340 hours and 350 hours in Ghana and South Africa respectively²¹.

The absence of mechanisms for verifying tax payments across and within states exposes enterprises and businesses to tax duplicities. It has been reported that that exists cases where taxes and levies paid in one jurisdiction (say state or local government) are not duly admitted for equivalent purposes in other jurisdictions. Such situations arise because of lack of systematic mechanism for validation of taxes across local government areas and states in the country.

4.2.3 Commercial Dispute Resolution

The measure on contract enforcement/commercial dispute resolution has 3 indicators. The first deals with judicial statistics, the second with time lag between filing a business dispute and getting court judgement. The third is availability of formal alternative dispute resolution mechanism. The performance of the states on the 3 indicators is shown in Figs. 33-35 as follows.

¹⁹ In a presentation by President/Chairman in Council of Chartered Institute of Taxation of Nigeria (CITN), Mr. Foluso Fasoto, at the Manufacturers Association of Nigeria's Forum on the 2007 Federal Budget and Manufacturing Sector, held at MAN House in Lagos, 20 February 2007, indications were given that the total number of different taxes and levies across the three tiers of government in Nigeria may reach 500.

²⁰ World Bank Doing Business 2006

²¹ Nigeria: Competitiveness and Growth, Report No. 36483-NG, September 20 2006. Poverty Reduction and Economic Management 3, Country Department 12, Africa Region, World Bank and UK DFID.

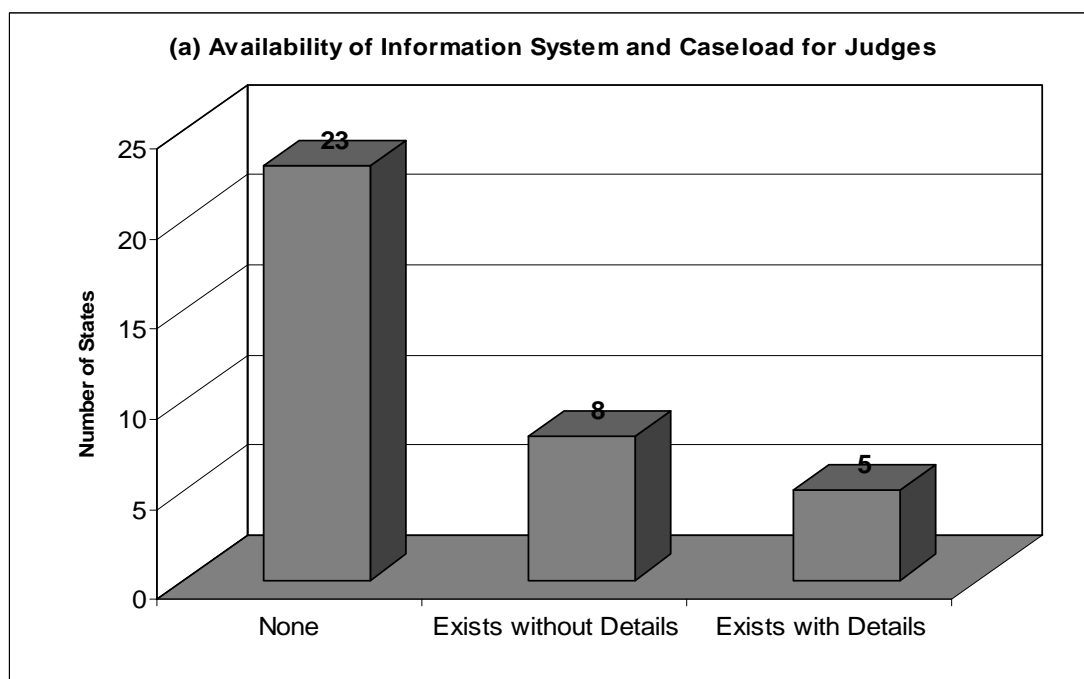


Figure 33: Distribution of states according to availability and status of judicial statistics and caseload factor on judges

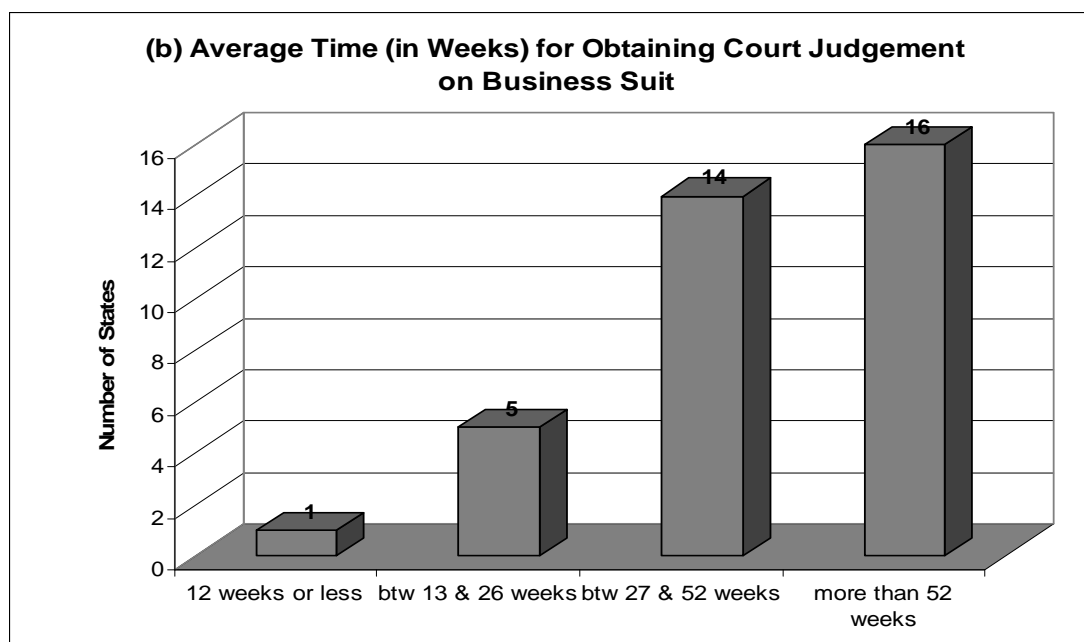


Figure 34: Distribution of states by time lag in obtaining court judgment on business dispute

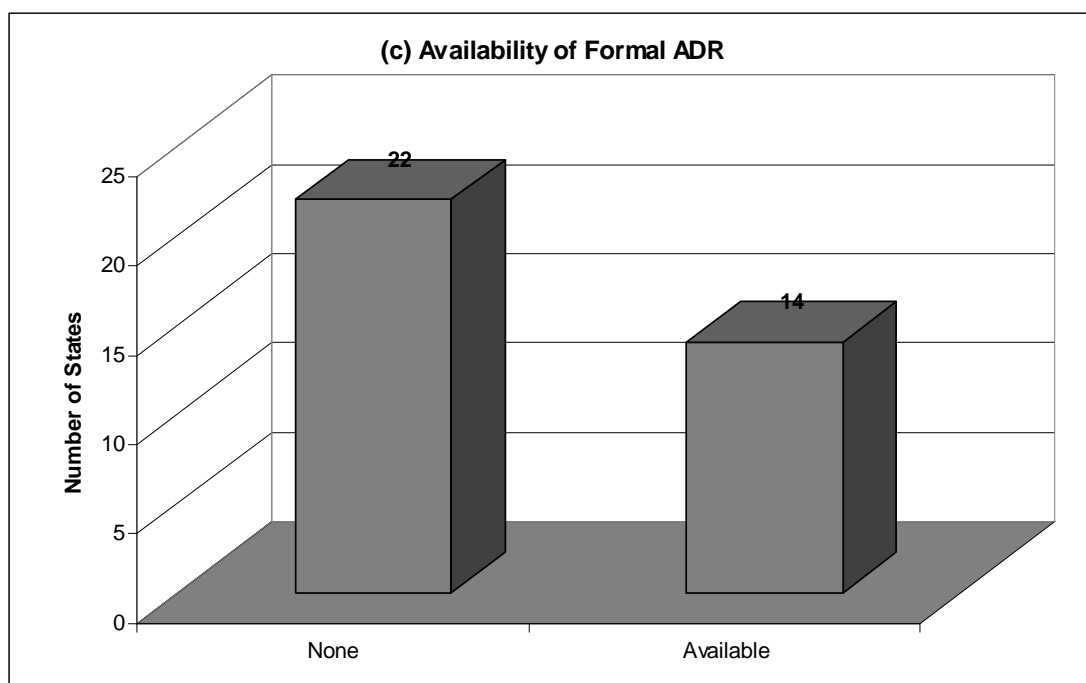


Figure 35: Distribution of states according to availability of formal alternative dispute resolution

4.2.4 Land Administration

Land administration and property rights measure examines the efficiency, cost and ease of obtaining legal titles for land and statutory approvals for transfer of land title. The measure has a total of 10 indicators. The national outlook of states' performance is given using a sample of 6 indicators as follows - Figs. 36 -41.

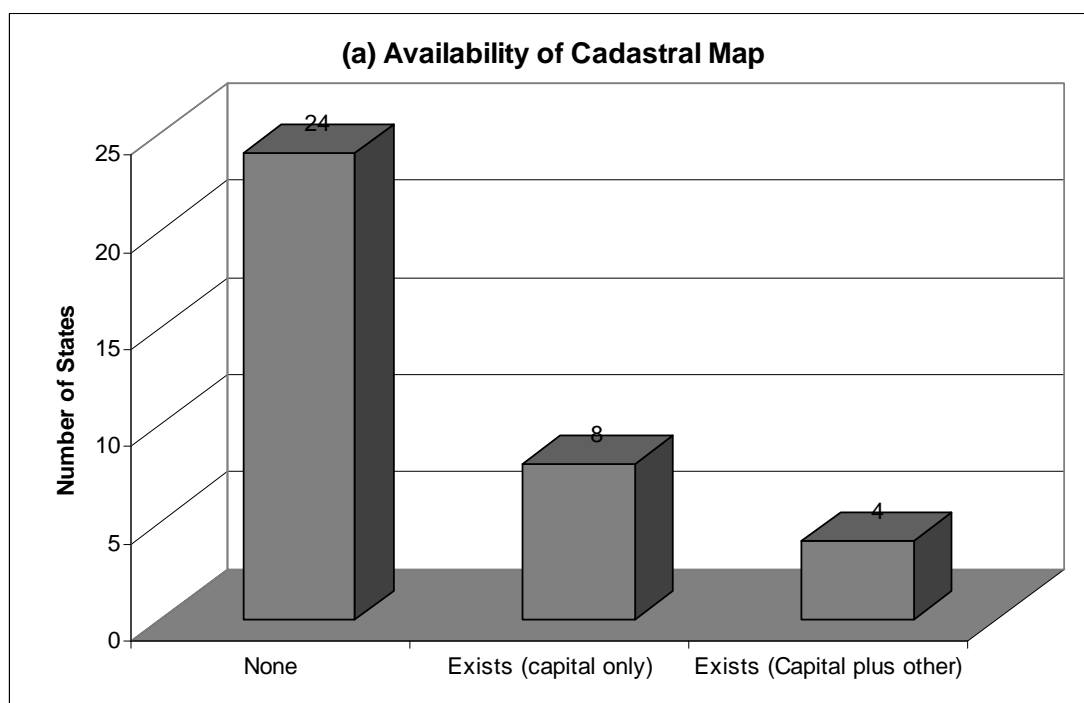


Figure 36: Distribution of states according to availability of cadastral map

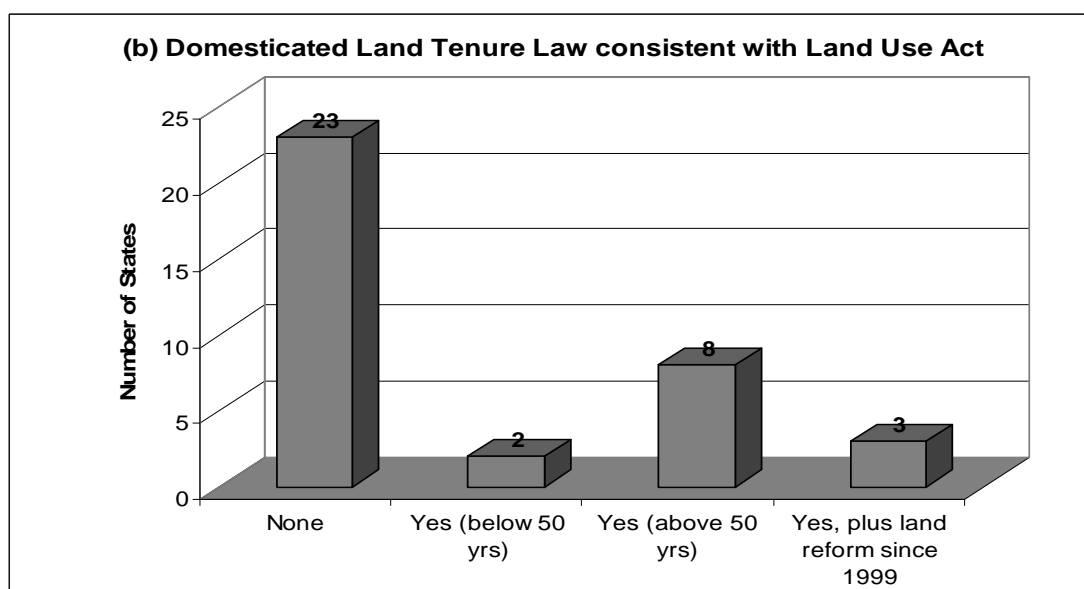


Figure 37: Distribution of states according to availability and provisions of domesticated land tenure law consistent with the Land Use Act

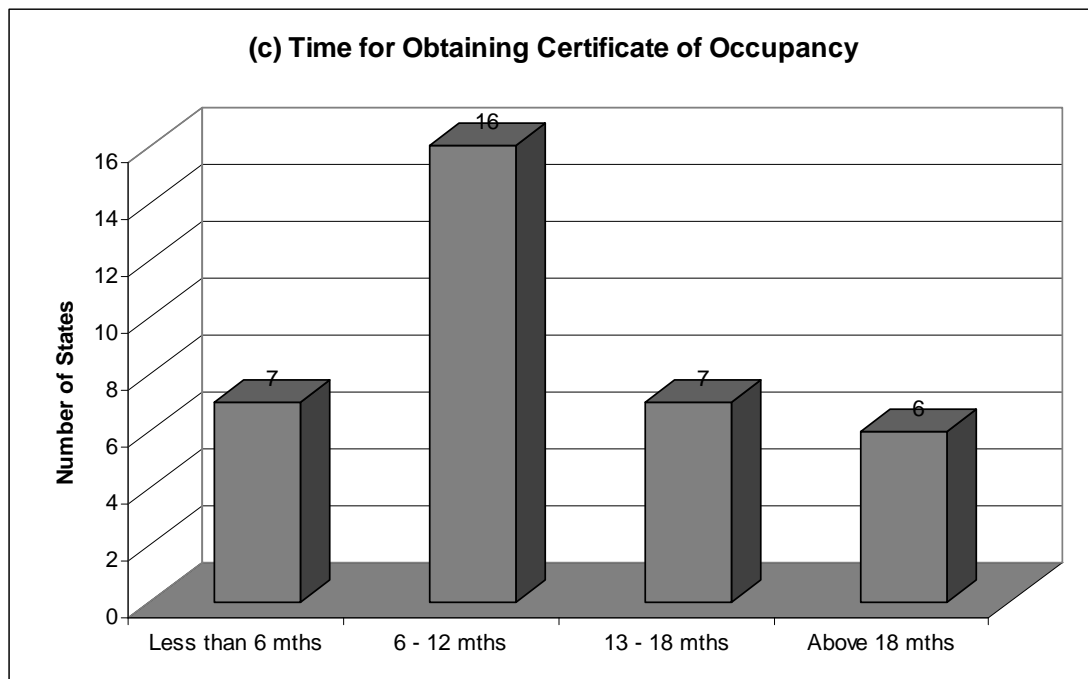


Figure 38: Distribution of states according to time taken to obtain C of O for land.

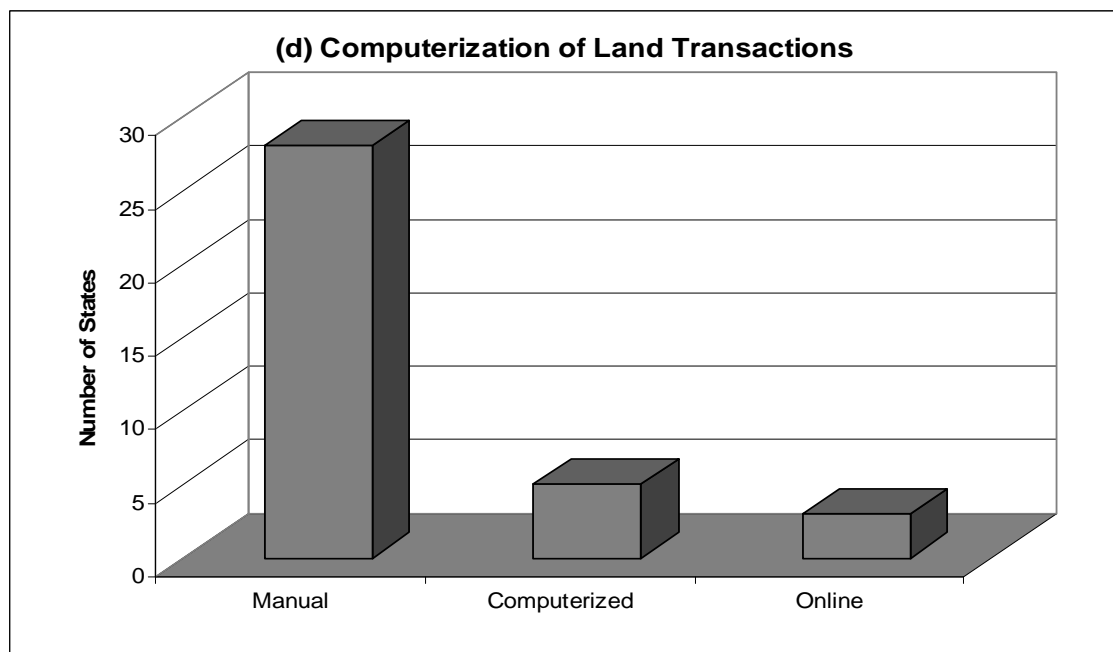


Figure 39: Distribution of states according to status of land transactions

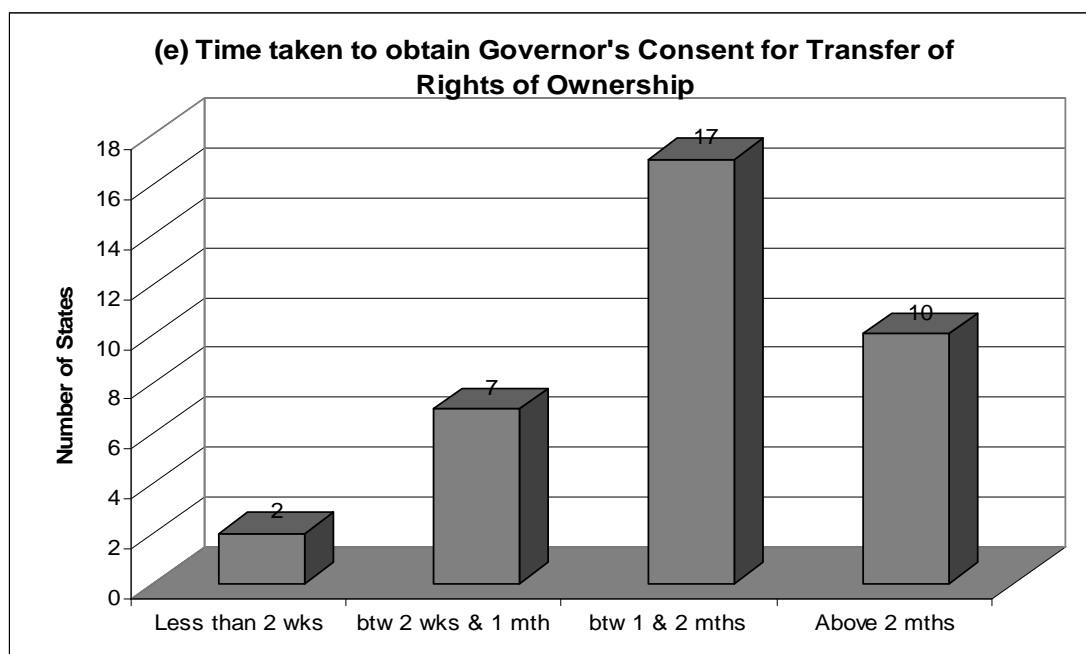


Figure 40: Distribution of states according to length of time it takes to obtain Governor's Consent for transfer of rights of ownership of land

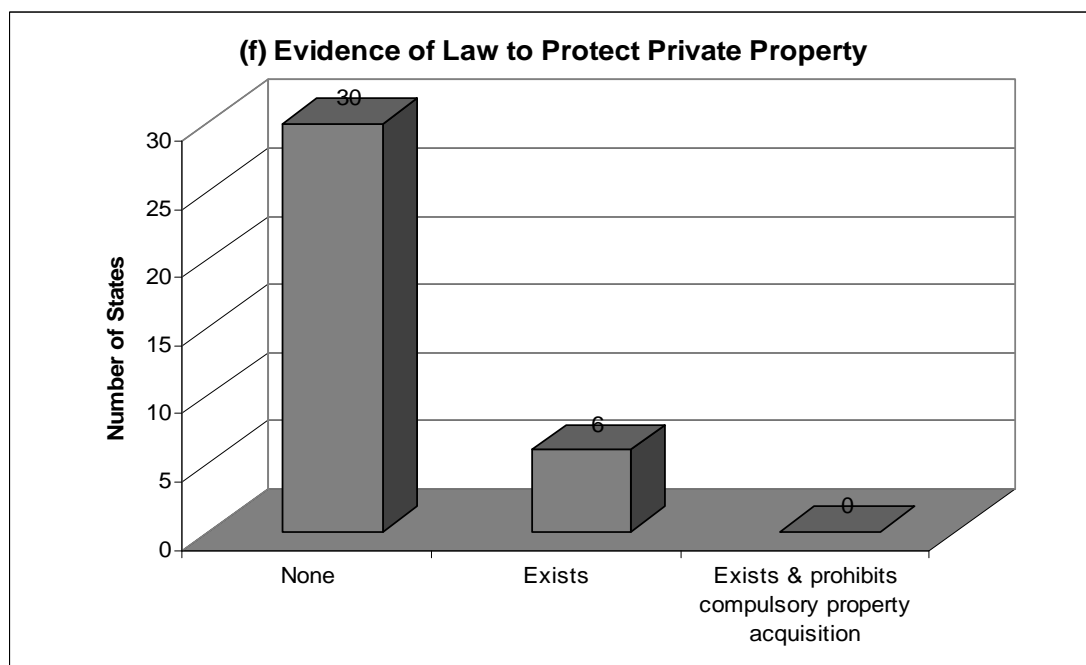


Figure 41: Distribution of states according to existence of law to protect private property

4.3 Business Support and Investment Promotion

There are five measures under business support and investment promotion. They are: entrepreneurship promotion, access to (formal) finance, investment promotion, support for industrial areas and public-private partnership. The national outlook of states' performance on the measures is presented in this subsection.

4.3.1 Entrepreneurship Promotion

Entrepreneurship promotion is important strategy for state governments to grow the private sector through capacity building. The distribution of states' performance on some indicators is given by Fig. 42 and 43, as follows.

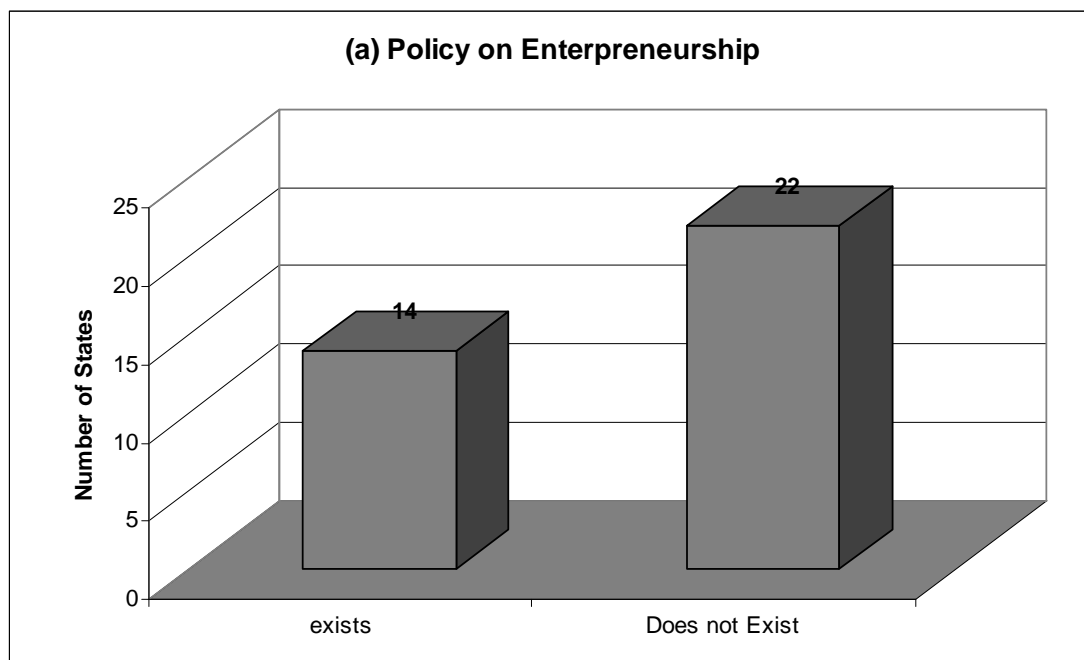


Figure 42: Distribution of states according to policy on entrepreneurship

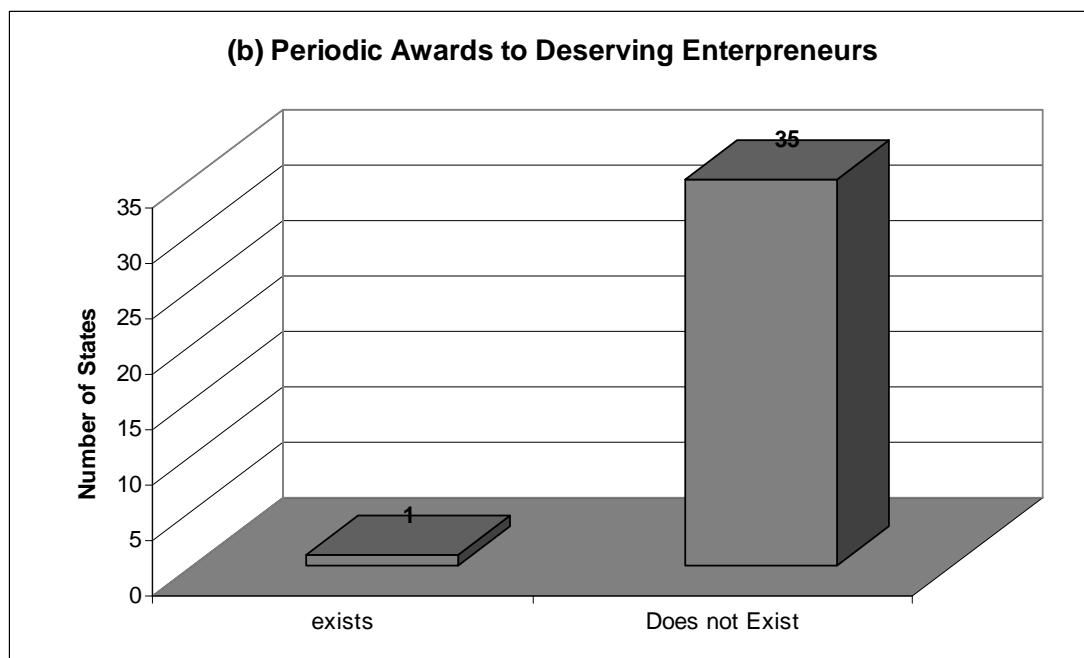


Figure 43: Distribution of states according to evidence of periodic awards to deserving entrepreneurs

4.3.2 Access to Finance

Access to formal finance is a critical constraint to business and enterprise operations and growth across Nigeria. This measure evaluates the extent to which enterprises in the state obtain access to formal credit for production and business expansion.

This measure evaluates prevailing state of access to formal finance. It covers the extent of penetration of existing enterprise finance and credit schemes in the state, relative to other states. The schemes include Nigerian Agricultural Cooperative and Rural Development Bank and Small and Medium Enterprises Equity Investment Scheme and Agricultural Credit Guarantee Scheme Fund. The indicators reflect the degree to which state governments utilize the existing financing schemes through collaboration and co-action arrangements. While the financing schemes are run by federal government agencies, there are mechanisms for state governments to collaborate for increased access by businesses in the respective states. Distribution of the performance of states on these indicators is presented in Figs. 44-48 as follows:

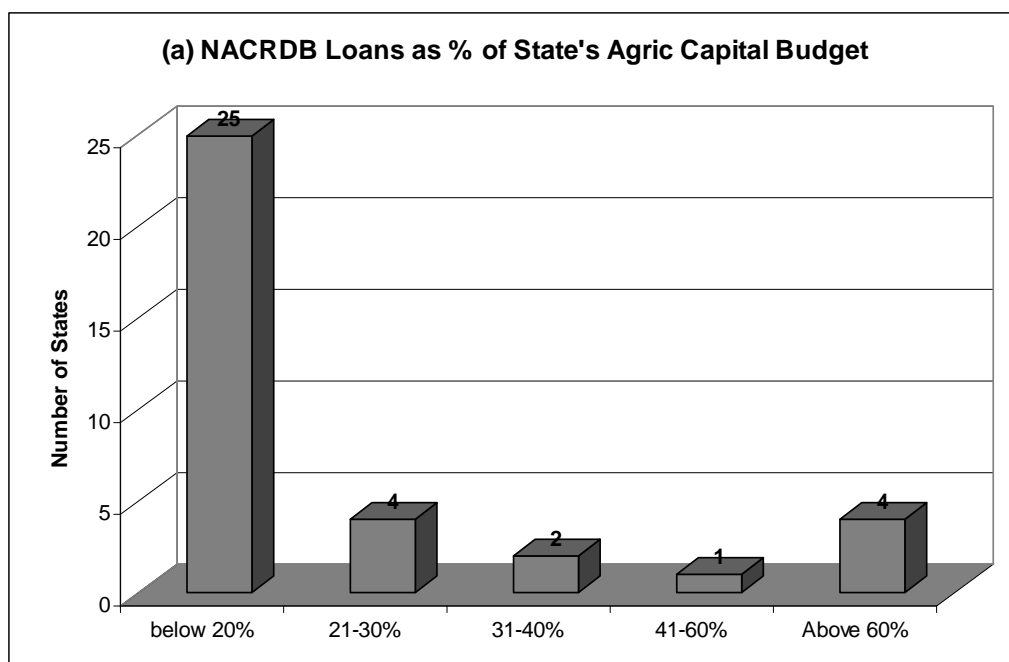


Figure 44: Distribution of states according to equivalent share of NACRDB loans in agriculture capital budget

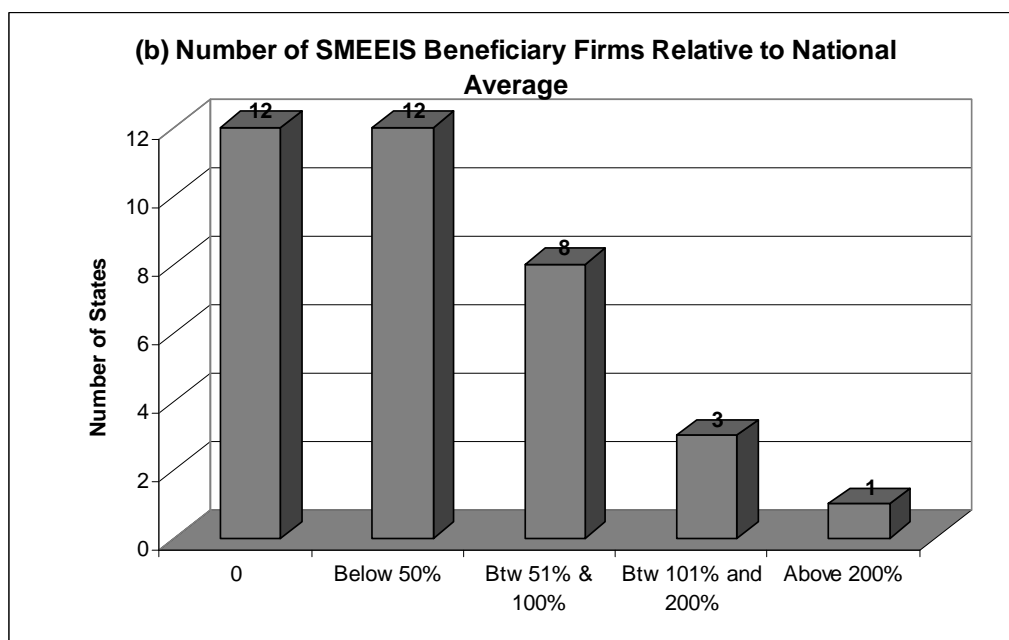


Figure 45: Distribution of states according to relative access to SMEEIS

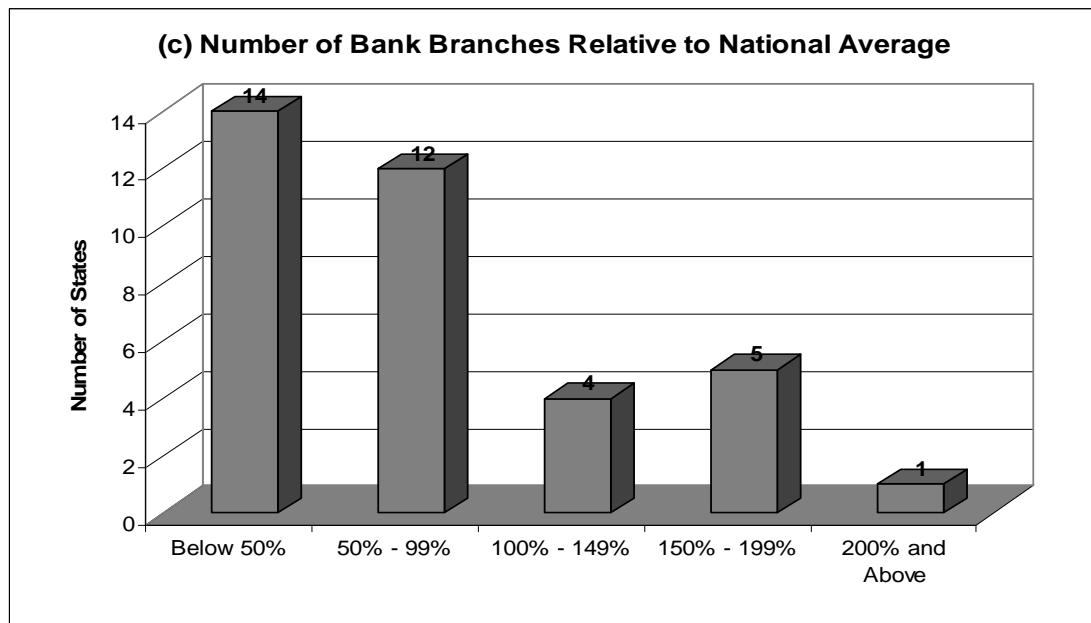


Figure 46: Distribution of states according to relative number of bank branches

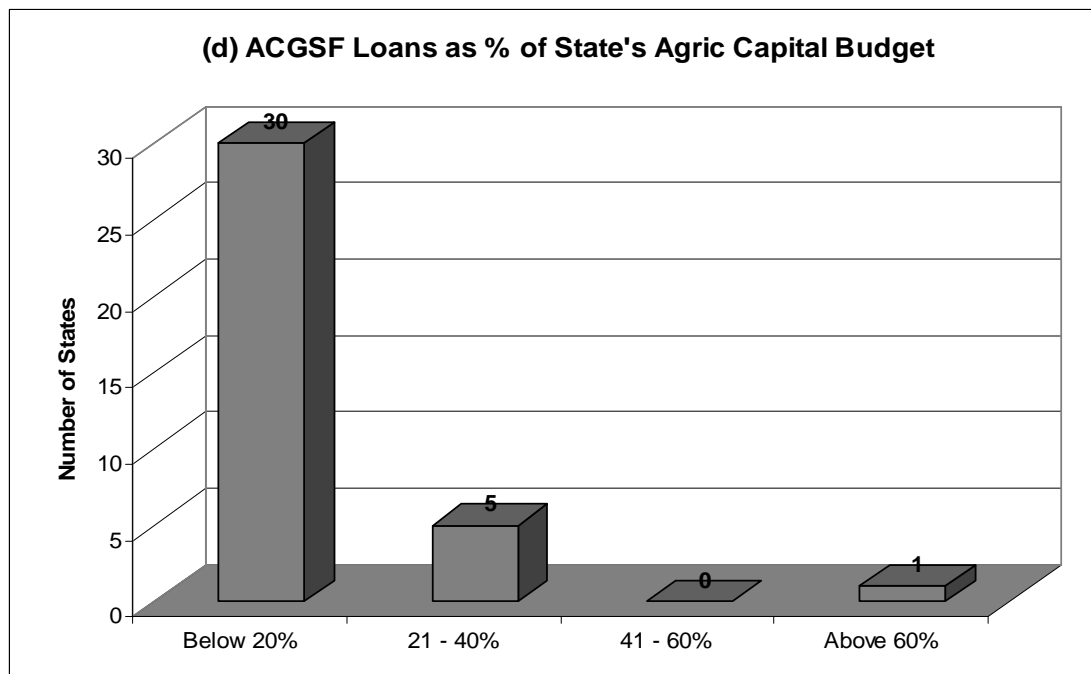


Figure 47: Distribution of states according to equivalent share of ACGSF loan in agriculture capital budget

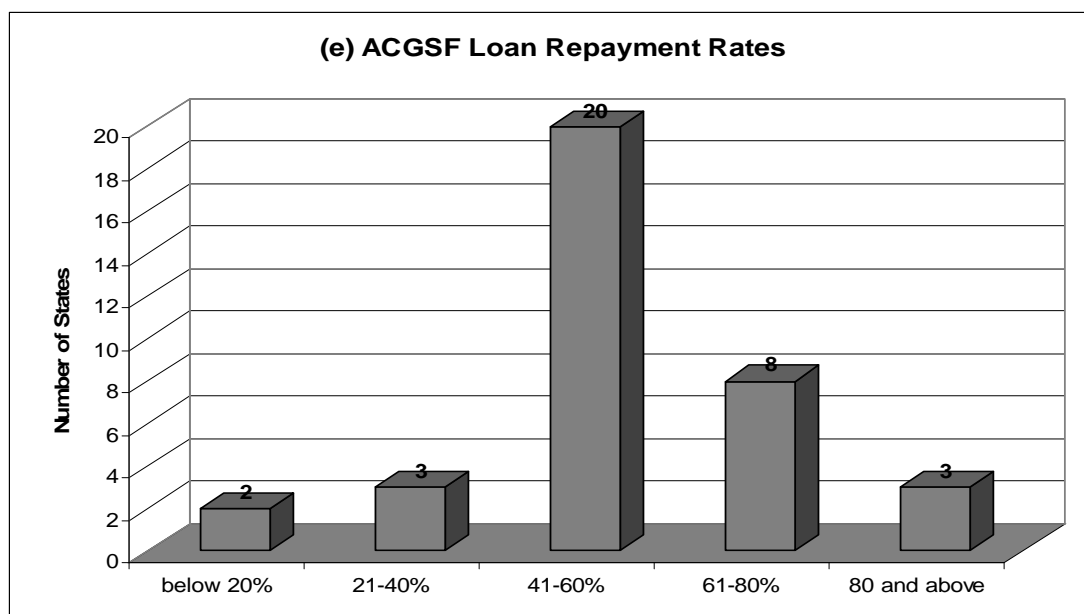


Figure 48: Distribution of states according to ACGSF loan repayment rates

4.3.3 Investment Promotion

Investment promotion measure evaluates incentives provided by the state governments to attract new businesses or retain existing ones. The 4 indicators of the measure cut across incentives for new technology, promoting linkages between large and small firms, as well as the availability of investment guides for investors and directory of firms. Performance of states on the 4 indicators is presented in Figs. 49-52 as follows.

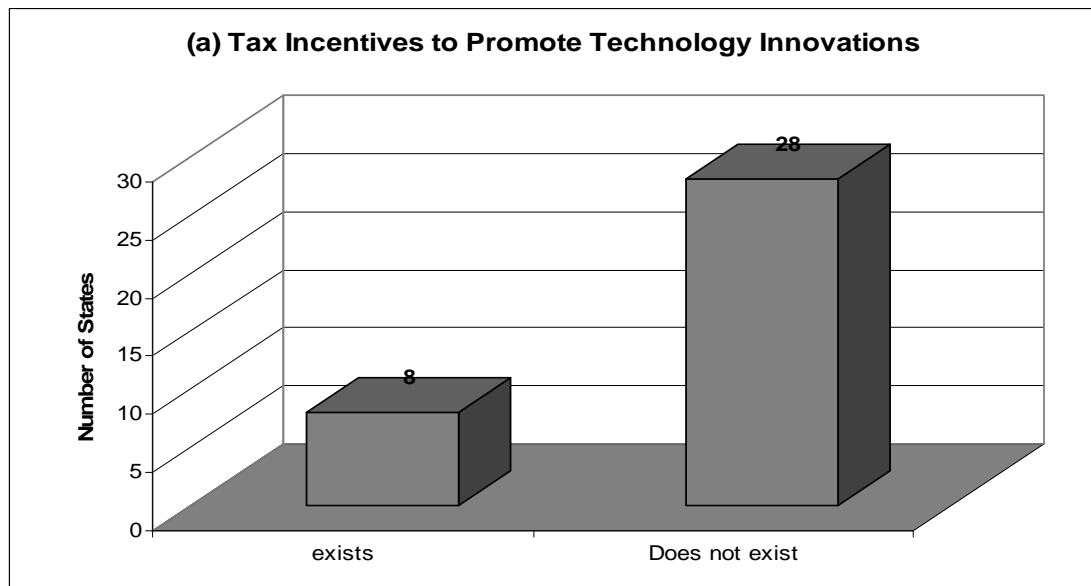


Figure 49: Distribution of states according to existence of incentives for promoting technology innovations

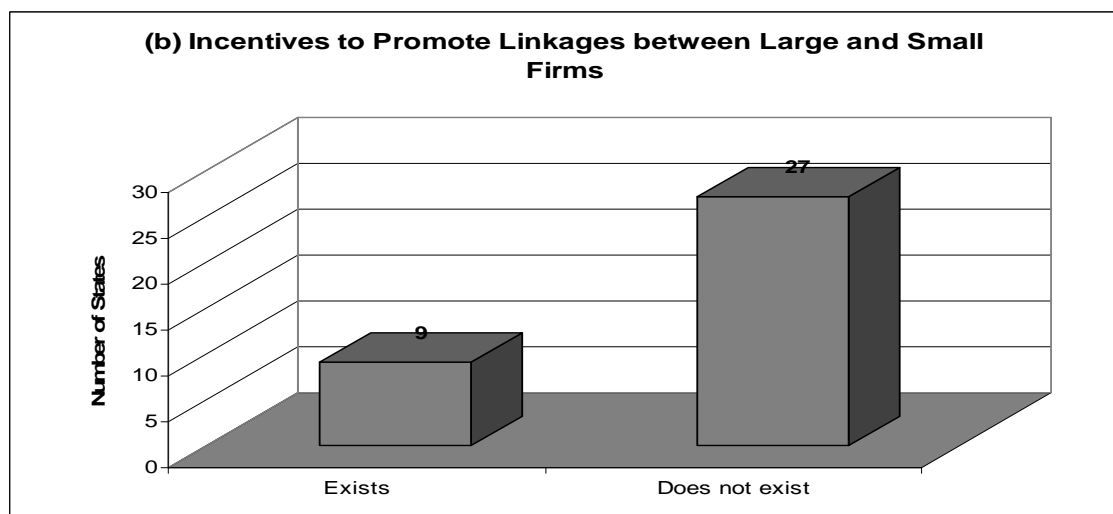


Figure 50: Distribution of states according to availability of incentives to promote linkages between large and small firms

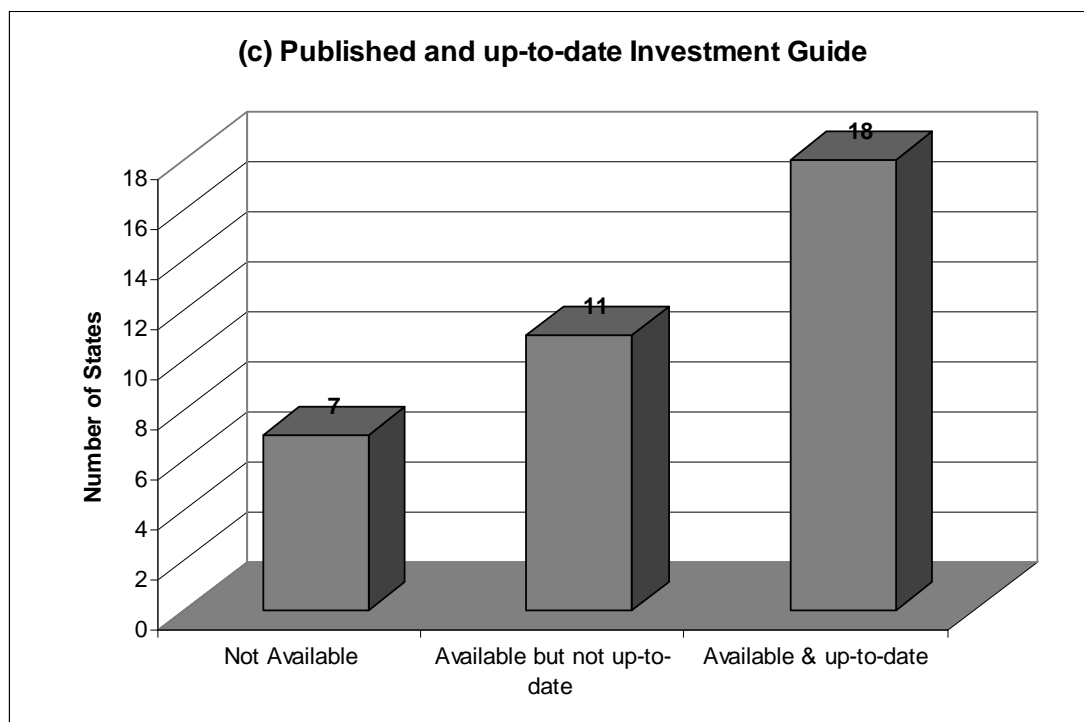


Figure 51: Distribution of states according to availability and status of investment guide

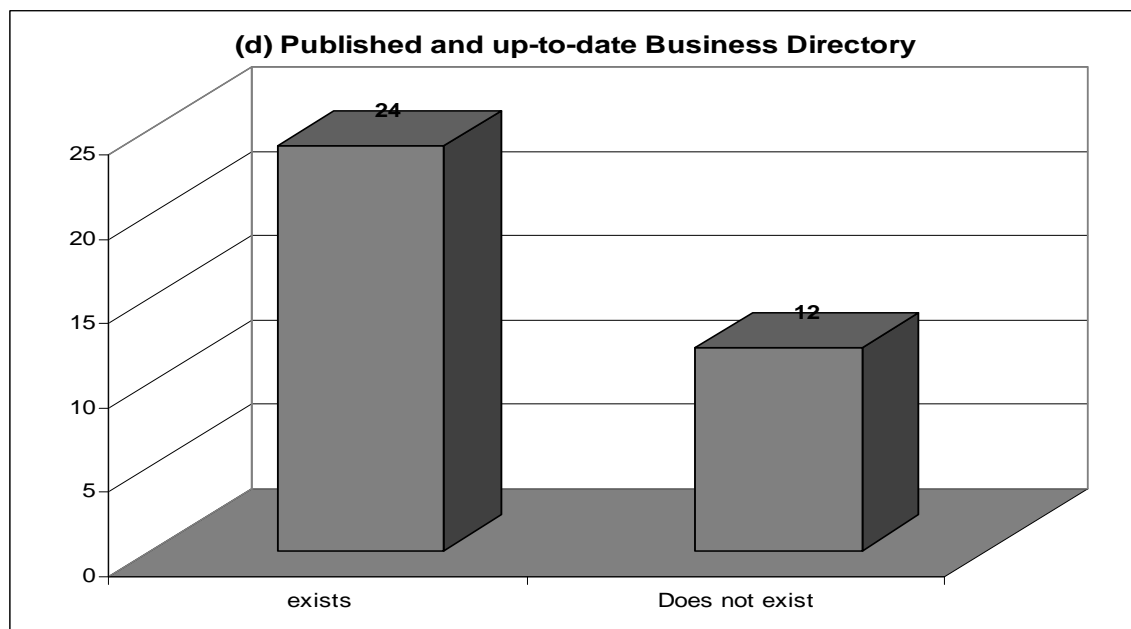


Figure 52: Distribution of states according to availability and status of business directory

4.2.4 Support for Industrial Areas

This measure assesses the existence of government support to designated industrial areas. The measure has 2 indicators, the first dealing with existence of industrial areas while the second examines the support provided for effective operations of businesses within the cluster. The types of promotional support included in the measurement include roads, water and power and security. Figure 53 shows states' performance on availability of public water in the industrial area.

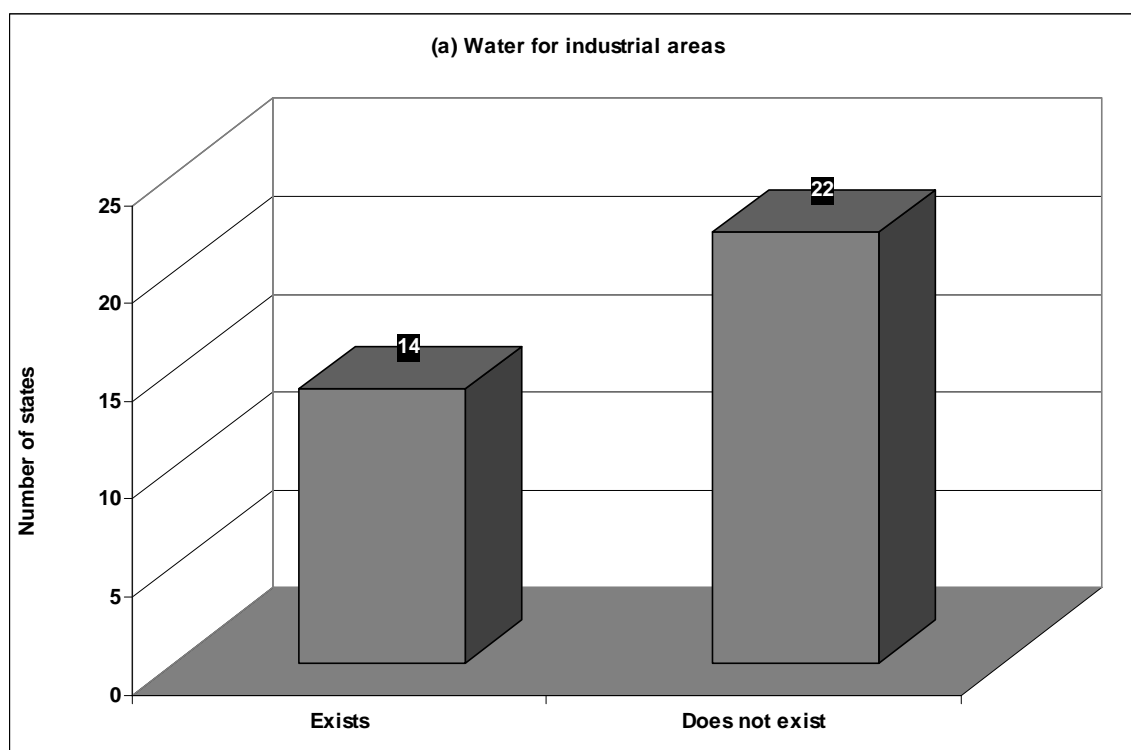


Figure 53: Distribution of states according to availability of water for industrial areas

4.3.5 Public Private Partnership

The last measure under business support is public-private partnership. It is a one-indicator measure which has four facets – infrastructure and utilities, credit provisioning, training/mentoring and security. Figure 54 shows performance of states on public-private partnership on credit provisioning.

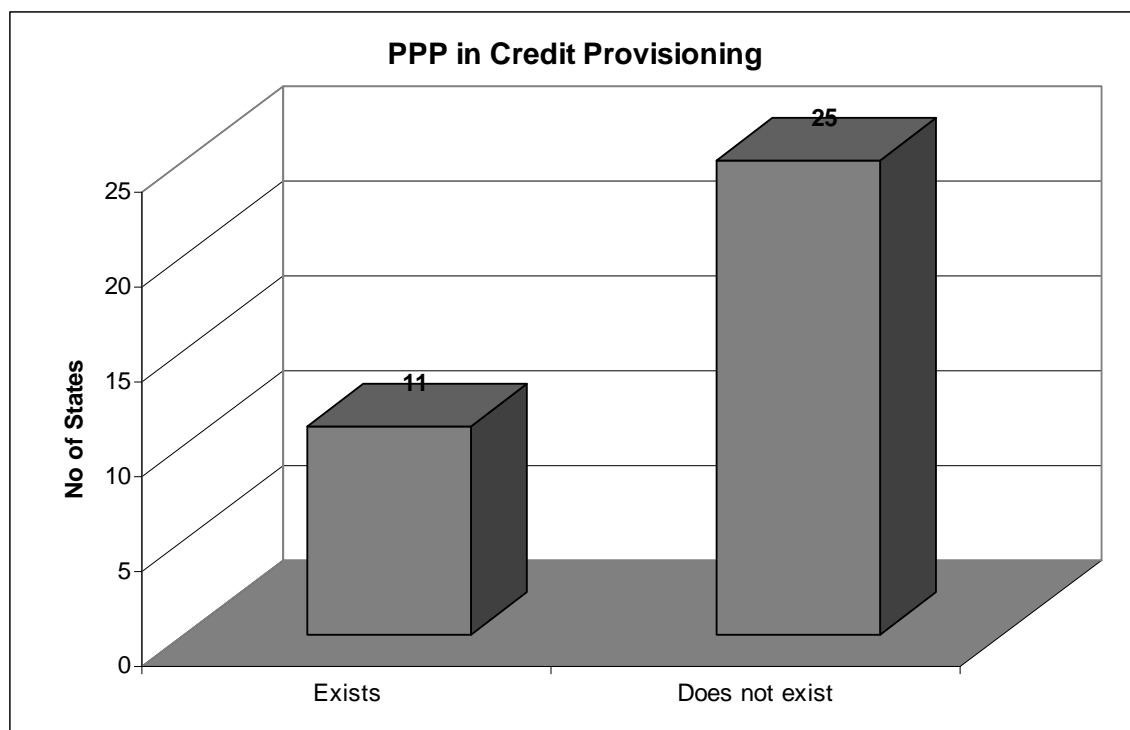


Figure 54: Distribution of states according to existence of public-private partnership in credit provisioning

4.4 Security²²

There are four measures under security. Two of these deal with crime rates – the first on major and the second on minor crimes. The analysis below however merges two each of the measures for grouping of the states – with sub-section 4.4.1 dealing with both the major and minor crimes while sub-section 4.4.2 deals with police coverage and security ratings. The evaluation of crime rates is based on international standards on crime incidence. The distribution of states according to performance on the indicators is presented in the following sub sections.

²² Detailed literature on BECANS perspectives on security in Nigeria is contained in BECANS Working Paper No. 1, 2006.

4.4.1 Crime Incidence

Figure 55 shows the overall picture of the incidence of reported crimes across the states.

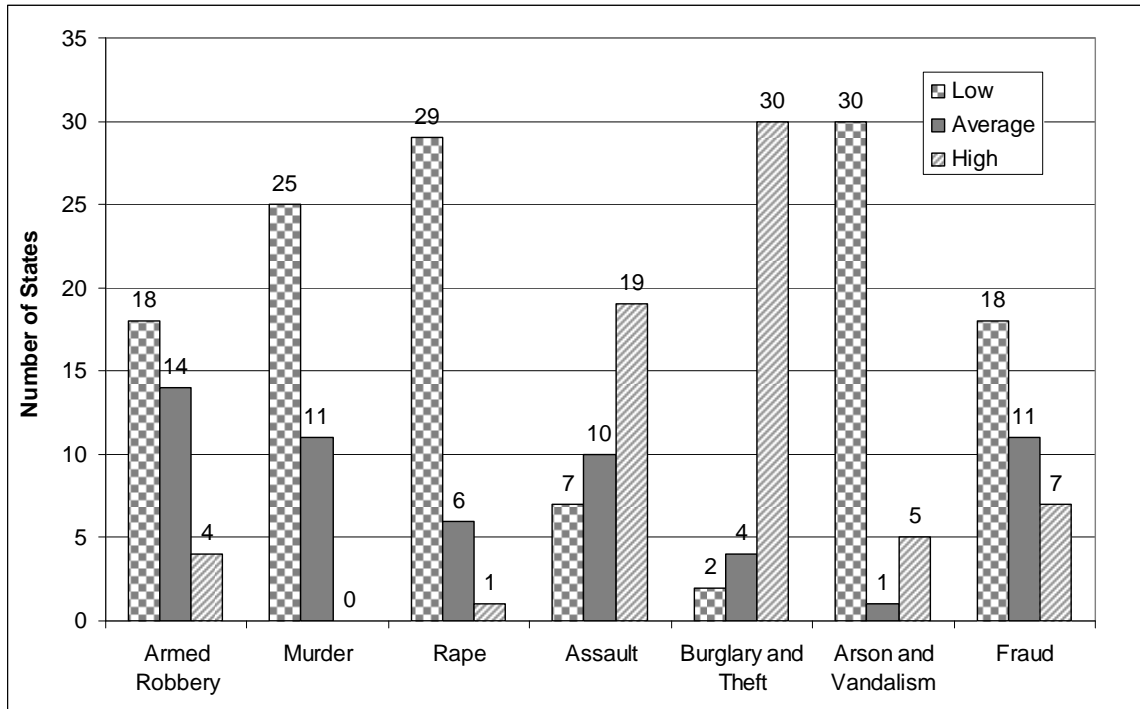


Figure 55: Distribution of states according to incidence of reported crimes

The incidences of reported assault and burglary/theft show the highest frequencies across states. An overwhelming majority of states record low incidence of reported arson/vandalism. Only four states record high incidence of reported armed robbery.

5.0 THE BUSINESS ENVIRONMENT SCOREBOARD

5.1 Infrastructure and Utilities

Figure 56 presents the scoreboard on infrastructure and utilities. Cross River ranks first on the benchmark with a score of 64.83%. This is followed by Lagos, FCT, Edo and Delta in declining order with scores of 64.33%, 64%, 62.83% and 59.5% respectively. Five states with the weakest performance on the benchmark are Zamfara with a score of 29.17%, Yobe with 37.33%, Jigawa with 37.5%, Taraba with 39.17% and Kogi with 39.5%. Average score for all states on the benchmark is 50.19% with a standard deviation of 8.53. About 19 states fall below this average and they include the five bottom states above as well as Abia, Osun, Ondo, Anambra, Bayelsa, Bauchi, Adamawa, Katsina, Imo, Akwa Ibom, Sokoto, Nasarawa, Gombe and Ebonyi in declining order.

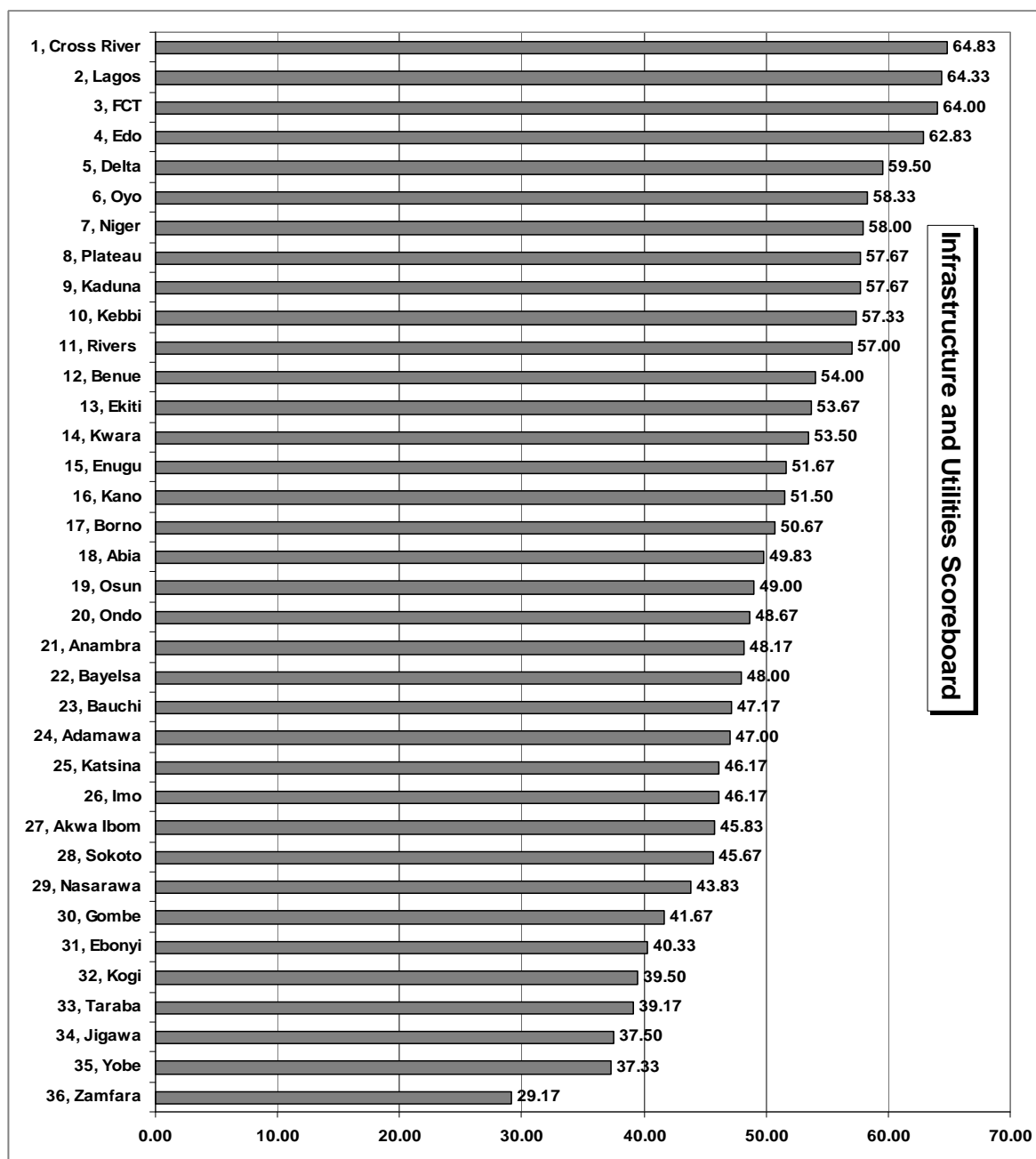


Figure 56: Ranking of states on infrastructure and utilities

The scoreboards on the five measures under infrastructure and utilities benchmark are presented in Figures 57 through 61.

5.1.1 Energy

Fig. 57 presents the scoreboard on energy. Lagos state ranks first on the measure with a score of 63.75%. This is followed by Kogi and Kebbi in declining order with scores of 58.75% and 57.5% respectively. Oyo, Osun and Ondo tied on the third position with aggregate scores of 58.25% on the measure. Five states with the weakest performance on the energy measure include Imo and Plateau with score of 18.75%, Adamawa with a score of 25%, Yobe with a score of 28.75% and Gombe with a score of 31.25%. Average score for all states on the measure is 44.29% with a standard deviation of 10.45. About 16 states fall below this average and they include the five bottom states above as well as Rivers, Jigawa, Enugu, Bayelsa, Akwa Ibom, Abia, Kaduna, Katsina, Delta, Zamfara, and Taraba in declining order.

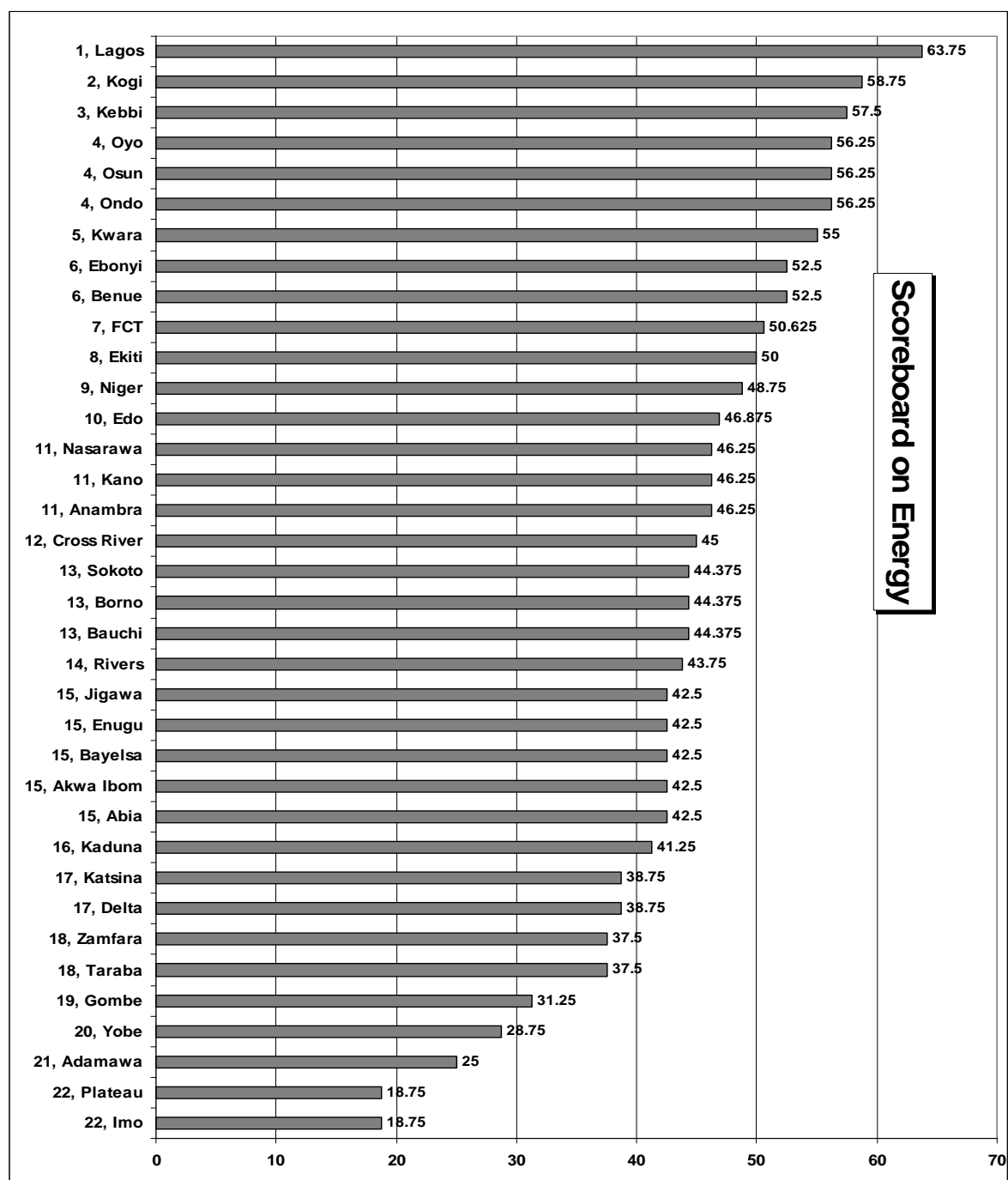


Figure 57: Ranking of states on energy

5.1.2 Water Supply

Fig. 58 presents the scoreboard on water supply. Lagos and Bayelsa tie on the first position with average scores of 85%. They are followed by Plateau and Kebbi which also tie on the second position with score of 80%. Cross River comes third with a score of 75%. Five states with the weakest performance on the water supply measure include Kogi, Enugu, Ebonyi (all with scores of 15%) as well as Zamfara and Nasarawa both with scores of 10%. Average score for all states on the measure is 45.42% with a relatively high deviation of 22.66. About 21 states fall below this average and they include the five bottom states above as well as Gombe, Oyo, Osun, Kwara, Kano, Bauchi, Abia, Sokoto, Ondo, Adamawa, Katsina, Delta, Anambra, Yobe, Taraba and Benue.

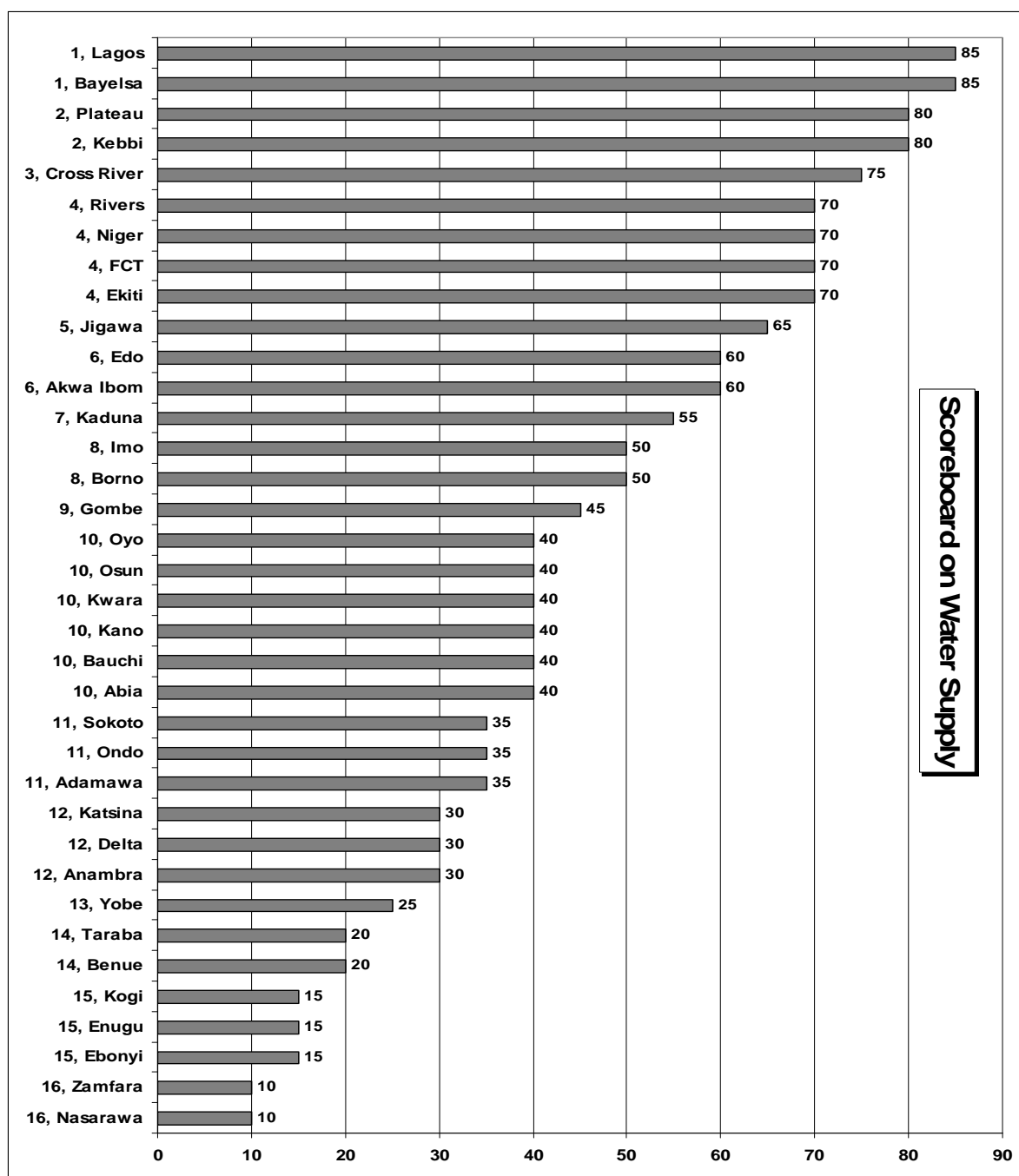


Figure 58: Ranking of states on water supply

5.1.3 Access to information

Figure 59 presents the scoreboard on access to information. Again Lagos state ranks first on the measure with a score of 80% followed by Plateau State, FCT, and Delta with a tied score of 77%. Rivers and Edo also tied on the third position with score of 74% each. Five states with the weakest performance on the access to information measure include Taraba, Gombe, Katsina, Jigawa and Sokoto with scores of 22%, 28%, 28%, 34% and 34% respectively. Average score for all states on the measure is 57.36 with a standard deviation of 16.63. About 15 states fall below the average score and they include the five bottom states above as well as Nasarawa, Zamfara, Kebbi, Borno, Bayelsa, Niger, Yobe, Ebonyi, Adamawa and Kogi in declining order.

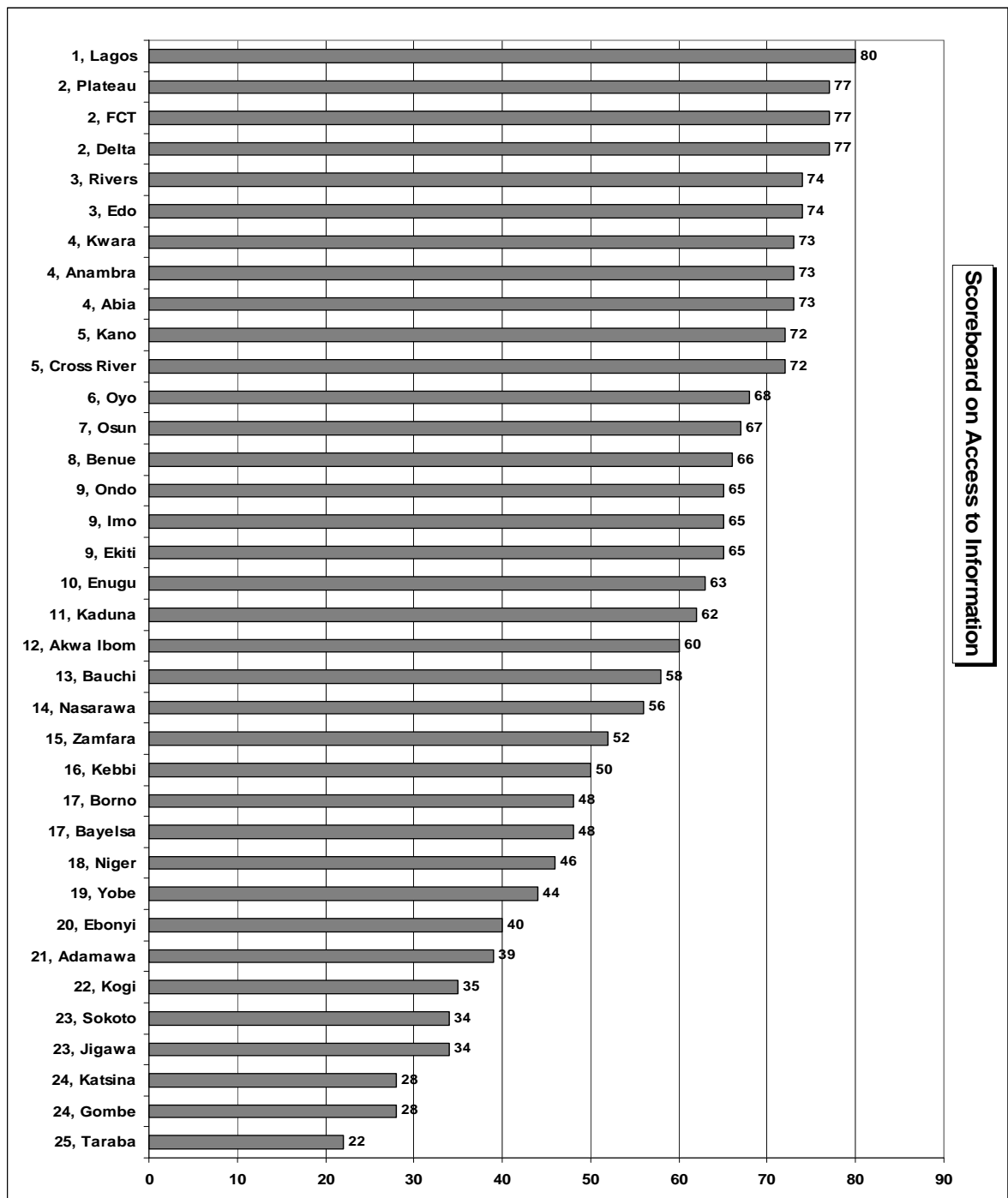


Figure 59: Ranking of states on access to information

5.1.4 Transportation

Figure 60 presents the scoreboard on transportation. Six states including Sokoto, Plateau, Kaduna, Delta, Cross River and Benue have maximum score on the indicator. Owing to the number of indicators and the limitations of the options, there are a number of ties in the scores for the measure. Two states (Jigawa and Osun) scored zero on the measure while another six (Akwa Ibom, Bayelsa, Ebonyi, Ekiti, Kogi and Zamfara) score only 20%. Average score for all states on the measure is 59.44 with a relatively high standard deviation of 29.66. Only 11 states fall below this average score and include Ondo, Kwara and Abia in addition to the 8 already named among the poor performing in the measure.

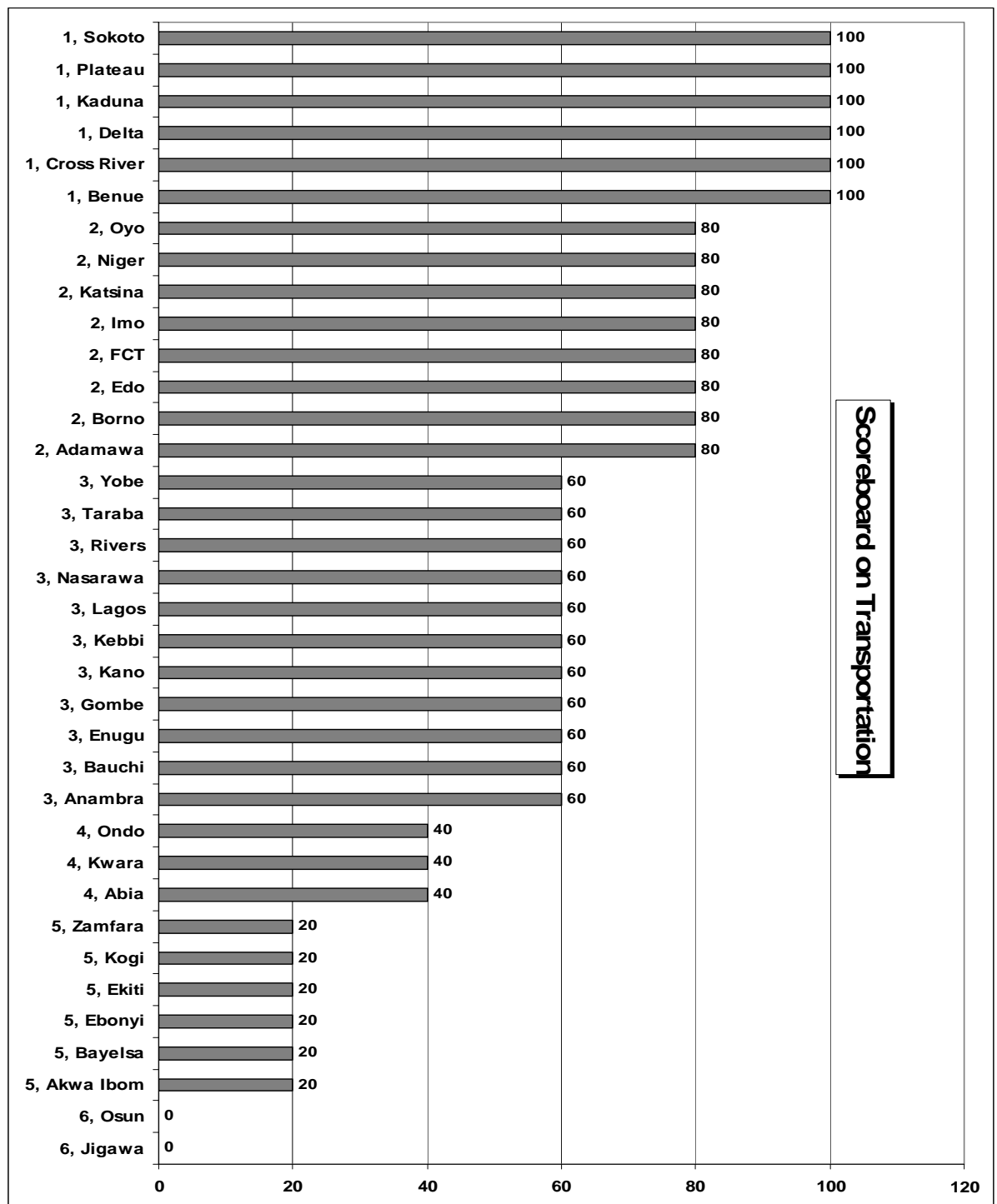


Figure 60: Ranking of states on transportation

5.1.5 Social Infrastructure

Figure 61 presents the scoreboard on social infrastructure. Enugu tops the scoreboard with a total score of 74.29% followed by Osun with a score of 69.29%. Edo, Delta and Adamawa tie on the third position with a score of 62.88 each. At the bottom of the table are Zamfara with 23.57% score, Sokoto with 24.29%, Yobe with 35%, Anambra with 37.14% and Imo with 37.14%. Average score for all states on the measure is 48.59% with standard deviation of 11.23. Only 16 states score above this average with the other 20 including Rivers, Gombe, Bayelsa, Akwa Ibom, Nasarawa, Kano, Kaduna, Ondo, Kebbi, Plateau, Lagos, Jigawa, Borno, Benue and Bauchi and the five states already named among the poor performing ones falling below the average.

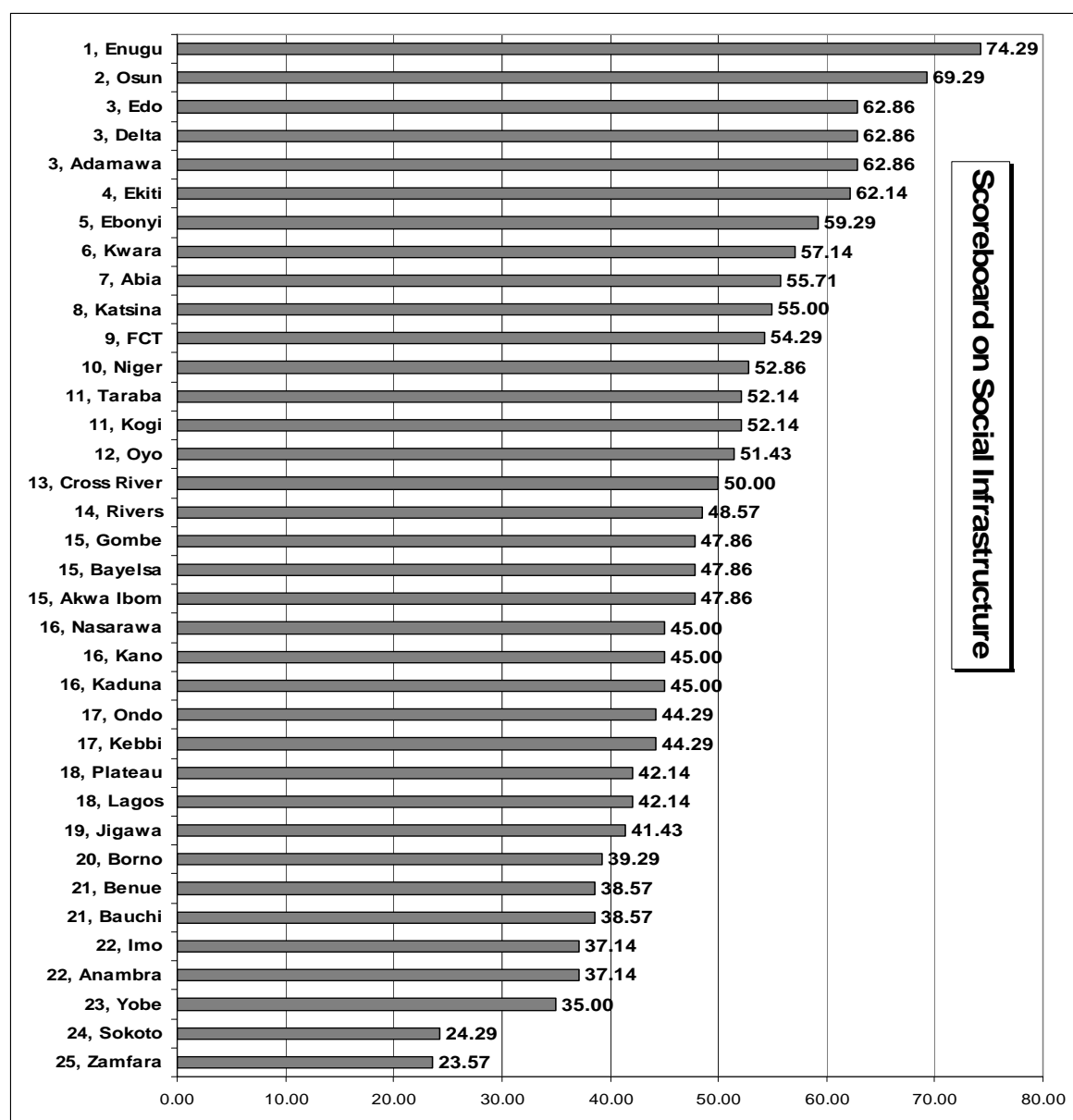


Figure 61: Ranking of states on social infrastructure²³

²³ One limitation is the use of budgeted rather than actual spending data for health and education. This lack of up-to-date data on actual spending (based on audited accounts) compels the use of budgeted amounts. It is important that spending data be made public so as to improve budget monitoring across the states. This ranking needs therefore to be qualified in context

5.2 Scoreboard on Legal and Regulatory Services

Figure 62 presents the scoreboard on legal and regulatory services. Lagos ranks first on the benchmark with aggregate score of 56.67%. It is followed by Sokoto, Akwa Ibom, FCT and Katsina in declining order with scores of 55.83%, 55.17%, 51.67% and 50.83%. Five states with the weakest performance on the benchmark are Borno (24.33%), Zamfara (25%), Yobe (26%), Anambra (29.33) and Abia (30.17%). Average score for all states on the benchmark is 41.61% with a standard deviation of 8.52. About 14 states fall below this average and they include the five bottom states above as well as Delta, Kebbi, Nasarawa, Kano, Bauchi, Niger, Osun, Kogi and Ekiti states in declining order.

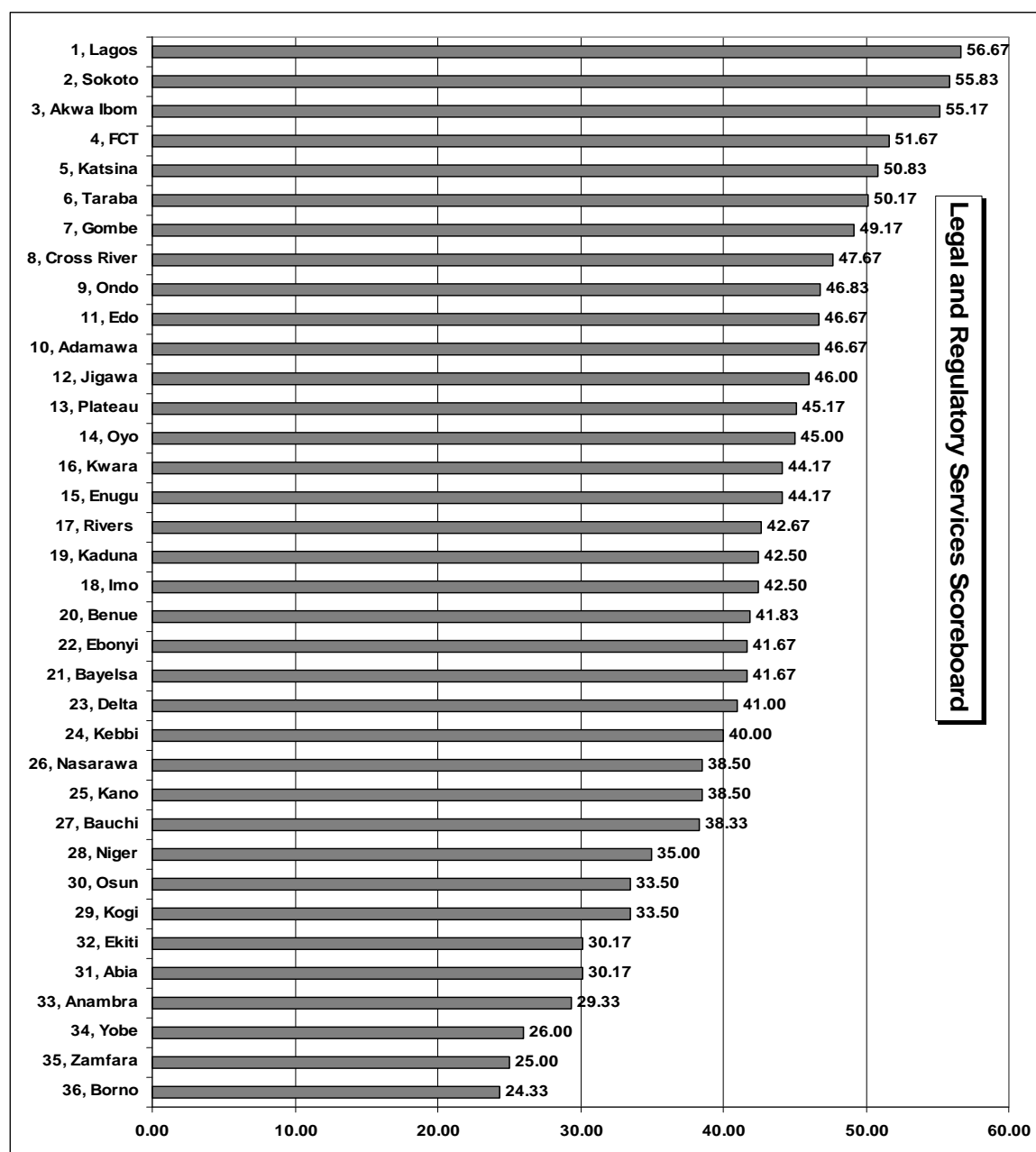


Figure 62: Ranking of states on legal and regulatory services

5.2.1 Business Registration

Fig. 63 presents the scoreboard on social infrastructure. Kaduna tops the scoreboard with a total score of 81.25% followed by FCT and Edo each with a score of 68.75%. Delta comes third with a score of 63.75% while Sokoto and Kwara follow each with a score of 62.5%. At the bottom of the table are Bayelsa with 12.5%, Anambra, Ekiti, Kogi and Nasarawa each with a score of 20%. Average score for all states on the measure is 44.45% with standard deviation of 16.55%. States below this average number 16 and include Imo, Jigawa, Borno, Benue, Lagos, Osun, Kano, Kebbi, Yobe, Taraba and Zamfara as well as the ones earlier named among the bottom states.

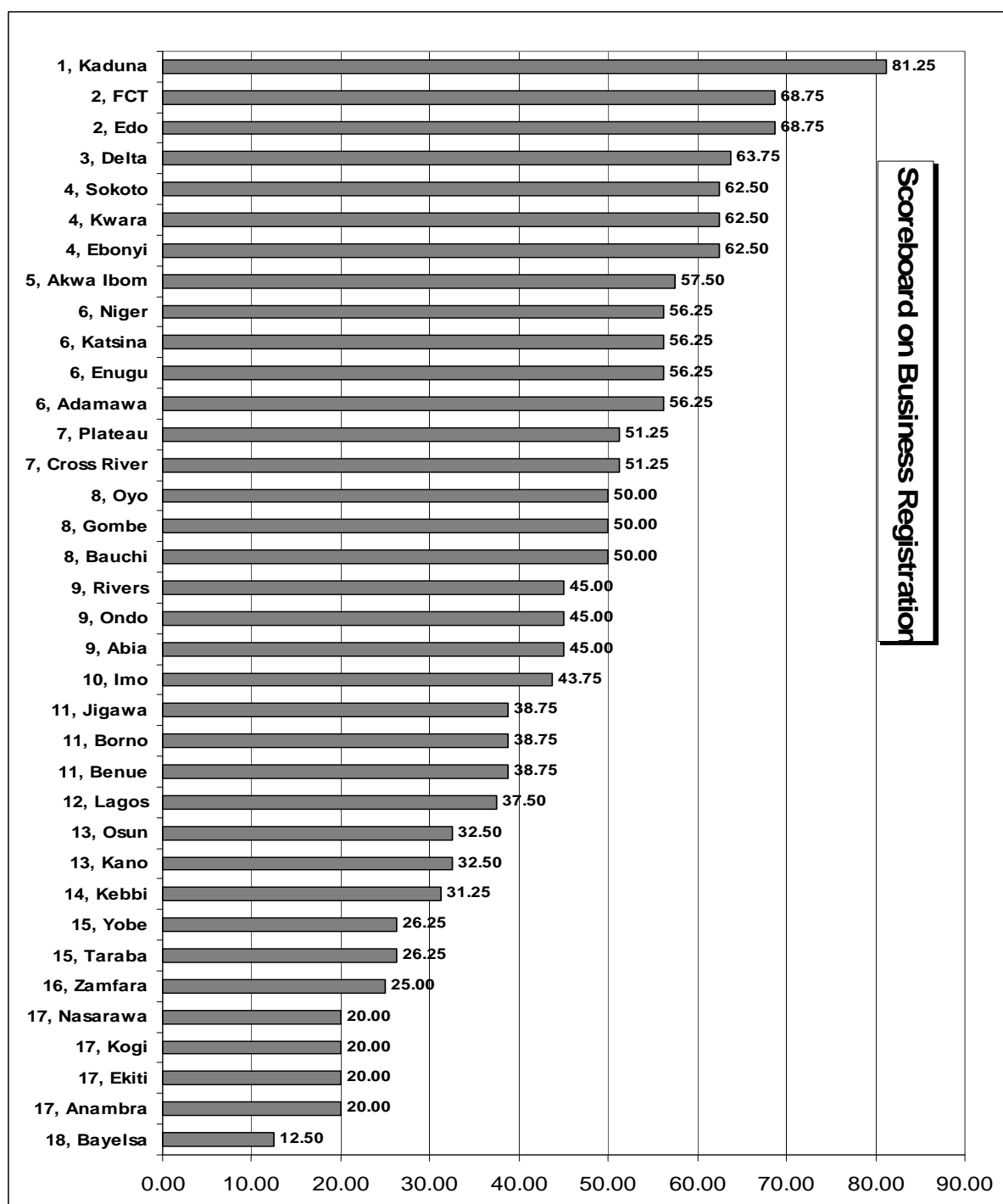


Figure 63: Ranking of states on business registration

5.2.2 Contract Enforcement/Commercial Dispute Resolution

Figure 64 presents the scoreboard on contract enforcement and commercial dispute resolution. Lagos ranks first on the scoreboard with a total score of 83.33% followed by Katsina with a score of 75%, Rivers with 58.33%, Taraba, Sokoto, Ebonyi and Akwa Ibom each with a score of 50%. At the bottom of the table are five states that obtained no score on the measure. These are Anambra, Benue, Kano, Yobe and Zamfara. Average score for all states on the measure is 28.94% with standard deviation of 20.08. Despite this low average, 20 states fall below the average. Besides the five with zero scores, others are Oyo, Nasarawa, Jigawa, Enugu, Osun, Niger, Kogi, Kebbi, Kaduna, Gombe, Ekiti, Borno, Bayelsa, Bauchi and Abia states.

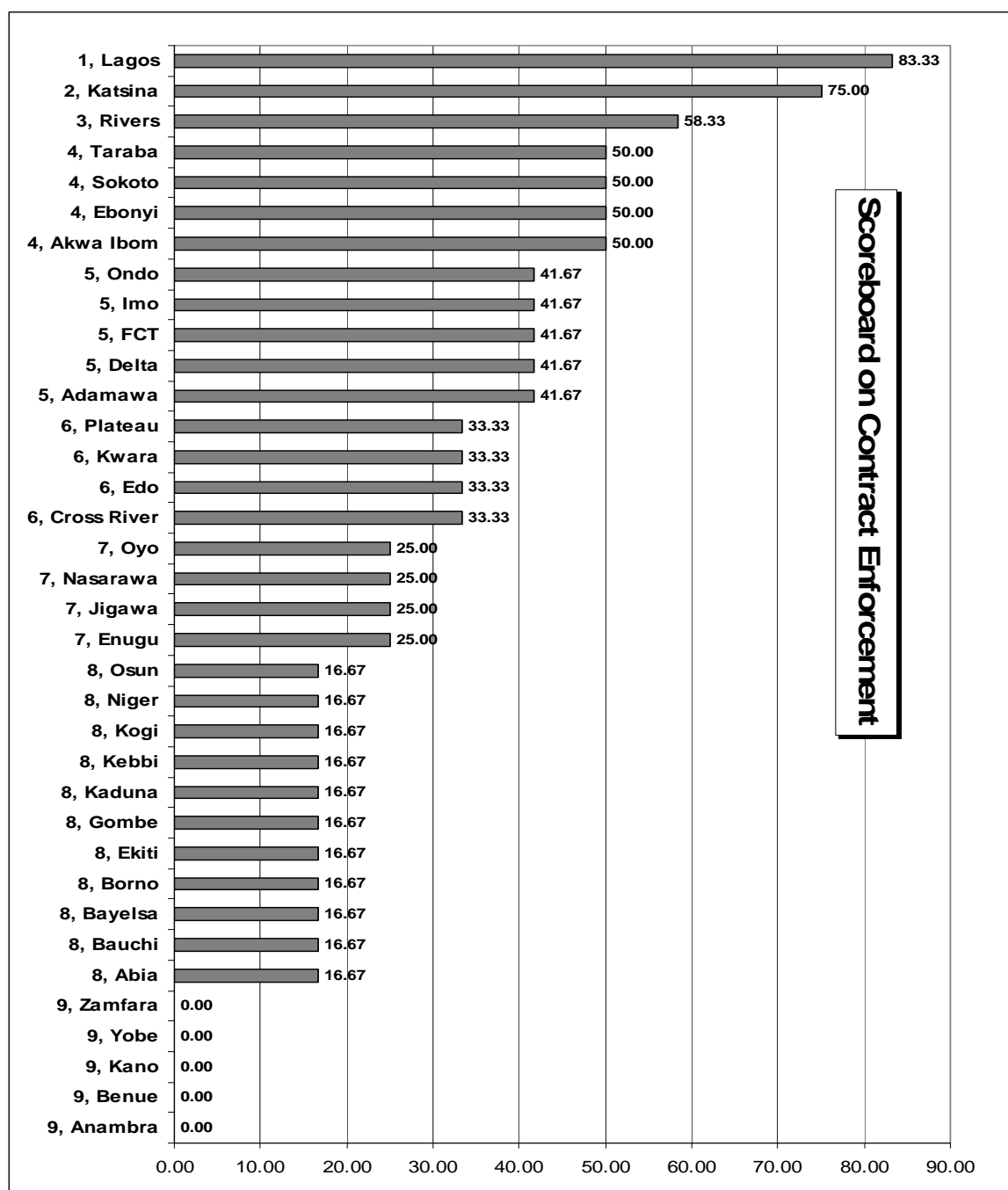


Figure 64: Ranking of states on contract enforcement/commercial dispute resolution

5.2.3 Land Administration

Figure 65 presents the scoreboard on land administration. FCT ranks first on the scoreboard. It is followed by Benue with 62.5% and Cross River with 60%. Sokoto and Akwa Ibom come next with 57.5% each and Bayelsa comes next with 55%. At the bottom of the table are Zamfara 15%, Borno 25%, Ebonyi, Ekiti and Niger each with a score of 27.5%. Average score for all states on the measure is 43.19% with standard deviation of 12.52. As many as 21 states fall below this average. In addition to the five earlier named at the bottom of the table, others are Rivers, Kwara, Kogi, Jigawa, Edo, Bauchi, Abia, Katsina, Plateau, Kaduna, Adamawa, Nasarawa, Imo, Enugu, Osun, and Delta states.

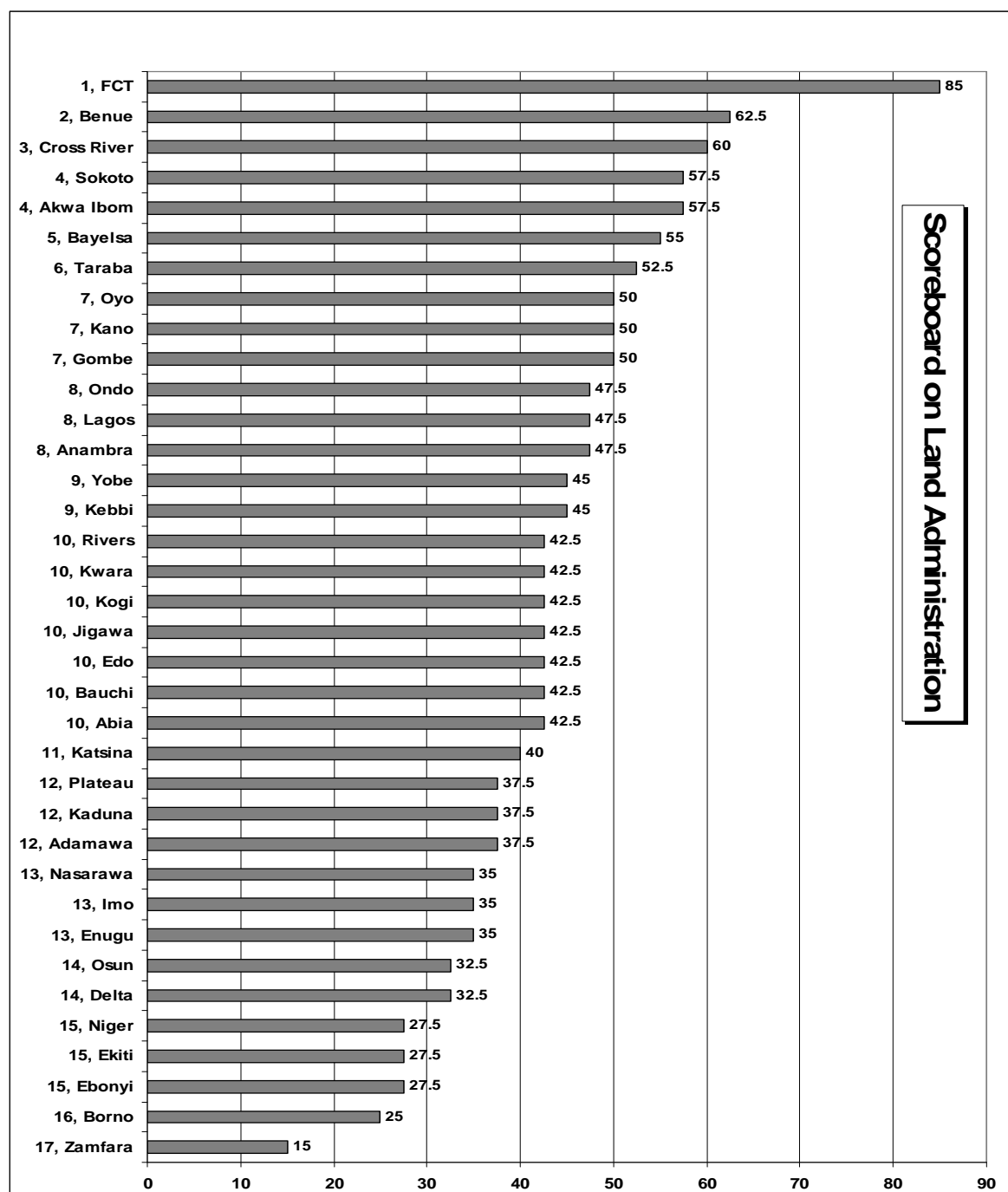


Figure 65: Ranking of states on land administration

5.3 Business Support and Investment Promotion

Figure 66 presents the scoreboard on business support and investment promotion benchmark. FCT ranks first on the benchmark with an aggregate score of 76.25%. It is followed by Lagos, Cross River, Kano and Akwa Ibom in declining order with scores of 73.25%, 61.75%, 58.75% and 58% respectively. States which performance are comparatively weaker than the rest of the states include Taraba, Borno, Kogi and Nasarawa in increasing order with scores of 12.5%, 18.75%, 25% and 27.25% respectively. Ekiti and Katsina tied each with a score of 27.5%. Average score for all states on the benchmark is 44.53% with a standard deviation of 13.55. About 13 states fall below this average and they include the five bottom states above as well as Delta, Kebbi, Nasarawa, Kano, Bauchi, Niger, Osun, Kogi and Ekiti states in declining order.

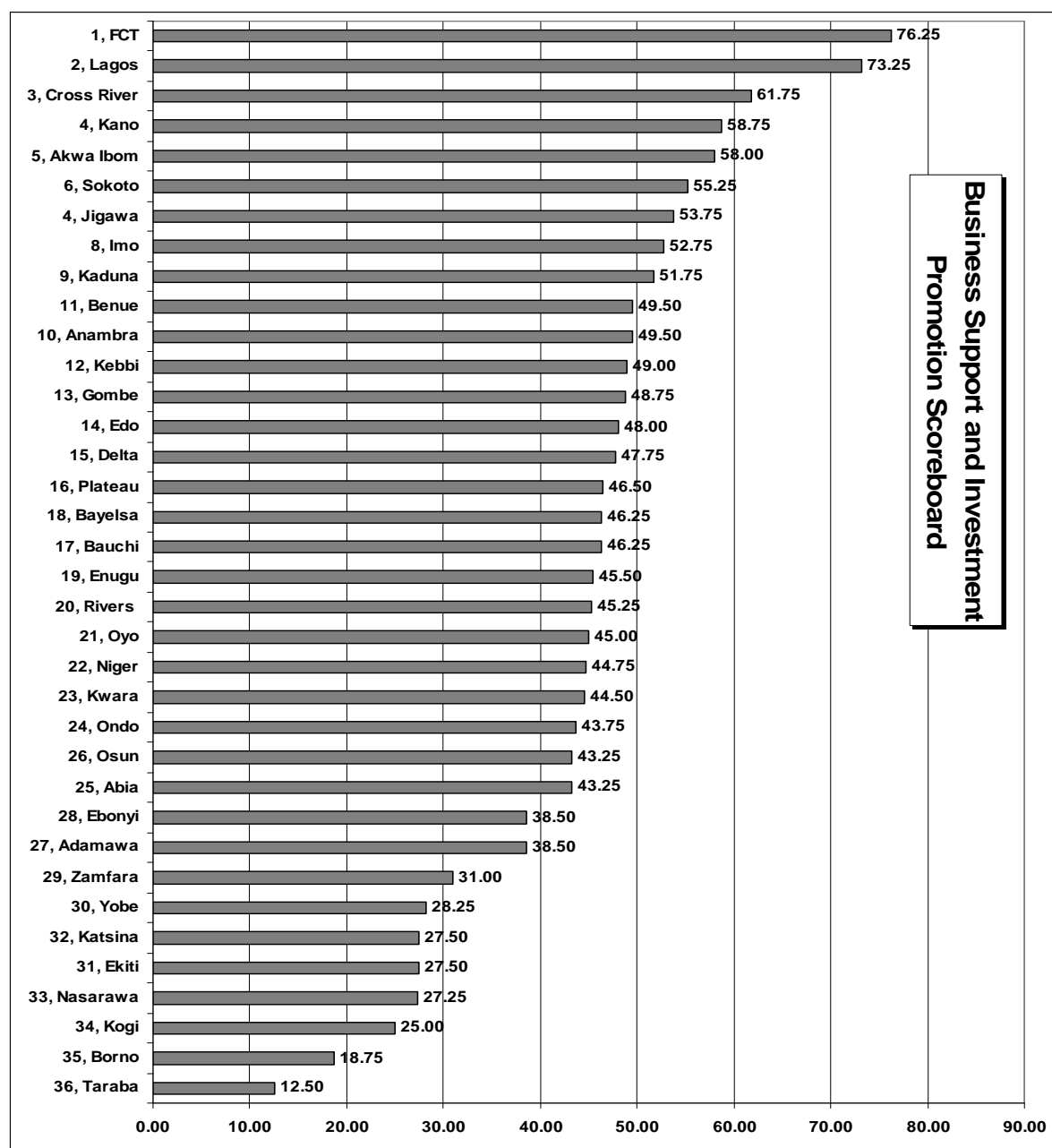


Figure 66: Ranking of states on business support and investment promotion

5.3.1 *Entrepreneurship Promotion*

Figure 67 presents the scoreboard on entrepreneurship promotion. Owing to the number and scoring of this one-indicator measure, there are only 4 classes of scores indicating the four options in the indicator. Twelve states including Sokoto, Rivers, Niger, Lagos, Jigawa, Imo, Gombe, FCT, Cross River, Bayelsa, Bauchi and Akwa Ibom tie at the top of the scoreboard each with a score of 75% indicating compliance with three of the four options. The second group of states consists of those with half the total score and in this group are 16 states. The third group consists of those with a score of 25% each and there are 8 states in this group. Average score is 52.8% with a standard deviation of 18.7 and only states in the first group with 75% score are above this average.

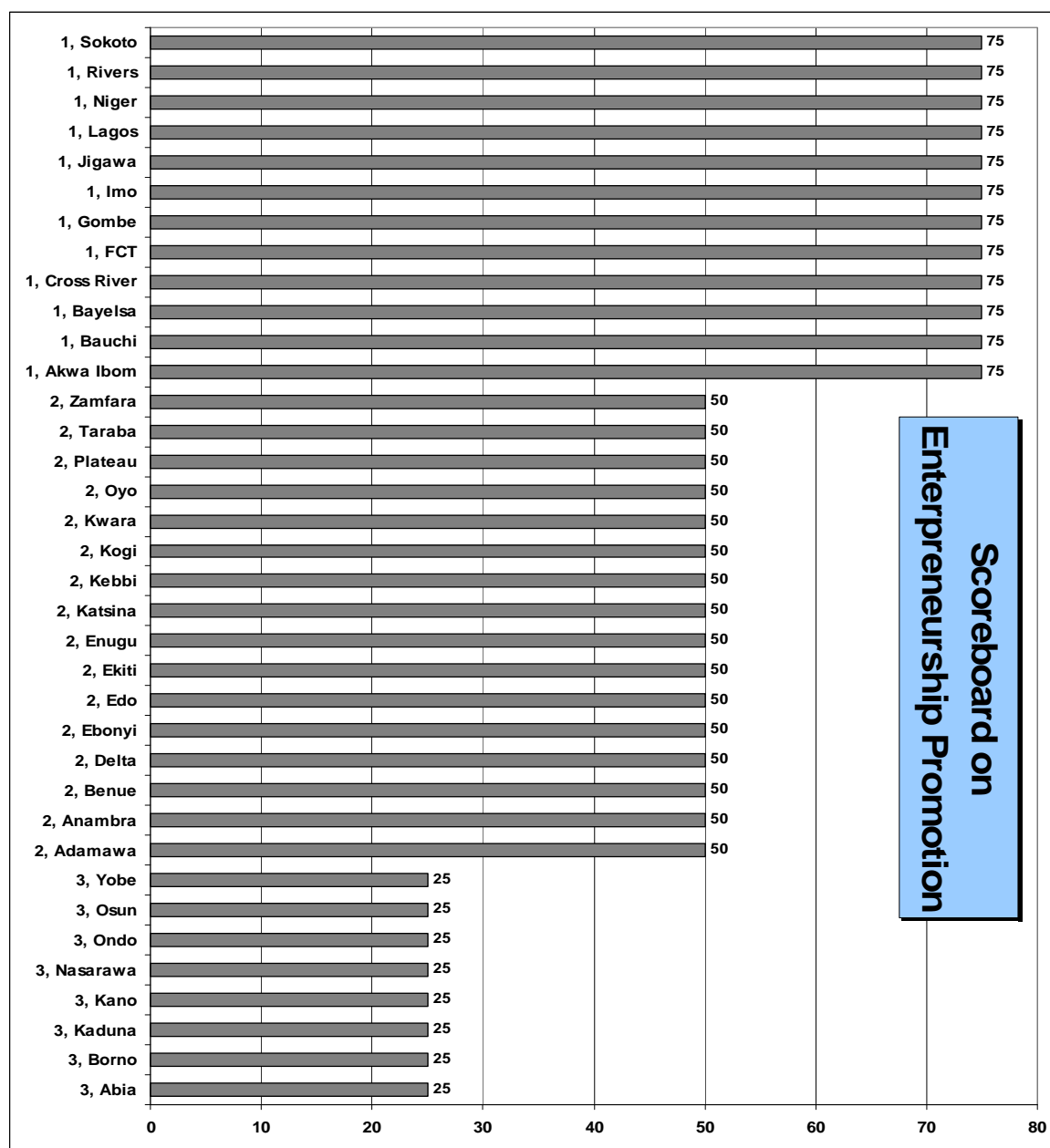


Figure 67: Ranking of states on entrepreneurship promotion

5.3.2 Access to Finance

Figure 68 presents the scoreboard on access to formal finance. This is the measure where performance of states under business support and investment promotion is weakest. Lagos ranks first with 87.5% followed by Kano with 67.5%. Enugu and Anambra tie with 56.3% each while Kaduna, FCT, Abia tie with 50% scores. At the bottom of the table are Bayelsa and Jigawa with 0% and 6.3%. Five states - Ebonyi, Gombe, Katsina Kebbi and Taraba – tie with a score of 12.5% each. Average score for all states on the measure is 30.6% with standard deviation of 18.2%. About 22 states fall below this average score.

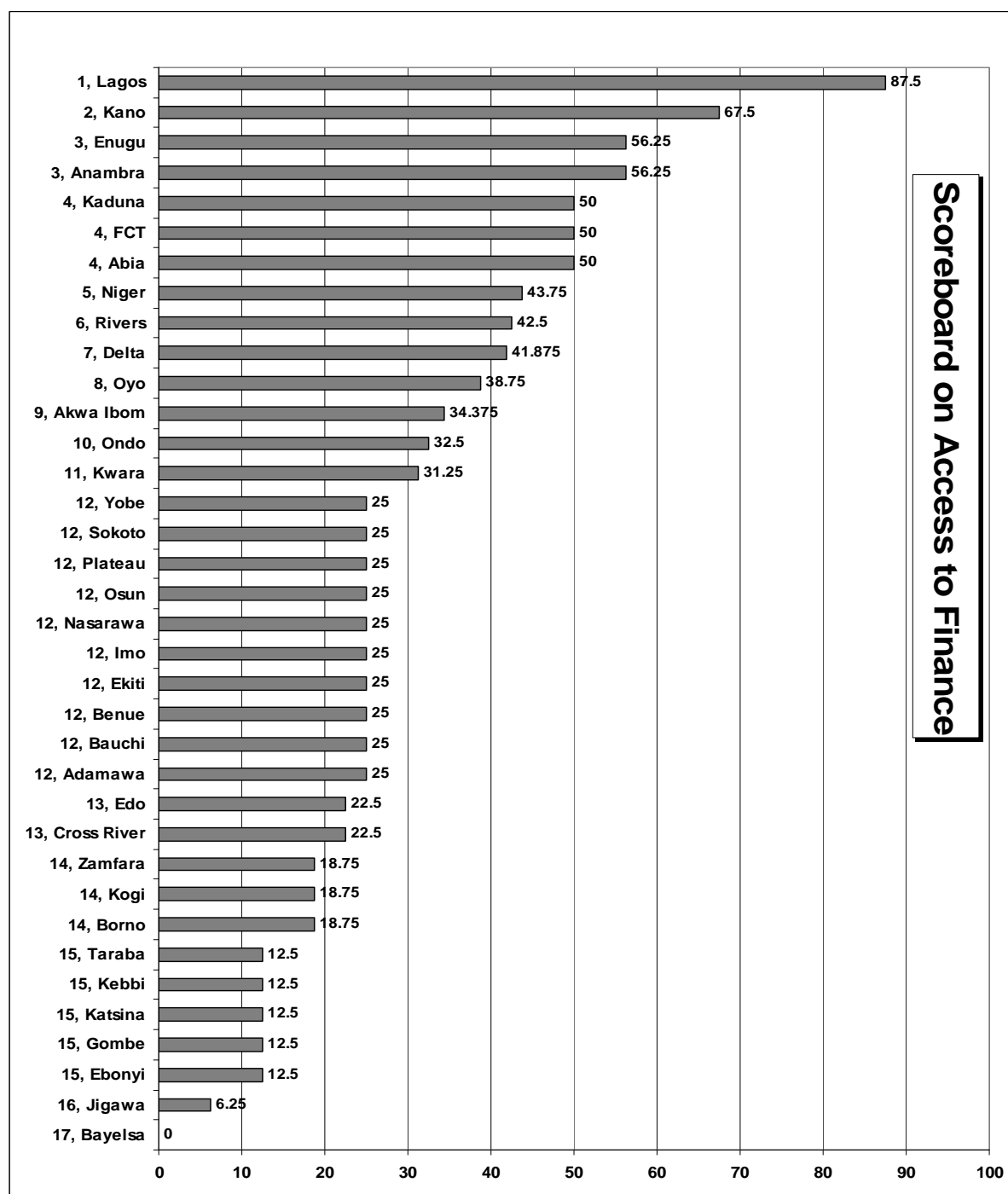


Figure 68: Ranking of states on access to formal finance

5.3.3 Investment Promotion

Figure 69 presents the scoreboard on investment promotion. FCT and Bayelsa tie with maximum score (100%) on this measure. They are followed by Cross River and Akwa Ibom with 90% each while Sokoto, Kebbi and Jigawa tie at the third position with score of 80% each. The bottom of the table is taken up by Taraba with a score of 0%. Ekiti, Nasarawa and Yobe tie with score of 20% each while Abia, Borno, Enugu, Kogi, Niger, Rivers and Zamfara come next with a score of 30% each. Average score for all states on the measure is 53.9% with standard deviation of 24.5. 16 states score below this average and besides the ones already named as with weak performance, the others are Osun, Katsina, Anambra, Oyo and Adamawa states.

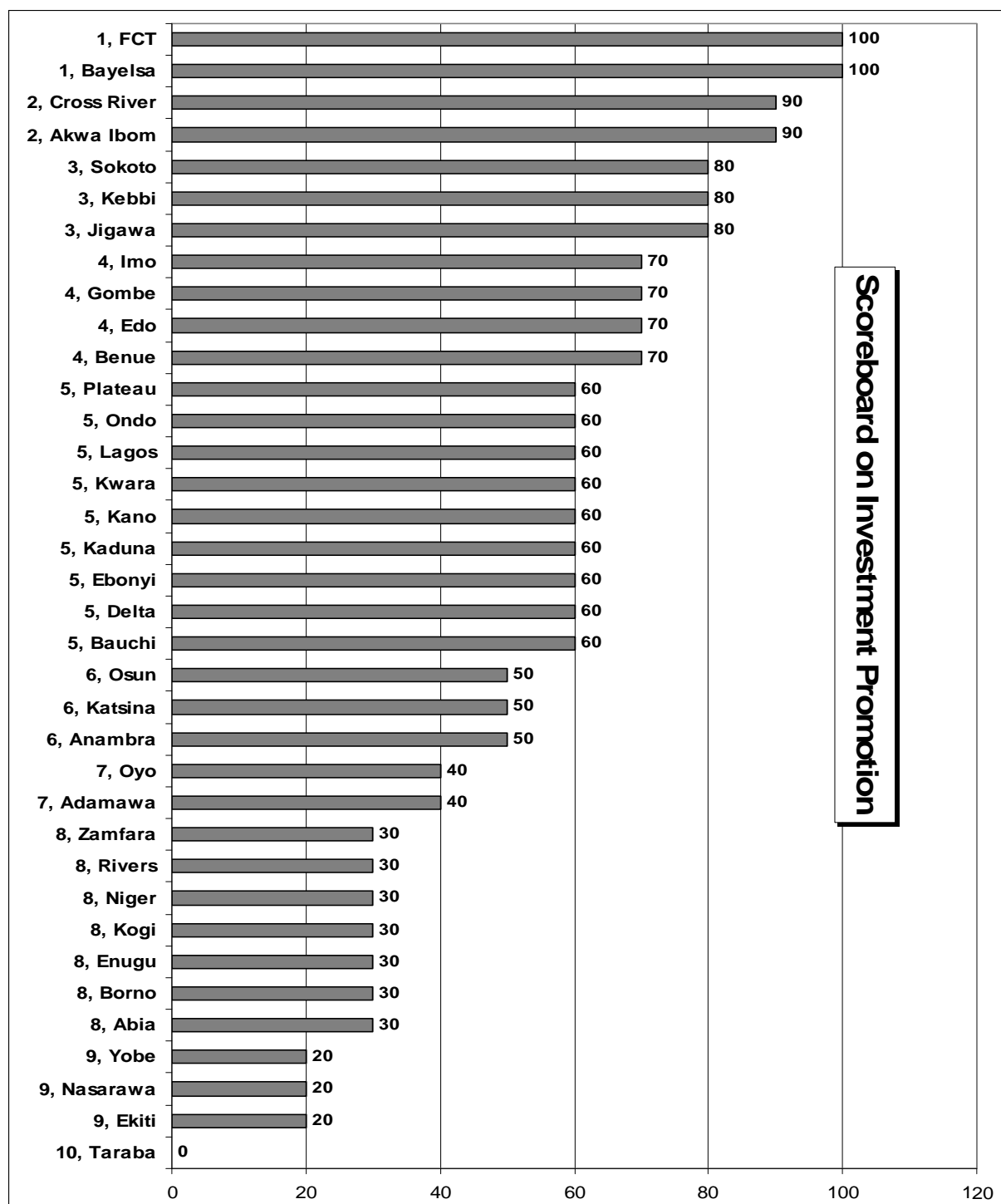


Figure 69: Ranking of states on investment promotion

5.3.4 Support for Industrial Areas

Figure 70 presents the scoreboard on the measure for support for industrial cluster. Jigawa State and FCT rank first together with maximum score on the measure. Six other states – Sokoto, Plateau, Kebbi, Imo, Edo and Cross River tie at the second position with 90% each. At the bottom of the table are Bauchi, Bayelsa, Borno, Ekiti, Katsina, Kogi and Taraba. Average score for all states on the measure is 60.3% with standard deviation of 32.3. Fourteen states fall below the average score.

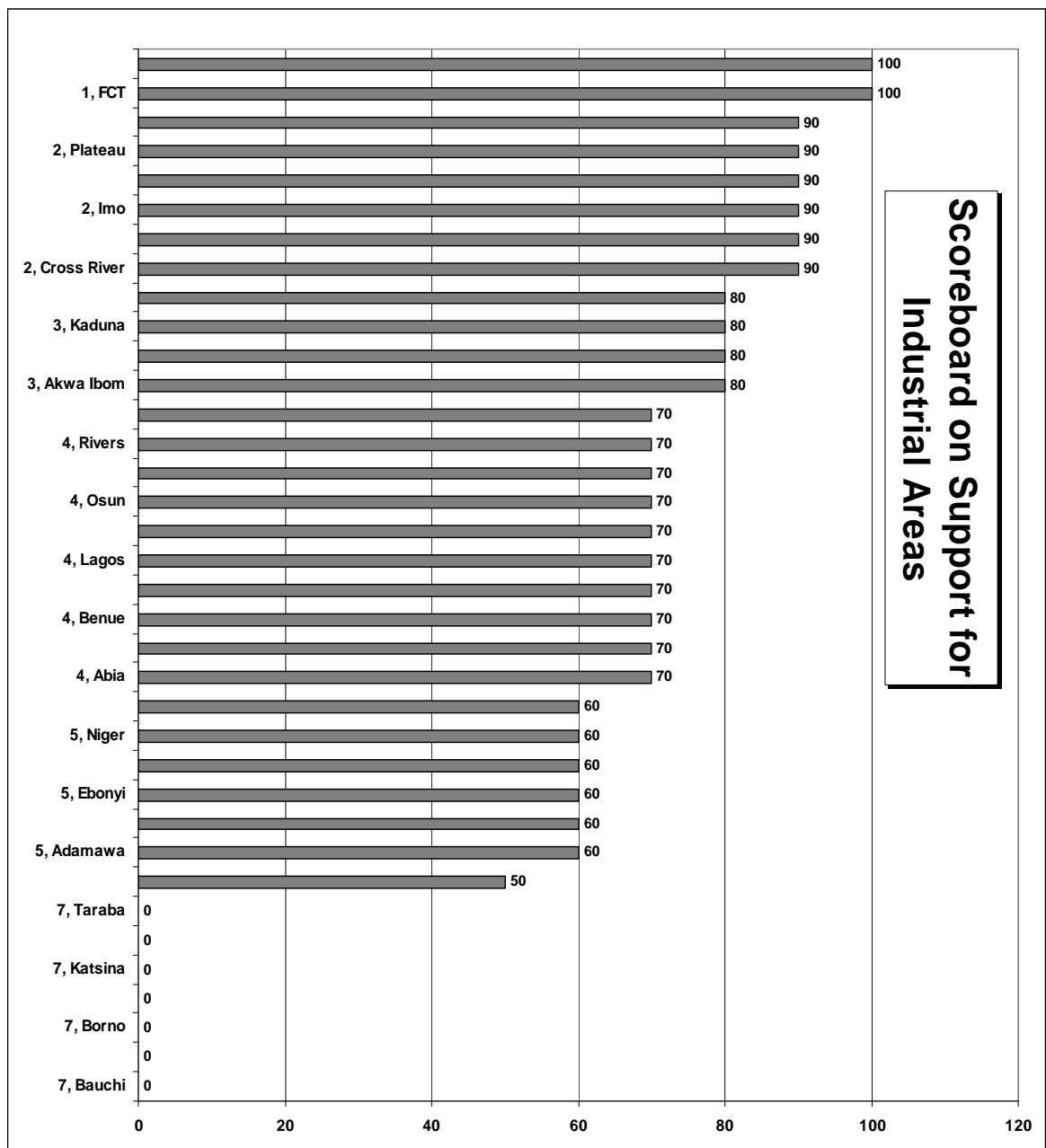


Figure 70: Ranking of states on support for industrial areas

5.3.5 Public-Private Partnership

Figure 71 presents the scoreboard on the measure. Osun, Jigawa, Gombe, FCT, Cross River, Bayelsa and Bauchi rank first in the measure each with maximum score (100%). Kebbi and Benue follow with 75% each. At the bottom are 4 states, including Anambra, Borno, Enugu and Taraba states. Average score for all states on the measure is 48.6% with standard deviation of 31.6. There are 14 states that score below the all-states average. They include 10 states that score 25% namely Zamfara, Yobe, Rivers, Niger, Nasarawa, Kwara, Kogi, Katsina, Delta and Akwa Ibom.

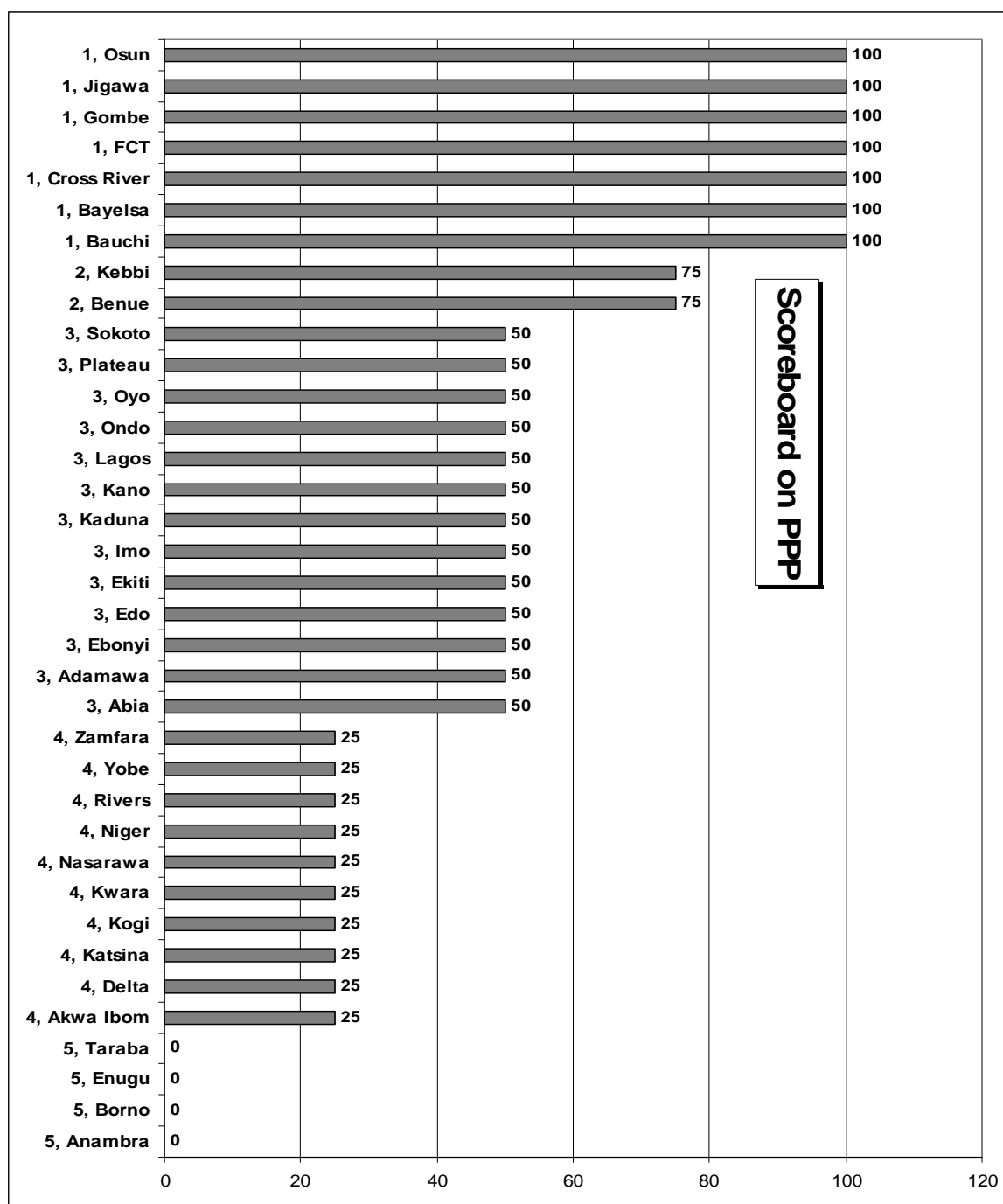


Figure 71: Ranking of states on public –private partnership

5.4 Scoreboard on Security

Figure 72 presents the scoreboard on security. Niger state ranks first on the benchmark with an aggregate score of 92.5%. It is followed by four states (Yobe, Kogi, Katsina, and Kaduna) that tie on the second position with score of 82.5% each. Zamfara and Gombe tie also on the third position with score of 77.5% each. States whose performance is relatively weaker on the benchmark include Rivers, Anambra, and Nasarawa with scores of 42.5%, 43.75% and 45% respectively. Ebonyi, Kwara and Lagos come next from the bottom with 47.5% each. Average score for all states on the benchmark is 62.29% with a standard deviation of 13.33. About 17 states including Ekiti, Cross River, Imo, Oyo, Delta, Ondo, Benue, Jigawa, Edo, Borno, Abia score below the all-states average.

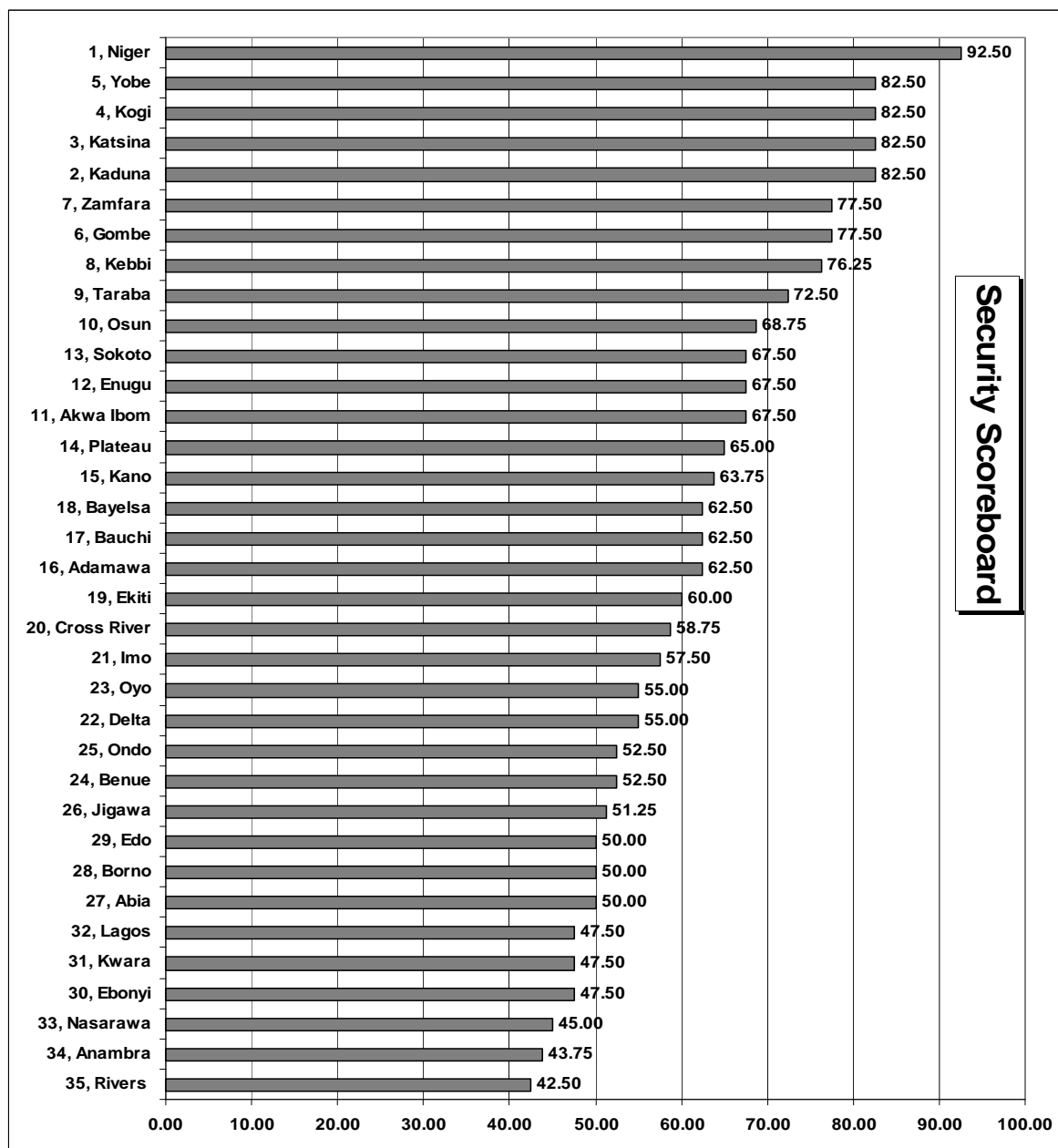


Figure 72: Ranking of states on security

5.4.1 Crime Incidence

Figure 73 presents the scoreboard on major and minor crimes pooled. Niger state ranks first with the maximum score followed by Kogi and Katsina each with 93.33%. Zamfara, Yobe, and Kaduna place third with 86.67% each. At the bottom of the table is Nasarawa state with total of 36.67%. Four other states – Ebonyi, Kwara, Lagos and Rivers – are second from the bottom with score of 40% each. Average score for all states on major crimes is 62.38% while average score for all states for minor crimes is 65.71% giving a weighted average of 63.05%. About 20 states therefore fall below the average score and the listing of states beside the ones earlier named as part of the bottom include Imo, Bayelsa, Bauchi, Oyo, Ekiti, Jigawa, Benue, Abia, Delta, Cross River, Borno, Ondo, Anambra and Edo states.

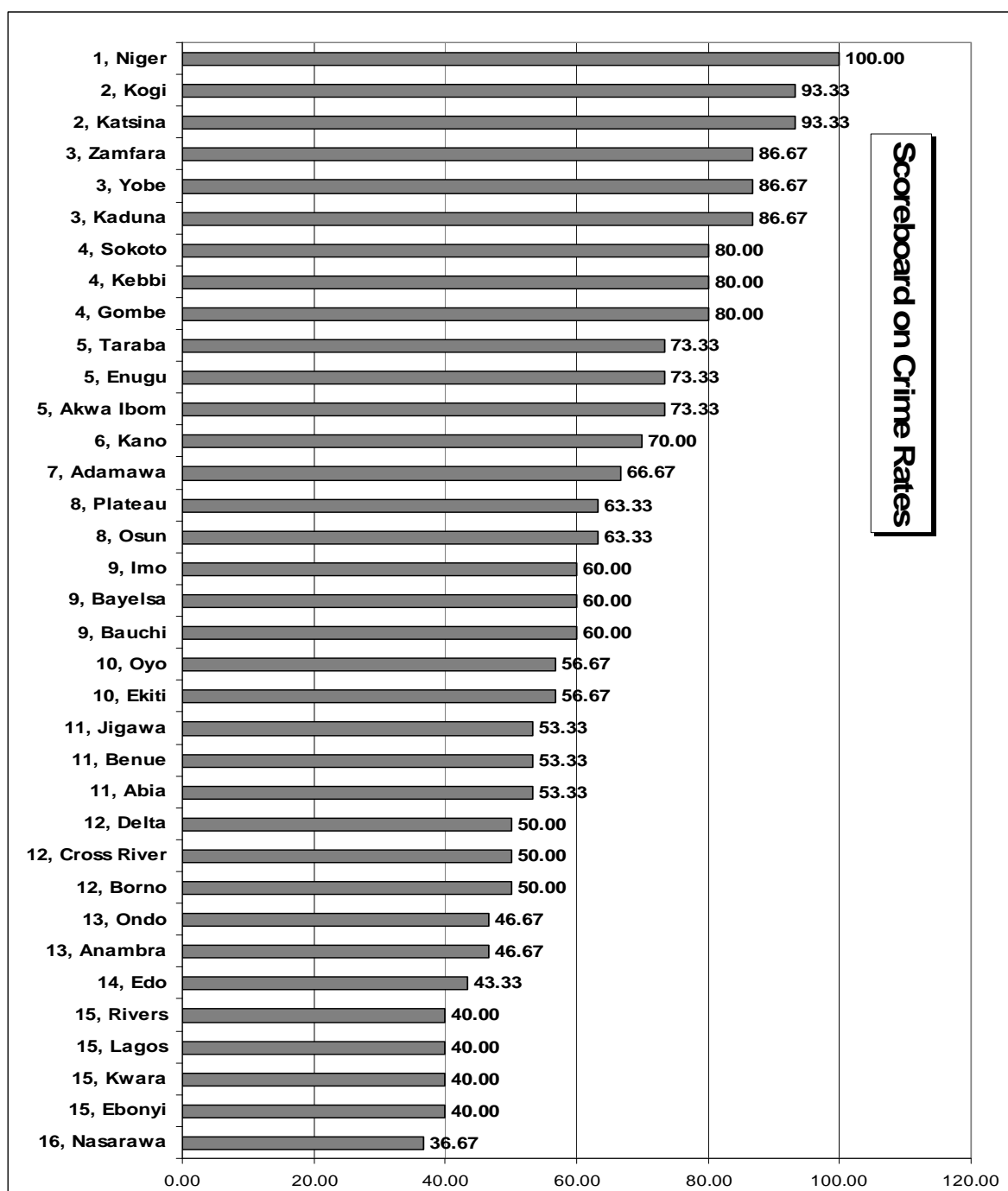


Figure 73: Ranking of states on crimes (major and minor)

5.4.2 Police Coverage and Assessment of Security

Figure 74 presents the scoreboard on police coverage and perceptions of security. Osun state and Cross River top the scoreboard with scores of 85% each. The bulk of the states (about 16) follow with score of 70% each. At the bottom are Sokoto (with 30%), Anambra with 35%, Abia with 40%, as well as Jigawa and Kano each with 45%. Average score for Police Resources is 72.86% while that for perceptions of security and safety is 51.43% giving a weighted average score of 60%. A total of 16 states fall below the average score and they include Zamfara, Rivers, Oyo, Kogi, Katsina, Imo, Enugu, Borno, Benue, Akwa Ibom and Adamawa as well the ones earlier listed for low performance.

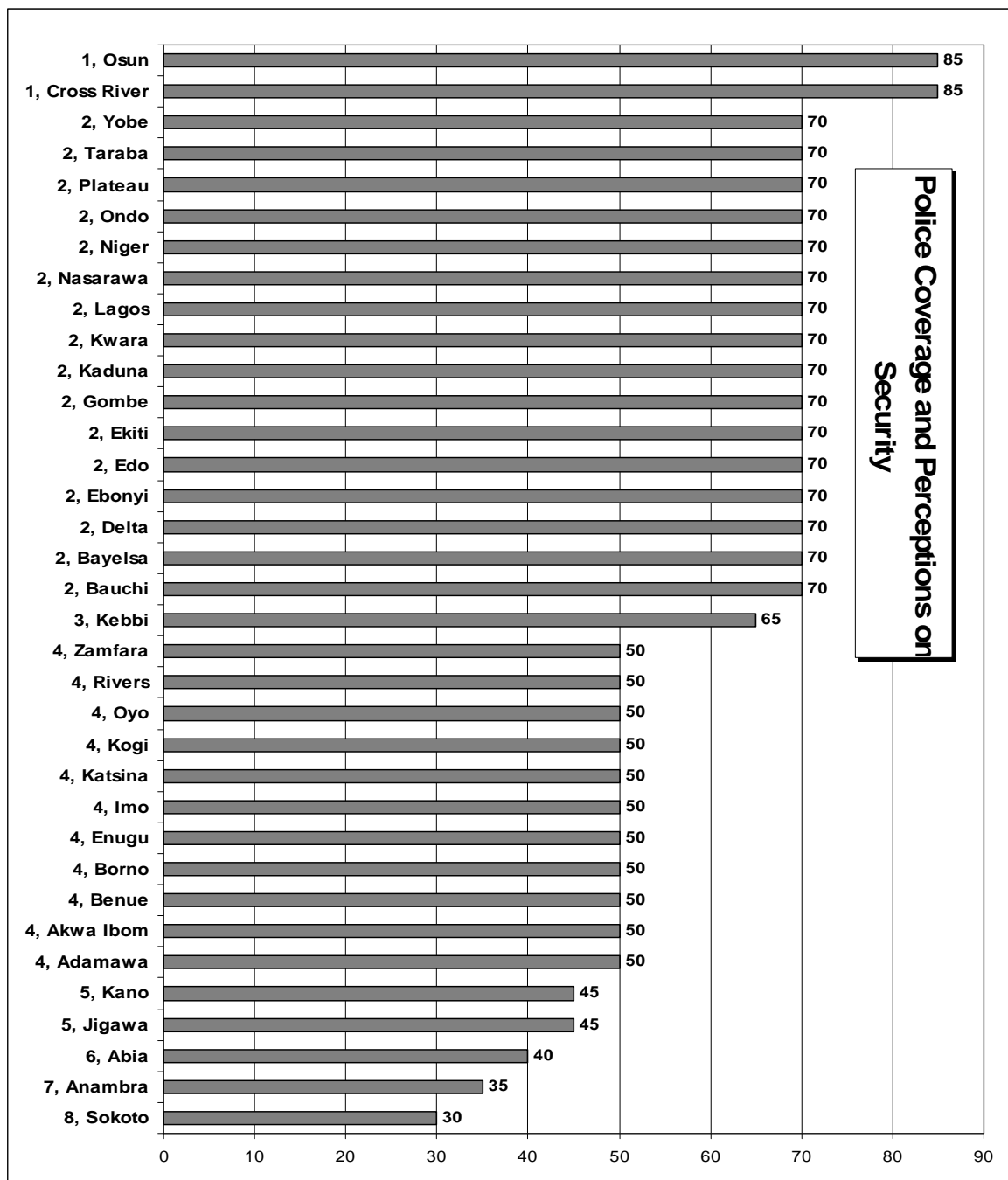


Figure 74: Ranking of states on police coverage and assessment of security

5.5 Business Environment Index of Nigerian States (BEIONS)

5.5.1 Overall Business Environment Scoreboard

The overall performance of the states on the business environment index (BEIONS) is given by Figure 75. It presents the aggregate business environment scoreboard for the states, excluding the FCT. FCT is not explicitly compared to states because it is evaluated based on three out of the four benchmarks. It is not feasible to fit the security benchmark for FCT because police data on security do not contain crime rates in FCT. However, if evaluated on the basis of the three benchmarks – infrastructure and utilities, legal and regulatory services, business support and investment promotion – FCT scores 62.44%.

Lagos ranks overall first with aggregate score of 60.45%. It is followed by Cross River with aggregate score of 57.85%. Kaduna, Akwa Ibom and Niger states follow in declining order with aggregate scores of 56.9%, 55.4% and 55.35% respectively. Five states with the weakest performance on the aggregate are Borno (36.25%), Zamfara (37.95%), Nasarawa (39.15%), Yobe (41.15%) and Ebonyi (41.8%), in ascending order. Overall, average scores of the states on the Business Environment index is 48.52% with a standard deviation of 5.9.

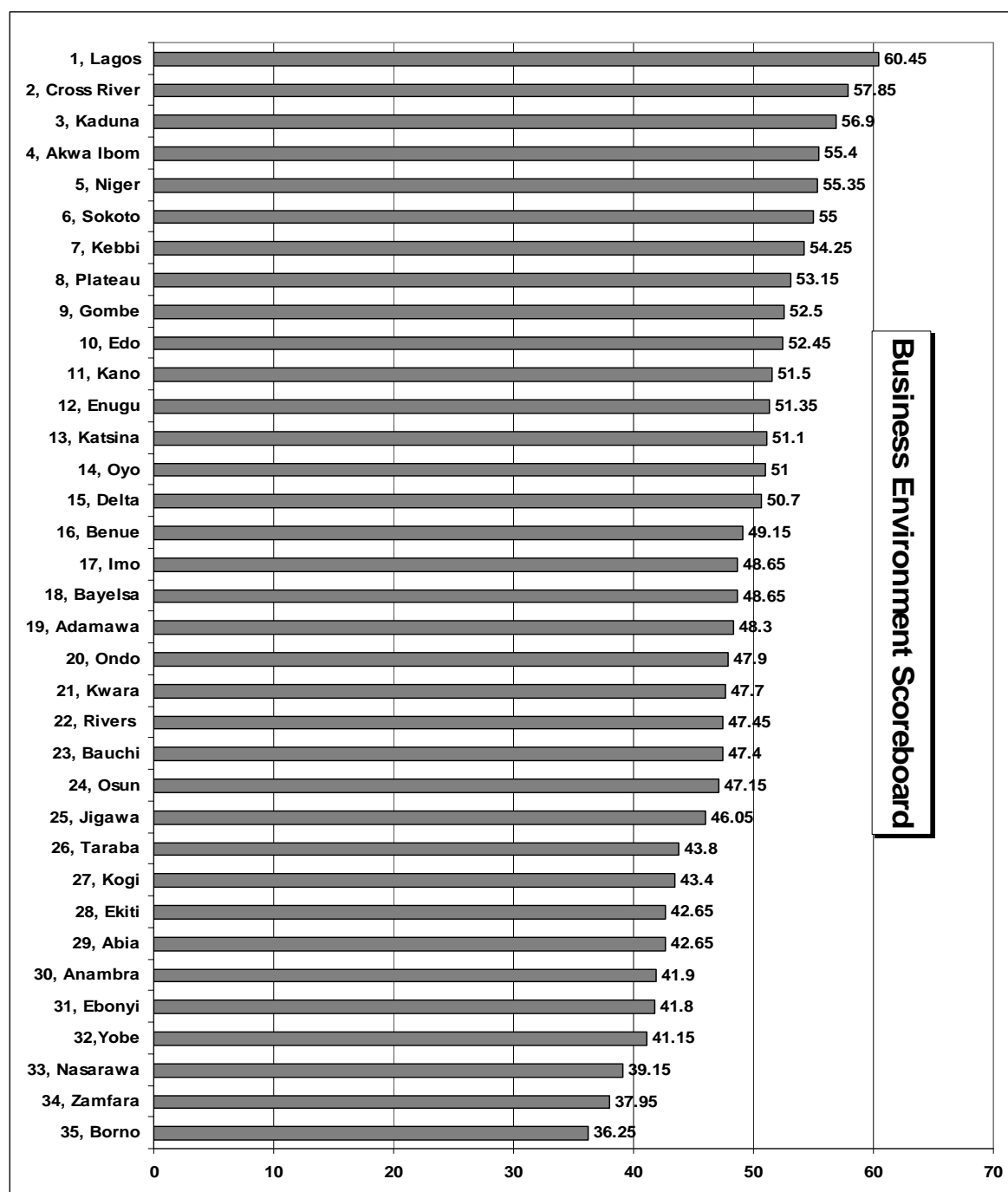


Figure 75: Ranking of states on the aggregate Business Environment Index

5.5.2 Average State Performance –“Above and Below Average”

For purposes of illustration, the top five and bottom five states (with average scores for the five states) are shown in Figures 76 and 77 respectively as follows.

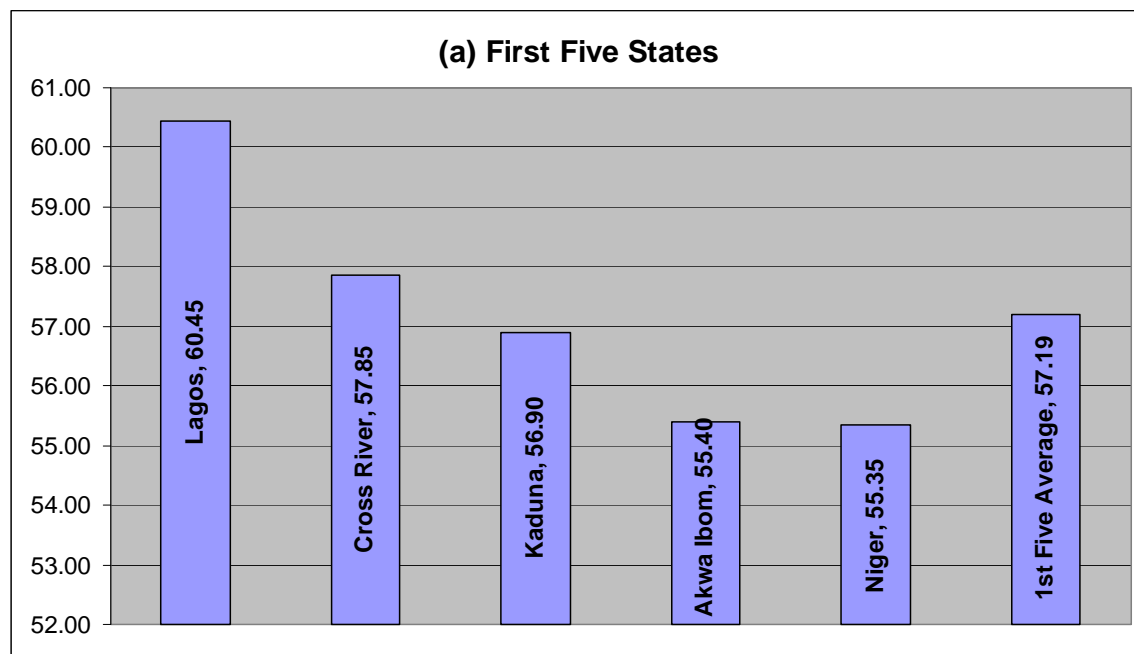


Figure 76: Outlook of top five states

The top five states cut across the geopolitical zones²⁴ - south-west, south-south, north-west, and north-central. Even the 6th ranking state (Sokoto) is in the northwest zone. Only the south-east and north-east geopolitical zones do not have any state in the topmost 6 states.

²⁴ For administrative and geopolitical purposes, Nigeria is often divided into six geopolitical zones – north-east, north-west, north-central, south-east, south-west and north-east.

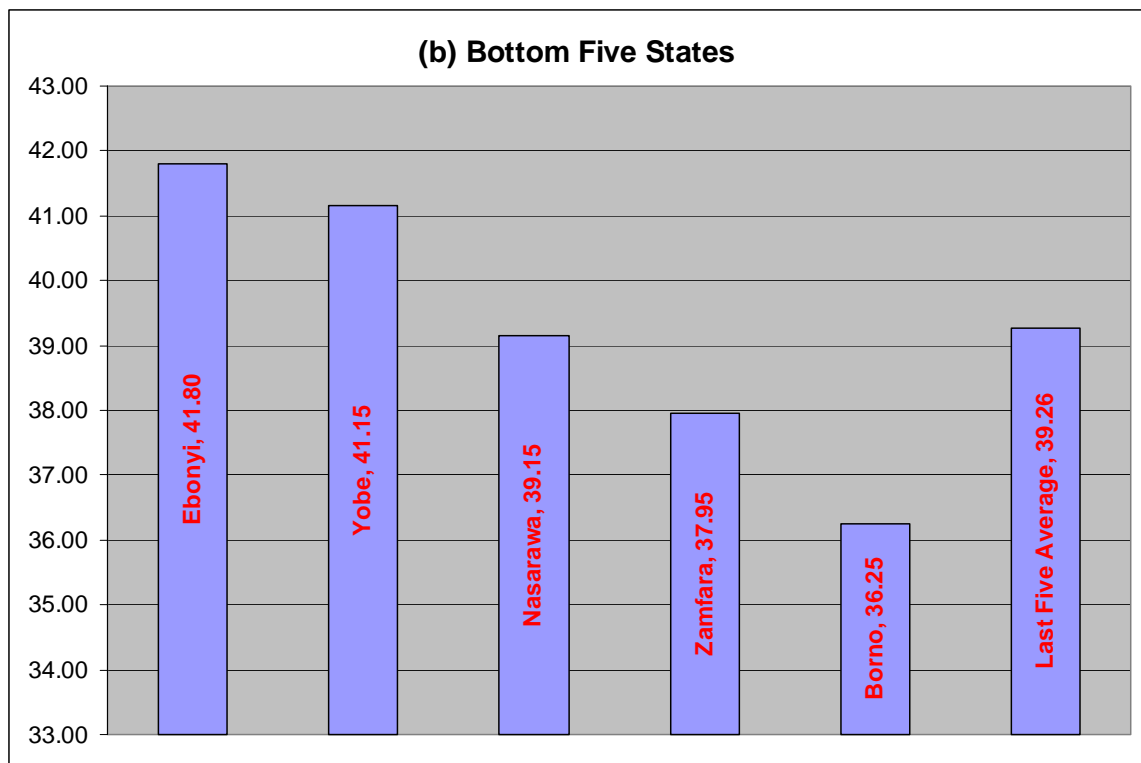


Figure 77: Outlook of bottom five states

The bottom 5 states cut across the geopolitical regions, viz; south-east, north-east, north-central and northwest. The 6th state from the bottom is Anambra. There are two geopolitical regions that have no states in the bottom 6 states. They are south-south and southwest.

6.0 SALIENT LESSONS

The business environment scoreboard provides critical evidence on the main priorities and policy imperatives for state governments in promoting the growth and competitiveness of the private sector.

The overall poor performance of states in power and water supply reemphasize the urgency for government attention. Also, generally, budget spending on health and education fall far short of the regional benchmarks to which Nigeria has subscribed, in the march to realizing the Millennium Development Goals by 2015.

Performance on legal and regulatory services is the lowest among all the four benchmarks of business environment. Land administration and commercial dispute resolution are the main bottlenecks. The bottlenecks manifest in cumbersome and time-consuming process of land registration/titling and the long waiting period to obtain court judgements on business and commercial contractual disputes. Clearly, reforms to ease land registration and commercial dispute resolution are imperative for improving the business climate and investor confidence. 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 access to finance restates existing concerns about the acute shortage of finance and credit for business growth. It shows poor penetration of existing finance and credit schemes across the country. Also, there is generally poor performance on incentives to stimulate technology innovations as well as on deliberate policies and measures to promote linkages between large and small enterprises. More organized and coordinated support for industrial areas is crucial for harnessing investment and employment potentials of industrial clusters. States should take seriously the updating and dissemination of investment information.

No state occupies the same position consistently across the benchmarks, measures and indicators. Within each benchmark, a state performs differently on different measures, and also differently on different indicators within the measure. For example, despite ranking overall first on the business environment index, Lagos State scores relatively low on the security benchmark.. While FCT demonstrates example of good practice in land administration, Cross River illustrates lessons in improving infrastructure and utilities for businesses and enterprises. Rivers is among the top-ranking on entrepreneurship promotion but is at the bottom on security. Jigawa and FCT tie at the top on support for industrial areas but Jigawa is at the bottom on access to finance. Sokoto ties with 5 other states at the top on legal and regulatory services but is at the bottom on social infrastructure. Katsina takes 2nd position on contract

enforcement/commercial dispute resolution and among the top 5 states in legal and regulatory services, but is among the bottom 3 states on access to information. Osun is 2nd on social infrastructure but ranks among the bottom states on transportation. The evident lack of uniform performance across benchmarks, measures and indicators shows that states have differential strengths which provide the basis for mutual learning and sharing of experiences

One area where all the states need to work harder is data gathering, storage and retrieval. This is general shortage of state-level 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 are inadequate, incomplete and often incoherent. In this context, BECANS has exposed state government MDAs to their data inadequacies and deficiencies and the urgent need for state governments to develop robust data management systems for tracking social, fiscal and economic indicators.

Across states, there are wide variations in performance across measures and indicators. Relatively high variability is recorded for water and transport (under the infrastructure and utilities benchmark), contract enforcement and land administration (under the legal and regulatory services benchmark). Others are investment promotion, support for industrial clusters and public-private partnership (under business support and investment promotion benchmark) and crime incidence (under the security benchmark). The high variability in performance is evidence that national business environment is not homogenous across states. It vindicates the BECANS logic – that any national aggregation masks state-level differences in the business environment and gives inaccurate picture of investment climate in the country.

Our findings reveal a large scope for states to learn from one other. The variability of business environment across states 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).

CONSULTED LITERATURE

- Butler, J. S. (2000). "Efficiency results of MLE and GMM estimation with sampling weights". *Journal of Econometrics*, 96, pp. 25-37.
- CBN – Central Bank of Nigeria. (2004). Baseline economic survey of small and medium industries in Nigeria. Abuja: Central Bank of Nigeria.
- CBN – Central Bank of Nigeria. (2006). Economic report for the first half of 2006. Abuja: Central Bank of Nigeria.
- Eboh, E. C. and Agu, C. (2006). Assessing and Benchmarking Business Environment across Nigerian States: The BECANS Framework. BECANS Monograph. Enugu. African Institute for Applied Economics.
- Eboh, E. C., Amakom, U. and Oduh, M. (2006). Budget and Public Expenditure across Nigerian States. BECANS Working Paper No. 3, Enugu: African Institute for Applied Economics.
- Eboh, E. C. and Igbokwe, E. M. (2006). Economic Competitiveness across Nigerian States: The Challenge of Infrastructure and Utilities. BECANS Working Paper No. 2, Enugu: African Institute for Applied Economics.
- Eboh, E. C. and Ujah, O. (2006). The Security Factor in Business Environment across Nigerian States. BECANS Working Paper No. 1, Enugu: African Institute for Applied Economics.
- Eifert, B. P., Gelb, A.H. and Ramachandran V. (2005). The Business environment and comparative advantage in Africa: evidence from investment climate data. Paper presented at the Annual Bank Conference on Development Economics (ABCDE), Dakar, Senegal: January 28-29, 2005.
- Garelli, S. (2006). "Competitiveness of nations: the fundamentals". World competitiveness yearbook. Lausanne, Switzerland: International Institute for Management Development.
- Garelli, S. (2007). The Competitiveness Roadmap: 2007-2050. World Competitiveness Yearbook, 2007. Lausanne, Switzerland: Institute for Management and Development.
- GON - Government of Nigeria (2001). Nigeria governance and corruption survey. Abuja: Federal Ministry of Finance.

- Heritage Foundation and The Wall Street Journal. (2007). Index of Economic Freedom. Washington, D. C.
- Institute for Management and Development-IMD (various years). World Competitiveness Yearbook. Luasanne: Switzerland.
- Kaufmann, D., Kraay, A. and Mastruzzi, M. (2004). Governance matters III: governance indicators for 1996, 1998, 2000 and 2002. The World Bank Economic Review. 18(2), 53-287.
- Kaufmann, D., Kraay, A. and Mastruzzi, M. (2007). Governance matters 2007: World Governance Indicators, 1996-2006. Washington, D. C.: World Bank Institute.
- Lall, S. (2001). "Comparing national competitive performance: An economic analysis of World Economic Forum's Competitiveness Index". QEH Working Paper QEHWPS61. Oxford: Queen Elizabeth House.
- Lopez-Claros, A., Altinger, L., Blanke, J., Drzeniek, M., Mia, I. (2006). "The global competitiveness index: identifying the key elements of sustainable development". Global Competitiveness Report, 2006-2007. Davos: World Economic Forum.
- Marchat, J.M. Nasir, J., Ramachandran, V., Shah, M. K., Tyler, G. and Zhao, L. (2002). Results of the Nigeria firm survey, regional program on enterprise development, Africa private sector group. The World Bank.
- Meyer, P. (1979). Precision Journalism. Bloomington: Indiana University Press.
- NPC – National Planning Commission (2004). National economic empowerment and development strategy (NEEDS). Abuja: National Planning Commission.
- NPC – National Planning Commission (2005). SEEDS benchmarking exercise: Guidance notes for assessors. Abuja: National Planning Commission.
- Ujah, O. and Eboh, E. C. (2006). The Security Factor in Business Environment across Nigerian states. BECANS Working Paper No. 1, Enugu: African Institute for Applied Economics.
- UNIDO – United Nations Industrial Development Organisation (2002). The Performance of Nigerian manufacturing firms: report of the Nigerian manufacturing enterprise survey, 2001. United Nations Industrial Development Organisation and Centre for Study of African Economies, Oxford

UNIDO - United Nations Industrial Development Organisation (2005). The Performance of Nigerian manufacturing firms: report of the Nigerian manufacturing enterprise survey, 2004. United Nations Industrial Development Organisation and Centre for Study of African Economies, Oxford.

USAID/Nigeria- United States Agency for International Development (2001). The Nigeria investors' roadmap and enabling environment strategy – Final Report. Federal Government of Nigeria/USAID.

Warwick, D., and Lininger, C. (1975). *The Sample Survey: Theory and Practice*. New York: McGraw-Hill.

Williams, G. (2004). Key messages and findings from the business and investment climate surveys conducted in Nigeria. A background paper for the DFID Nigeria Growth Strategy workshop, Kano, 10-12 May 2004.

World Bank (various years). Doing Business Reports. Washington, D.C.

World Bank Institute (various years). Governance Indicators. Washington DC.

World Economic Forum (various years). Global Competitiveness Reports. Davos.

ANNEX I: DATA COLLECTION INSTRUMENT

Benchmark F: Infrastructure and Utilities

Benchmark F: Infrastructure and Utilities	
F1: Energy	
F1.1 Annual per capita electricity supply (kilowatts per capita).	
1	Below 0.01 or no data
2	Between 0.01 and 0.03
3	Between 0.04 and 0.06
4	Between 0.07 to 0.09
5	Above 0.09
F1.2 Average hours of public electricity supply per 24-hour day	
1	Below 2 hours
2	Between 2 and 7 hours
3	Between 8 and 13 hours
4	Between 14 and 19 hours
5	20 or more hours
F1.3 Difference between the actual price and the officially regulated price of petroleum products in the last quarter of 2006	
No difference; 1-10%; 11-20%; Above 20%	
Petrol	
Kerosene	
Diesel	
F1.4 Evidence of availability of petroleum products in the last quarter of 2006	
all the time; 50% of the time; Less than 50% of the time	
Petrol	
Kerosene	
Diesel	
F2: Water Supply	
F2.1 Daily per capita litres of water supply	
1	above 20 liters
2	between 14 and 20 liters
3	between 8 and 13 liters
4	between 2 and 7 liters
5	less than 2 liters
F2.2 Average price of 20 Liters of private water supply	
1	Below 5 naira
2	Between 5 and 7 naira
3	Between 8 and N10
4	Above N10

F2.3 <i>Proportion of firms' total daily water requirement obtained from private supply</i>	
1	<i>Between 60% and 70%</i>
2	<i>Between 40% and 59%</i>
3	<i>Between 25 and 39%</i>
4	<i>Between 10% and 24%</i>
5	<i>Below 10%</i>
F3: Access to Information	
F3.1 <i>Number of post offices per 100, 000 of the population</i>	
1	<i>above 6</i>
2	<i>between 5 and 6</i>
3	<i>between 3 and 4</i>
4	<i>between 1 and 2</i>
5	<i>less than 1</i>
F3.2 <i>Tele-density for fixed lines (Number of telephone lines per 1000 persons)</i>	
1	<i>Above 7</i>
2	<i>Between 5.1 and 7</i>
3	<i>Between 3.1 and 5</i>
4	<i>Between 1 and 3</i>
5	<i>Less than 1</i>
F3.3 <i>Incidence of mobile phone ownership</i>	
1	<i>Above 70%</i>
2	<i>Between 51 and 70</i>
3	<i>Between 31 and 50</i>
4	<i>Between 11 and 30</i>
5	<i>10% and below</i>
F3.4 <i>Availability of local television stations</i>	
<i>Federal</i>	
<i>State</i>	
<i>Private</i>	
F3.5 <i>Availability of radio stations</i>	
<i>Federal</i>	
<i>State</i>	
<i>Private</i>	
F3.6 <i>Availability of functional website</i>	
1	<i>Has a website and updated in the last one year</i>
2	<i>Has a website but not updated in the last one year</i>
3	<i>No website</i>

F4: Transportation	
F4.1 Average cost per kilometre of intra-state road transportation in the last quarter of 2006	
1	N5 and below
2	between N6 and N10 per kilometre
3	between N11 and N15 per kilometer
4	above N15 per kilometer
F4.2 Availability of airport	
F5: Social Infrastructure	
F5.1 Primary school enrolment rate	
1	80% and above
2	between 60 and 70%
3	between 40 and 59%
4	Less than 40%
F5.2 Pupil - teacher ratio	
1	30 and below
2	between 31 – 40
3	between 41 – 50
4	above 50
F5.3 Capital budget for education as percent of total capital budget in 2005	
1	20% -26%
2	16% - 20%
3	11% - 15%
4	5%- 10%
5	below 5% or data not available
F5.4 Capital budget for health as percent of total capital budget in 2005	
1	15% and above
2	between 10 and 14%
3	between 5 and 9%
4	below 5%
F5.5 Private sector rating of waste management	
1	Excellent
2	Very good
3	Good
4	Fair
5	Poor
F5.6 Frequency of waste disposal services	
1	Daily
2	Weekly
3	Fortnightly
4	Monthly
5	Above one month

F5.7	
<i>Average monthly waste disposal levy</i>	
1	<i>Less than N200</i>
2	<i>201 - N500</i>
3	<i>501 - N1000</i>
4	<i>above N1000</i>

Benchmark R: Legal and Regulatory Framework

Benchmark R: Legal and Regulatory Framework	
R1: Business Registration	
R1.1 <i>Cessation of registration of business names at the State Ministry of Commerce since the Companies and Allied Matters Act (CAMA) and setting up of CAC</i>	
1	<i>The Ministry of Commerce still registers business names</i>
2	<i>Business names registry based at the State Ministry of Commerce under the Business names Act 1961 has stopped operation but has not given formal notice</i>
3	<i>In addition to (2) above, the Ministry of Commerce had placed a public notice that ONLY the CAC registers business names</i>
4	<i>In addition to (2) and (3) above, the Ministry has transferred its records to the CAC</i>
R1.2 <i>Evidence that improperly registered business names are not given recognition by the State</i>	
1	<i>Evidence that the State's Internal Revenue Service and related agencies accept ONLY properly registered business names as tax payers</i>
2	<i>Evidence that the State's Business Premises Registry admits only business names registered by CAC</i>
R1.3 <i>Evidence of existence of a task force (or regulatory actions) in the state against the display of unregistered business names by firms</i>	
R1.4 <i>Existence of an office of the Corporate Affairs Commission</i>	
1	<i>No branch of CAC in the state</i>
2	<i>There is a Business Names Registry (CAC Branch) and the prescribed register is maintained there</i>
3	<i>In addition to (2) above, an Assistant-Registrar has been appointed by the Commission to perform the duties of the Registrar-General of the Commission at the Bank</i>
R1.5 <i>Evidence of publication of activities of the CAC branch (leaflets, fliers, hand bills, booklets and/or websites) from where information on how to access CAC services can be obtained and which are freely issued</i>	
R1.6 <i>Evidence that the CAC branch office has a service charter</i>	
R1.7 <i>Availability of accessible on-line real-time services through which names can be searched for and reserved at the CAC branch office in the state</i>	
R1.8 <i>Duration for obtaining certificate of registration for business names after filing all papers</i>	
1	<i>1 day</i>
2	<i>within 5 working days</i>
3	<i>over 5 working days</i>

R2: Tax Administration	
R2.1 Evidence of database of taxable persons	
1	there is no database with ID number
2	the database is manually compiled
3	the database is computerized
R2.2 Evidence of publication of tax notices and sending of Tax Assessment Notices to registered tax payers in the last three years	
1	The tax office employs the press (local or national)
2	Private letters are sent to individual tax payers
3	The tax office places notices on its notice
4	There are no publications or notices
R2.3 Evidence of a mechanism for validation of tax paid to other tiers of government and other states in the Federation	
R2.4 Evidence of a Tax Appeal Tribunal/Revenue Courts	
1	There is no Tax Appeal Tribunal
2	State has a Tax Appeal Tribunal/Revenue Courts
3	In addition to (2) the Tribunal has had at least one sitting in the last tax year
R2.5 Evidence of one-stop shop for tax payment to state and local governments	
R2.6 Number of taxes paid by manufacturing firms in the state	
1	Below 10
2	Between 10 and 20
3	Between 20 and 30
4	Above 30
R2.7 Amount paid as business premises levy in the state capital per annum	
1	Less than N5,000
2	Between N5,000 and N10,000
3	Above N10,000
R2.8 Number of days between receipt of demand notice and enforcement of penalties for late payment of taxes by tax authorities in the state	
1	below 30 days
2	between 30 and 90 days
3	above 90 days
R2.9 Penalties for non payment of business premises in the state are enforced by:	
1	State Government officials
2	Government appointed independent tax consultants
3	Touts or unidentified persons
R3: Commercial Dispute Resolution	
R3.1 Establishment of information systems on caseload and judicial statistics	
1	There is no caseload factor and/or judges in the state are overloaded
2	There is a caseload factor of the judges but it does not contain details of time, cost and efficiency measures for judges
3	Caseload factor has measure of output expected from the judicial system in terms of time, cost & efficiency

R3.2 <i>Average time (in weeks) between filing a business dispute in court and obtaining judgment</i>	
1	12 weeks or less
2	between 13 and 26 weeks
3	between 27 and 52 weeks
4	more than 52 weeks
R3.3 <i>Evidence of availability/establishment of formal Alternative Dispute Resolution</i>	
1	There is no evidence of a formal alternative dispute resolution mechanism in the state
2	There is evidence of formal alternative dispute resolution mechanism (e.g. commercial courts and mediation centres, multi-door courthouses, etc)
3	The State High Court endorses the decision of the ADR system (evidence includes referrals of cases to ADR institutions from high courts, decisions to keep adjudication from ADRs binding on parties by high courts)
R4: Land Registration and Property Rights	
R4.1 <i>Availability and usability of a cadastral Map of the State</i>	
1	There is no cadastral map of the state or the one available is more than twenty years old
2	There is a cadastral map covering only the state capital and updated in the last twenty years
3	The cadastral map covers at least one other major city in the state and updated in the last twenty years
R4.2 <i>Evidence that the state has enacted a land tenure law to operationalise the Land Use Act</i>	
1	There is no land tenure law in place in the state consistent with the Land Use Act
2	There is a land tenure law in place in the state which provides for land to be available for periods below 50 years
3	There is a land tenure law in place in the state which provides for land to be available for periods 50 years and above
4	In addition to (3) above, the state has had a land reform since 1999
R4.3 <i>Official cost (charge) of obtaining Governor's consent relative to the price of land in the highest profile business area in the State Capital</i>	
1	Less than 3%
2	Between 3 and 5%
3	Between 5 and 10%
4	Above 10%
R4.4 <i>Time taken for obtaining C of O (between submission of application form and eventual granting of consent)</i>	
1	Less than six months
2	6 - 12 months
3	Thirteen to eighteen months
4	Above 18 months
R4.5 <i>Computerisation of land transactions in the state</i>	
1	Transactions in the state are still manually generated
2	Transactions in respect of land with the state are computerised (e.g. land titles and other documents are computer generated and forge-proof)
3	Land applications and transactions are conducted online

R4.6 Time taken to search the registry for confirmation of validity of title in the case of transfer of rights of ownership of land	
1	Less than one week
2	Between one and two weeks
3	Between one and two months
4	More than one month
R4.7 Time taken for obtaining the Governor's consent for transfer of rights of ownership of land	
1	Less than two weeks
2	Between two weeks and one month
3	Between one and two months
4	Above two months
R4.8 Evidence of active support for and promotion of equipment leasing in the state (If yes, score 1; score 0 if otherwise)	
R4.9 Evidence of a law that requires mandatory subscription to insurance and mortgage contributors	
R4.10 Evidence of effective protection of private property rights	
1	There are no laws to protect private property rights
2	There is a law to protect private property rights
3	In addition to (2) this law guarantees in its land allocation and licensing schemes that compulsory acquisition of property is prohibited except in cases specified and that adequate compensation be agreed between the parties

Benchmark B: Business Development Support and Investment Promotion

Benchmark B: Business Development Support and Investment Promotion	
B1: Entrepreneurship Promotion	
B1.1 Existence of specific policies and/or institutions to promote entrepreneurship (business start-up and business growth) in the State	
1	Special budget allocation and utilisation to entrepreneurship programmes
2	Policy on the number of beneficiaries to entrepreneurship
4	Agencies/centres for entrepreneurship development services
5	Annual or periodic Awards to deserving entrepreneurs in the state
B2: Access To Finance and Credit	
B2.1 Number of companies that benefited from SMEEIS in 2005 relative to national average	
1	0%
2	Above 0% but not more than 50%
3	Above 50% but not more than 100%
4	Above 100% but not more than 200%
5	Above 200%

B2.2 <i>Relative number of bank branches as at May 2006</i>	
1	<i>Below 50%</i>
2	<i>Between 50% and 99%</i>
3	<i>Between 100% and 149%</i>
4	<i>Between 150% and 199%</i>
5	<i>200% and Above</i>
B2.3 <i>NACRDB loans as percent of agriculture capital budget in 2005</i>	
1	<i>below 20%</i>
2	<i>21-30%</i>
3	<i>31-40%</i>
4	<i>41-60%</i>
5	<i>Above 60%</i>
B2.4 <i>Volume of ACGSF loans disbursed to agro-businesses as percent of agriculture capital budget in 2005</i>	
1	<i>Below 20%</i>
2	<i>21 - 40%</i>
3	<i>41 - 60%</i>
4	<i>Above 60%</i>
B2.5 <i>Repayment of ACGSF loans in the state - percent repayment last year</i>	
1	<i>below 20%</i>
2	<i>21-40%</i>
3	<i>41-60%</i>
4	<i>61-80%</i>
5	<i>80 and above</i>
B3: Investment Promotion Services	
B3.1 <i>Existence of special programmes/incentives that promote technology innovations</i>	
a)	<i>Tax incentives</i>
b)	<i>Special concessions</i>
c)	<i>Infrastructure/utilities provisioning</i>
B3.2 <i>Evidence of special incentives to promote linkages between large firms and small and medium enterprises</i>	
B3.3 <i>Availability of published and up-to-date investment or business information guide to enlighten investors in the state (base year 2004)</i>	
1	<i>Not Available</i>
2	<i>Available but not up to date (Published before 2004)</i>
3	<i>Available and up to date</i>
B3.4 <i>Existence of published and up to date directory of business firms in the state; when last was it updated?</i>	

B4: Support For Industrial Cluster	
B4.1 Is there an industrial cluster in the state?	
B4.2 Government infrastructure programmes to support the cluster	
Roads	
Power	
Water	
Telecommunications	
Security	
B5: Public Private Partnership	
B5.1 Public Private partnership in security, infrastructure and utilities, credit provision, training and mentoring	
1	infrastructure and utilities
2	credit provision
3	training and mentoring
4	Security

Benchmark S: Security

Benchmark S: Security	
S1: Major Crimes (Incidence per 100,000 persons)	
S1.1 Number of reported armed robbery cases in 2005	
S1.2 Number of reported murder cases in 2005	
S1.3 Number of reported rape cases in 2005	
S1.4 Number of reported assault cases in 2005	
S1.5 Number of reported burglary and theft cases (including motor vehicle snatching) in 2005	
S1.6 Number of reported arson/vandalism cases in 2005	
S2: Minor Crimes (Incidence per 100,000 persons)	
S2.1 Number of reported fraud (including forgery and counterfeiting and extortion cases in 2005	
S3: Police Resources	
S3.1 Police population in 2005	
S4: Perceptions on Security and Safety	
S4.1 Assessment of the conduciveness of security to business	
1	very good
2	good
3	bad
S4.2 Rating of police performance	
1	Very Efficient
2	Efficient
3	Inefficient

ANNEX II: DATA SOURCES AND TECHNIQUES FOR COMPUTATION, SCORING AND BENCHMARKING

Code	Name of indicator	Source of Data/Evidence	Bases and Technique of Evaluation, Scoring and Benchmarking
F	INFRASTRUCTURE AND UTILITIES		
F1	Energy		
1.1	Annual per capita electricity supply (kilowatts per capita)	Power Holding Company of Nigeria (PHCN) Headquarters, Abuja	The amount in KWh is divided by 8760 hours (that is, 365 days x 24 hours) to derive KW equivalent. The resulting figure is then divided by 2006 population to obtain amount per capita.
F1.2	Average hours of energy supplied by PHCN per 24 hour day	Survey of business and company executives	The mean of responses is computed.
F1.3	Difference between actual and officially regulated price of petroleum products in the last quarter of 2006	Survey of business and company executives	The mean response is computed
F1.4	Evidence of availability of petroleum products in the last quarter of 2006	Survey of business and company executives	The mean response is computed.
F2	Water supply		
F2.1	Evidence of public water supply	Water Corporation or Public Utilities department	Total public water supply per day is divided by the 2006 population to obtain the per capita water supply per day.
F2.2	Average price of 20 litres of water	Survey of business and company executives	The mean response is computed.
F2.3	Proportion of firms' total water requirement obtained from private water supply	Survey of business and company executives	The mean response is computed.
F3	Access to information		
F3.1	Number of post offices per 100,000 of the population	Nigerian Postal Agency (NIPOST) Headquarters, Abuja	The number divided by the population and multiplied by 100,000 to obtain the number per 100,000 persons

F3.2	Tele-density of fixed lines (allocated)	Nigerian Communications Commission Headquarters, Abuja	The number of allocated fixed lines is divided by the 2006 population and multiplied by 1,000 to obtain the number of lines per 1,000 persons
F3.3	Incidence of mobile phone ownership	NBS CWIQ survey in 2006	The percentage given is used.
F3.4	Availability of television stations	Interview of public sector officials and verification	Total count of federal, state and private TV stations.
F3.5	Availability of radio stations	Interview of public sector officials and verification	Total count of federal, state and private radio stations.
F3.6	Availability of a functional website	Interview of government officials and verification	Ownership of an active and up-dated website.
F4	Transportation		
F4.1	Average cost of per kilometre of intra-state road transportation	Survey of fares on major transport routes	The mean cost reported for major routes in the state is obtained.
F4.2	Availability of airport	Federal Civil Aviation Authority	Presence of an operational airport
F5	Social infrastructure		
F5.1	Primary school enrolment	National Bureau of Statistics	The percentage enrolment figure is used.
F5.2	Pupil-teacher ratio	National Bureau of Statistics	The ratio is obtained by dividing the number of pupils by the number of teachers.
F5.3	Education share of capital budget	2005 budget document	The capital budget for education is divided by the total capital budget and multiplied by 100 to obtain a percentage.
F5.4	Health share of capital budget	2005 budget document	The capital budget for health is divided by the total capital budget and multiplied by 100 to obtain a percentage.
F5.5	Assessed effectiveness of waste management	Survey of business and company executives	The mean rating on a 3-point scale is computed.

F5.6	Frequency of waste disposal	Survey of business and company executives	The mean rating on a 3-point scale is computed.
F5.7	Average monthly waste disposal levy	Environmental/Sanitation Agency	The mean response is computed.
R	LEGAL AND REGULATORY SERVICES		
R1	Business registration		
R1.1	Cessation of registration of business names at the State Ministry of Commerce since the Companies and Allied Matters Act (CAMA) and setting up of CAC	Ministries of Industry, Commerce	Documentary evidence of cessation
R1.2	Evidence that improperly registered business names are not given recognition by the state	Ministries of Industry, Commerce	Documentary evidence
R1.3	Evidence of existence of a task force against the display of unregistered names by firms	Ministries of Industry, Commerce	Documentary evidence
R1.4	Existence of an office of the Corporate Affairs Commissions	Corporate Affairs Commission Headquarters, Abuja	Evidence of existence and report of the CAC, Abuja
R1.5	Evidence of publication of the activities of CAC branch	Physical observation at the CAC office	Verified evidence of existence
R1.6	Evidence that the CAC office branch has a service charter	Physical observation at the CAC office	Verified evidence of existence
R1.7	Availability of accessible on-line real-time service at the CAC branch office	Corporate Affairs Commission	Verified existence of online data from Corporate Affairs Commission Headquarters, Abuja
R1.8	Duration for obtaining certificates of registration for business names after filing all papers	Survey of business and company executives	The mean response is computed.
R2	Tax administration		
R2.1	Availability of database of taxable persons	Ministry of Finance and Board of Internal Revenue	Documentary evidence

R2.2	Availability of publication of the tax notices and sending of tax assessment notices to registered tax payers in the last three years	Ministry of Finance and Board of Internal Revenue	Documentary evidence
R2.3	Availability of mechanism for validation of tax paid to other tiers of government and other states in the federation	Ministry of Finance and Board of Internal Revenue	Documentary evidence
R2.4	Availability of Tax Appeal Tribunal/Revenue Courts	Ministry of Finance and Board of Internal Revenue	Documentary evidence
R2.5	Availability of one-stop shop for tax payment to state and local government	Ministry of Finance and Board of Internal Revenue	Documentary evidence
R2.6	Number of taxes paid by manufacturing firms	Manufacturers Association of Nigeria (MAN)	The number supplied by Manufacturers Association of Nigeria is benchmarked.
R2.7	Amount paid as business premises levy in the state capital per annum	Survey of business and company executives	The mean response is computed.
R2.8	Number of days between receipt of demand notice and enforcement of penalties	Survey of business and company executives	The mean response is computed.
R2.9	Penalties for non payment of business premises levy are enforced	Survey of business and company executives	The mean response is computed.
R3	Commercial dispute resolution		
R3.1	Establishment of information systems on caseload and judicial statistics	High Court and Office of Chief Judge	Evidence of existence like documents
R3.2	Average time (in weeks) between filing a business dispute in court and obtaining judgment	Ministry of Justice	Length of time to get judgement of business dispute
R3.3	Evidence on availability/establishment of formal alternative dispute resolution	Ministries of Justice, Commerce	Documentary evidence of ADR and cases handled.
R4	Land registration and property rights		
R4.1	Availability and usability of a cadastral map of the state	Ministry of Land and Surveys/Land Registry Office	A cadastral map of the state or state capital.

R4.2	Evidence that the state has enacted a land tenure law to operationalize the Land Use Act	Ministry of Land and Surveys/Land Registry Office	Documentary evidence like a gazette.
R4.3	Official cost (charge) of obtaining governor's consent relative to the price of land in the highest profile business area in the state capital	Opinion survey of business and company executives	The mean response is computed.
R4.4	Time taken to obtain C of O (between submission of application forms and eventual granting of consent)	Opinion survey of business and company executives	The mean response is computed.
R4.5	Computerization of land transactions	Ministry of Land and Surveys/Land Registry	Evidence of computerization
R4.6	Time taken to search the registry for confirmation of validity of title in the case of transfer of rights of ownership	Opinion survey of business and company executives	The mean response is computed.
R4.7	Time taken for obtaining the governor's consent for transfer of rights of ownership of land	Opinion survey of business and company executives	The mean response is computed.
R4.8	Evidence of active support for and promotion of equipment leasing	Ministries of Commerce, Industry, Agriculture	Existence of equipment leasing outfit including tractor hiring unit.
R4.9	Evidence of laws that require mandatory subscription to insurance and mortgage contributions	Ministries of Finance, Commerce and Industry	Documentary evidence like a gazette where the law is published.
R4.10	Evidence of effective protection of private property rights	Ministry of Justice	Documentary evidence like a gazette where the law is published.
B	BUSINESS SUPPORT AND INVESTMENT PROMOTION		
B1	Entrepreneurship promotion		
B1.1	Existence of specific policies and/or institutions to promote entrepreneurship (business start-up and business growth)	Ministries of Industry, Commerce	Documentary evidence such as the state's SEEDS, investors guide etc

B2	Access to finance		
B2.1	Number of companies that have benefited from SMEEIS in 2005 relative to national average	Central Bank of Nigeria (CBN), Abuja.	The relative percentage is given by the total number of companies that benefited from SMEEIS divided by the national average and multiplied by 100.
B2.2	Relative number of bank branches as at May 2006	Central Bank of Nigeria (CBN)	The relative percentage is given by the total number of branches divided by the national average and multiplied by 100.
B2.3	Volume of NACRDB loans disbursed to agro-businesses as percent of agriculture capital budget in 2005	Nigerian Agric. Cooperative. and Rural Development Bank (NACRDB) and 2005 states' budget document	The total loans in 2005 divided by the agriculture capital budget and multiplied by 100 to obtain %
B2.4	Volume of ACGSF loans disbursed to agro-businesses as percent of agriculture capital budget in 2005	Central Bank of Nigeria (CBN) and 2005 states' budget document	The total volume of loans in 2005 is divided by the agriculture capital budget and multiplied by 100 to obtain a percentage.
B2.5	Repayment rate of ACGSF loans for the period 2002-2005	Central Bank of Nigeria (CBN)	The repayment rate is computed based on data from CBN.
B3	Investment promotion services		
B3.1	Existence of special programmes or incentives that promote technology innovations	Ministry of Industry, Technology	Documentary evidence including correspondences.
B3.2	Evidence of special incentives to promote linkages between large firms and SMEs	Ministries of Industry, Commerce	Documentary evidence including correspondences.
B3.3	Availability of published and up-to-date investment or business information guide	Ministries of Industry, Commerce, Private Sector Agencies, Business Membership Organisations	Published up-to-date investors guide.
B3.4	Existence of up to date directory of business firms	Ministries of Industry, Commerce, Private Sector Agencies, Business Membership Organisations	Published up-to-date directory of businesses

B4	Support for industrial areas		
B4.1	Presence of an industrial cluster/layout/park	Interviews with public sector officials in Ministry of Commerce, Industry	Documentary evidence and physical observation of industrial layouts.
B4.2	Government's infrastructure programmes to support the cluster	Ministry of Industry, Commerce	Documentary evidence and physical presence of layouts.
B5	Public private partnership		
B5.1	Public private partnership in security, infrastructure and utilities, credit provision, training or mentoring	Interviews with government and private sector officials	Documentary evidence including correspondences and MOUs and physical presence of infrastructure.
S	SECURITY		
S1	²⁵ Major crimes		
S1.1	Number of reported armed robbery cases	Nigerian Police Headquarters, Abuja	The ratio per 100,000 persons is obtained by dividing the number of reported cases by the 2006 population and multiplying by 100,000.
S1.2	Number of reported murder cases	Nigerian Police Headquarters, Abuja	The ratio per 100,000 persons is obtained by dividing the number of reported cases by the 2006 population and multiplying by 100,000
S1.3	Number of reported rape cases	Nigerian Police Headquarters, Abuja	The ratio per 100,000 persons is obtained by dividing the number of reported cases by the 2006 population and multiplying by 100,000
S1.4	Number of reported assault cases	Nigerian Police Headquarters, Abuja	The ratio per 100,000 persons is obtained by dividing the number of reported cases by the 2006 population and multiplying by

²⁵ Police data on major and minor crimes is for the year 2005.

			100,000
S1.5	Number of reported burglary and theft cases (including motor vehicle snatching)	Nigerian Police Headquarters, Abuja	The ratio per 100,000 persons is obtained by dividing the number of reported cases by the 2006 population and multiplying by 100,000
S1.6	Number of reported arson/vandalism cases	Nigerian Police Headquarters, Abuja	The ratio per 100,000 persons is obtained by dividing the number of reported cases by the 2006 population and multiplying by 100,000
S2	Minor crimes		
S2.1	Number of fraud (including forgery, counterfeiting and extortion) cases reported per 100,000 persons	Nigerian Police Headquarters, Abuja	The ratio per 100,000 persons is obtained by dividing the number of reported cases by the 2006 population and multiplying by 100,000
S3	Police coverage		
S3.1	Police-population ratio	Nigerian Police Headquarters, Abuja	The ratio per 1,000 persons is obtained by dividing the number of policemen by the 2006 population and multiplying by 1,000.
S4	Perceptions on security		
S4.1	Assessed conduciveness of security to businesses	Survey of business and company executives	The mean rating on a 3-point scale is computed.
S4.2	Assessed police performance	Survey of business and company executives	The mean rating on a 3-point scale is computed.