

# BUSINESS LEADER PERCEPTIONS OF THE INVESTMENT CLIMATE IN NIGERIA



## CONTENTS

*ENABLE's purpose is to enhance the quality and effectiveness of Nigerian private sector advocacy for an improved business environment. It does this by supporting Business Membership Organisations to engage in dialogue and advocacy intended to seek appropriate change in public policy.*

1.	SUMMARY .....	3
2.	INTRODUCTION .....	5
3.	ENABLING ENVIRONMENT ASSESSMENTS .....	5
4.	RATIONALE FOR THIS STUDY .....	6
5.	METHODOLOGY .....	7
6.	OVERVIEW .....	7
7.	REVIEW BY MEMBERSHIP OF BMO .....	14
8.	REVIEW BY ISSUE .....	15
9.	REVIEW BY BUSINESS SIZE.....	22
10.	REVIEW BY LOCATION.....	24
11.	ABUJA.....	26
12.	KADUNA.....	28
13.	KANO .....	30
14.	LAGOS .....	32
15.	COST OF RED TAPE.....	34

# BUSINESS LEADER PERCEPTIONS OF THE INVESTMENT CLIMATE IN NIGERIA

## 1. SUMMARY

In order to understand private sector perceptions of the investment climate, and to identify priorities for action, business leaders were asked about

- The enabling environment factors that are important to their business;
- The factors that make it difficult to do business;
- The non-tariff barriers that are relevant to their business;
- The non-tariff barriers that cause problems for their business;
- Their perception of whether and, if so, how government is addressing each factor;
- Their view of whether each factor would be likely to deter future investment; and
- An assessment of the costs involved in meeting the requirement of regulation and red tape.

The factors that make it difficult for businesses to get on with running and growing their business, in order, are:

- 1 Power (which makes doing business very difficult)
- 2 Roads
- 3 Level of taxation
- 4= Access to finance
- 4= Water
- 6 Macro-economic policy

Non-tariff barriers are not especially relevant to the businesses surveyed – but for those businesses for which they are relevant, roadblocks were perceived to make business somewhat difficult.

**The issues that most deter investment – remarkably consistent across all four States – are corruption, smuggling and power**

Telecoms was the only issue where government was perceived to be making an effort. For every other issue, the government was perceived to be making no effort. The worst were corruption and smuggling (both of which came close to a view that the government was making the issue worse) and power.

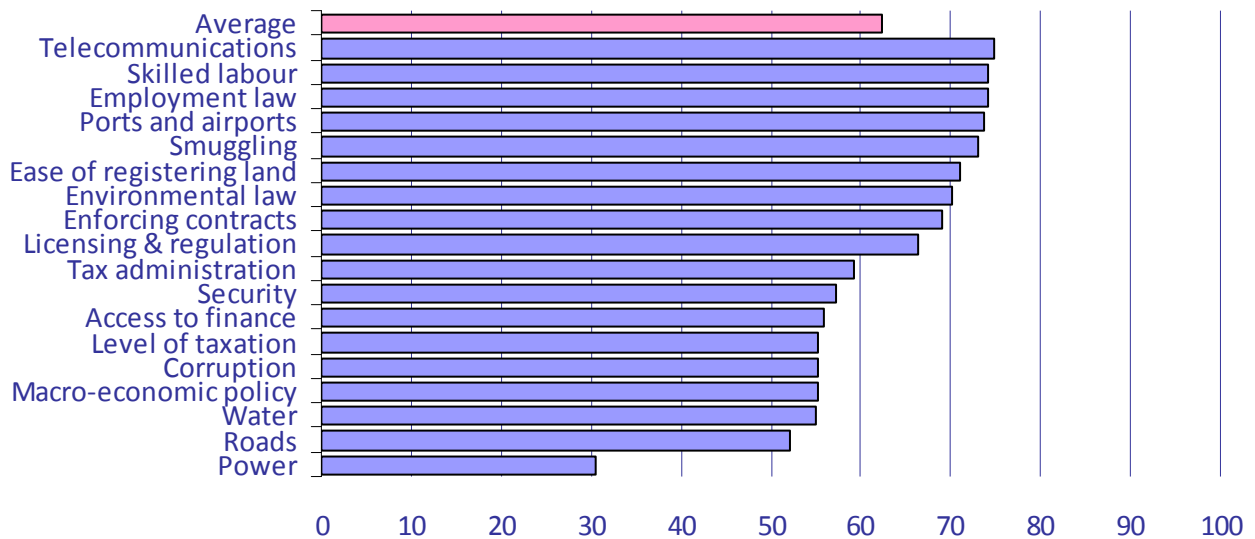
The three issues that are the biggest deterrent to investment – remarkably consistent across all four States – are corruption, smuggling and power.

We have prepared an 'enabling environment priority index' based on the level of difficulty perceived by respondents combined with their perception of effort being made by government to address each issue. These are shown in the chart. Note that the factors which detract the most from an environment conducive to doing business are those with the lowest score. The index reveals that the issue that is the least problematic is telecommunications, followed by availability of skilled labour, employment law and ports & airports.

This suggests that the key issues, in priority order, are:

- 1 Power
- 2 Roads
- 3= Water
- 3= Corruption
- 3= Level of taxation
- 3= Macro-economic policy
- 7 Access to finance

**Figure 1: Enabling environment priority index**



These are the issues that the government should prioritise if it wishes not only to make a difference to the enabling environment but also to the perceptions held by business leaders. Ideally, it would also seek good quality media coverage for any changes to influence private sector perceptions.

Whilst it is difficult to combine all views into a single figure, we recognise that having a single figure makes it easy to see at a glance whether the private sector perceives that the enabling environment has improved or deteriorated and to see how states compare. We have therefore calculated a single figure which is 62 (with Abuja at 66, Kaduna at 64, Lagos at 62 and Kano at 61).

It seems that the cost of complying with regulation takes a high proportion of businesses' expenditure. If it were possible to reduce this, then it would free up resources – both financial and managerial – which the businesses could then use for investment.

**The clear message is that government needs to tackle power, roads and corruption. Doing this effectively would make a big difference to the private sector's perception of government as business friendly**

There is remarkable consistency across the four States surveyed and a clear message to Government that the issues which need to be addressed are power, roads and corruption. If government, at all levels, was able to start making a difference in these areas – and if that effort was seen and recognised by the private sector – it would make a big difference to the private sector's perception of the government as business friendly – and almost certainly make a difference to the level of investment by indigenous business. And raising indigenous investment is the most effective way to create wealth and jobs.

This is the first time that a survey of this nature has been undertaken in Nigeria. The real value will come, not from looking at the absolute figures, but rather from comparing with the performance in other countries – Nigeria does about as well as East Africa – as well as across States and from looking at the trends when this survey is repeated in the future.

## 2. INTRODUCTION

This report has been prepared to highlight priorities for action to improve the business enabling environment in Nigeria. It has been commissioned by ENABLE whose role is to support private sector organisations (BMOs) to engage in private public dialogue and to advocate change in public policy with the objective to improve the business environment in Nigeria.

**Improving the enabling environment leads to private sector investment, job creation and poverty alleviation.**

The World Bank asserts that improvements in the enabling environment lead to greater levels of investment by the private sector, more wealth and job creation, and ultimately more poverty alleviation. The best way for government to understand how to improve the enabling environment is to involve the private sector through consultation and dialogue and, in particular, to understand and address the private sector's needs and priorities.

## 3. ENABLING ENVIRONMENT ASSESSMENTS

The World Bank researches a number of indicators and publishes its "Doing Business" reports annually.<sup>1</sup>

The Doing Business reports highlight a small number of indicators. Many countries are responding to the conclusions of the reports and aiming to cut bureaucracy and make a difference. However, it is possible to focus on just two or three of the indicators used by the World Bank – and make a big difference to their specific ranking but not make much difference to the overall ease of doing business (that is, to their rating) and so the perception of the private sector may be that not much has happened.

In Doing Business 2010, Nigeria is ranked at 125 out of 183.

**Table 1: Nigeria: Doing Business rankings**

	2010 rank
Ease of doing business	125
Starting a business	108
Dealing with licences	162
Employing workers	37
Registering property	178
Paying taxes	132
Enforcing contracts	94

Source: World Bank (2009) *Doing Business 2010: reforming through difficult times*

Whilst the World Bank's work is incredibly valuable to policy makers in highlighting areas worthy of reform and promoting debate, it does not offer a holistic view in that it focuses on a selection of indicators, rather than on the total impact of business, and in that not all indicators impact on every business. Furthermore, encouraging more people to start in business or encouraging more people to join the formal economy or encouraging more investment will be far more dependent on a broader perception of the ease of doing business rather than on the narrower score reported in Doing Business.

The World Economic Forum also researches and publishes assessments of competitiveness, of which the enabling environment is part.<sup>2</sup> The 2009/10 report scores Nigeria at 3.65 (out of a possible 7) and ranks it at 99 (out of 133 countries assessed), down five places from the previous year. The index

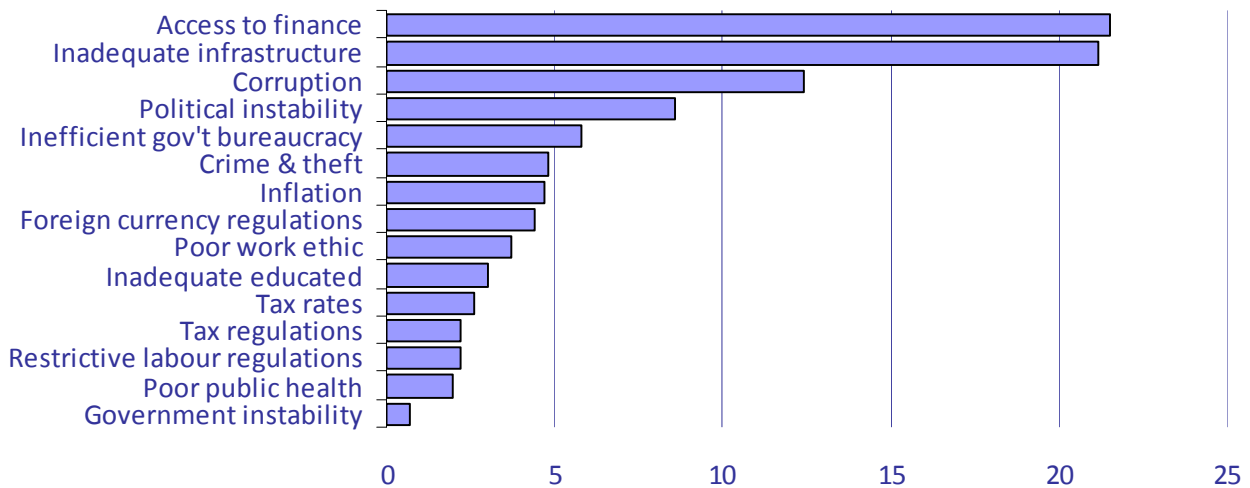
<sup>1</sup> World Bank, Doing Business: see [www.doingbusiness.org](http://www.doingbusiness.org)

<sup>2</sup> World Economic Forum – see [www.gcr.weforum.org](http://www.gcr.weforum.org)

comprises 12 'pillars' which cover a wide range of factors including education, innovation and business sophistication. No pillar covers, exclusively, the enabling environment, though one does cover infrastructure, where Nigeria scored just 2.5 out of a maximum of 7 and ranks 127. In our survey, the macro-economy was identified as one of the bigger issues though the WEF survey suggests that this is one area where Nigeria does quite well, ranking 20 and scoring 5.4.

The World Economic Forum asks businesses to indicate which issues are most problematic. Access to finance was the most problematic with infrastructure, which WEF does not split further, a close second and then corruption. The results of our survey have infrastructure issues at the top, with access to finance fairly high, but respondents to our survey perceive levels of taxation to be rather more of an issue than WEF. When government efforts to make a difference are taken into account, our survey shows corruption to be a big issue as well. It should be noted, however, that respondents to the WEF survey are asked to rank factors from a list rather than scoring each individually, meaning that all factors will always be seen as 'problems'.

**Figure 2: WEF: Most problematic factors for doing business in Nigeria**



Source: World Economic Forum ([www.gcr.weforum.org](http://www.gcr.weforum.org)) 2009/10 (Bars show responses weighted according to their rankings)

#### 4. RATIONALE FOR THIS STUDY

With organisations such as the World Bank and World Economic Forum undertaking research to assess the problems faced by business, it may seem that there is no need for further studies. This study is different, however:

**Business leaders make decisions based on their perception of the investment climate**

- Perception and reality may well be different, but people act on the basis of what they perceive to be the case, even if that is not wholly accurate. Having an understanding of perceptions may not only convince policy makers that more needs to be done but also, particularly where there is a big gap between perception and reality, provide clues to government about how to communicate messages about reality.
- This research isolates the factors that are important to specific sectors. There are a wide range of factors which together comprise the enabling environment, though not all are important to every business, and not all make business more difficult. A self-employed consultant, for example, will not be concerned about employment law or the availability of skilled labour, but may be very concerned about taxation and the ease of

enforcing contracts. A factor that is important to a business may not necessarily make doing business difficult, though we might expect to see some correlation.

- The survey not only asked about the factors that are problematic but also, unlike other surveys, asked business leaders to identify the factors where the government is perceived to be making a positive effort.
- It also asked about the factors that may deter future investment. There is a danger that governments just assume that businesses will carry on investing irrespective of the enabling environment, but the results in this survey suggest that may not be the case.
- It has attempted to quantify the costs to business of meeting the regulatory requirements imposed on them.

## 5. METHODOLOGY

The fieldwork was undertaken during October and November 2009 by NOI Polls, a Nigerian polling and market research firm. The survey was conducted using a questionnaire designed by David Irwin. The questionnaires were administered face to face and results for each respondent transcribed into a specially designed spreadsheet. The sample consisted of CEOs in leading organisations, drawn from a combination of the National Bureau of Statistics and NOI Polls databases. The sample population comprised 398 businesses and covering a range of sectors, locations and business sizes. The composition of the sample is shown in table 2.

**Table 2: Sample population**

Sector	Location	Size (employees)
Wholesale & retail	79 Abuja	74 0-9 101
Manufacturing	75 Kaduna	74 10-24 154
Finance	72 Kano	101 25-49 59
Agriculture	68 Lagos	149 50-99 32
Hotels & tourism	40	100-250 19
Construction	28	>250 24
Other	36	Did not say 9

## 6. OVERVIEW

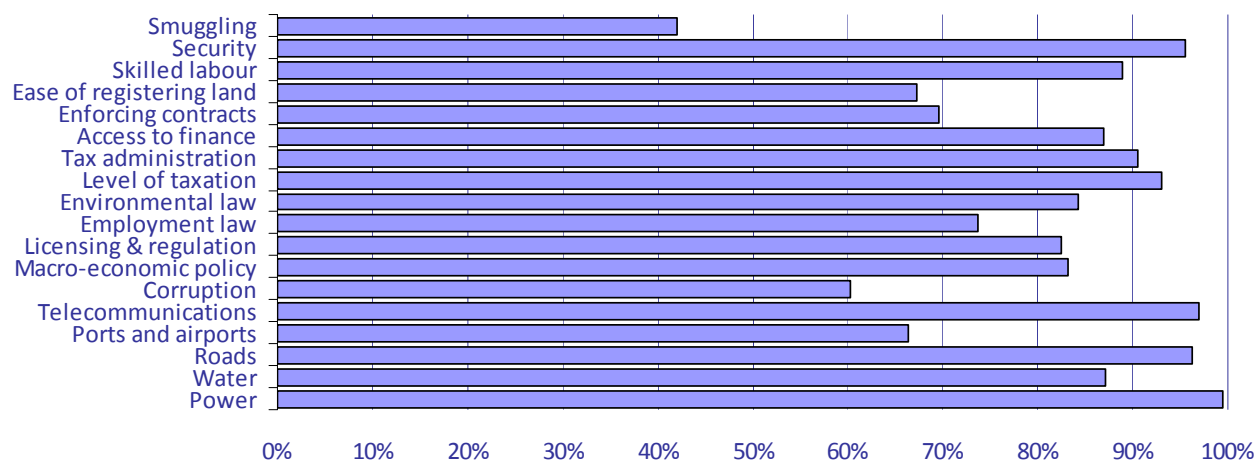
In the first question, respondents were asked to indicate which of a range of factors were important to the success of their business and were then asked to indicate whether those factors made doing business very difficult, somewhat difficult, had room for improvement or was not a problem at all. The reason for splitting the results is that it is quite possible for a factor to be important – a manufacturer might need a reliable source of electric power for example or a service business might rely on effective telecommunications – but for that factor not to cause problems – power or telecommunications might be reliably available. Similarly some factors may not be important – we might anticipate for example corruption should score low in importance unless businesses rely on corruption for their success – but may interfere in the effective management and success of the business.

The survey covered 18 factors that were considered by ENABLE to be important or to be barriers to businesses' effectiveness.

## 6.1 FACTORS IMPORTANT TO BUSINESS

The results for whether issues were important are shown in figure 3. The main factor, identified by all respondents, was power. However, this was closely followed by roads, telecommunications, security and level of taxation.

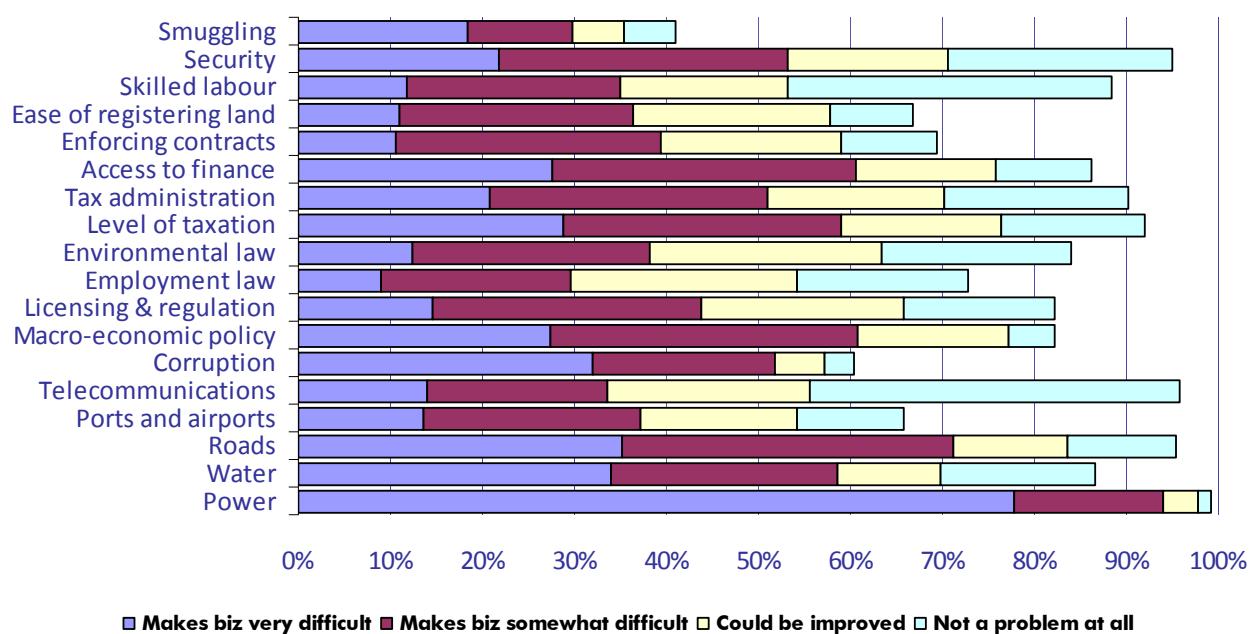
**Figure 3: Importance of factors (all respondents)**



## 6.2 FACTORS WHICH MAKE BUSINESS DIFFICULT

Figure 3 shows the factors that businesses perceive to make life difficult. The factors that 'make business very difficult' (the blue part the bar) are, in order, power, roads, water, corruption, level of taxation and access to finance.

**Figure 4: Factors which make business difficult**

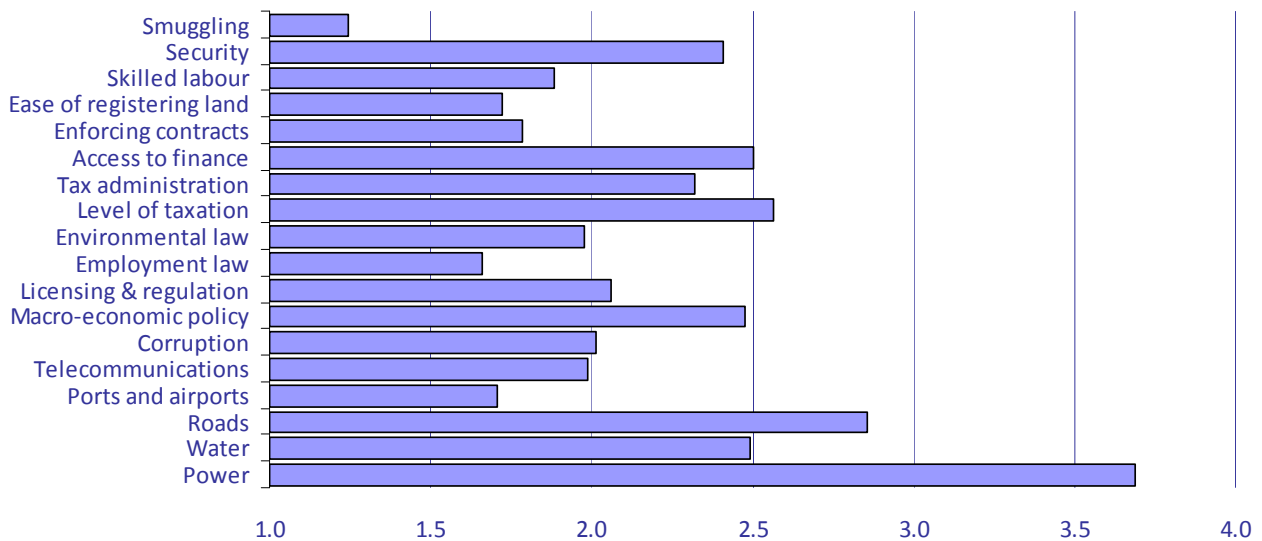




It is not always easy to assimilate the data when responses are summarised in this way, so the chart below shows the results by allocating a 'score' for each response. The score ranges from 1: not a problem to 4: makes doing business very difficult. Because we are averaging the responses, a score of 1 would mean that every respondent thinks that the issue is not a problem at all, a score between 1 and 2 indicates that a majority of respondents think that the position could be improved, a score between 2 and 3 indicates that the majority of respondents think that the issue makes business somewhat difficult and a score between 3 and 4 indicates that the majority of respondents think that the issue makes business very difficult. A score of 4 would mean that every respondent thinks that the issue makes business very difficult. So note that the scale on these charts runs from 1 to 4.

Figure 5 reveals that the key issue – by a long way – is power, with a score close to 4. This is followed by roads, level of taxation, access to finance, macro-economic policy, security and tax administration, all of which make doing business somewhat difficult. Interestingly, corruption, along with licensing and regulation, are seen as issues that could be improved though not as ones that makes doing business difficult.

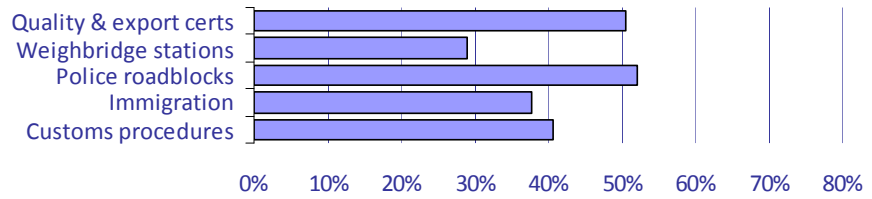
**Figure 5: Factors which make business difficult**



### 6.3 NON TARIFF BARRIERS

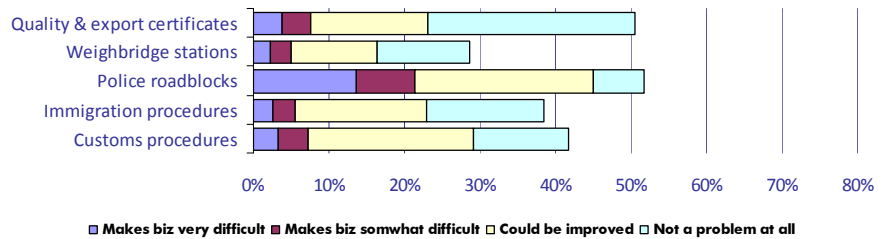
Non tariff barriers may be a requirement of government that add to the complexity and cost of doing business – such as the need for export certificates or to follow customs procedures – or may arise for other reasons – such as 'illegal' road blocks intended to extort money.

**Figure 6: Relevance of non-tariff barriers (all respondents)**



Whilst 50 per cent of respondents thought that road blocks and quality or export certificates were important issues (figure 6) only 14 per cent of all respondents thought that police roadblocks made business difficult (figure 7). In general, non-tariff barriers are not seen as a major issue.

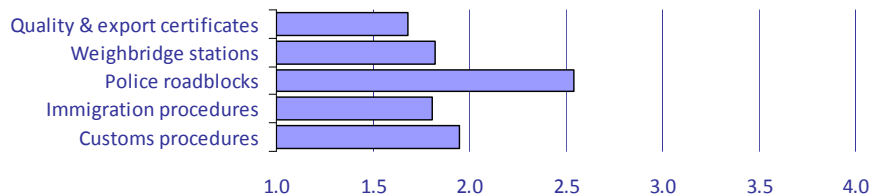
**Figure 7: Non-tariff barriers which make business difficult**



It is important to remember, however, that whilst NTBs may only be a problem for a small number of businesses, they can prove to be a real headache for those businesses and there can also be a knock-on effect – for example barriers which impede road distribution may cause delays for manufacturers or processors but they may not pick this up in their own assessment of the environment. They will also tend to have a disproportionate impact on businesses that are trading internationally.

The overall result may reflect the sample population – indeed, many respondents did not answer this question. If one omits all the non-responses, on the assumption that they are not affected by these issues, then the problem of road blocks is seen as an issue that makes business somewhat difficult with all the issues being seen as having scope for improvement.

**Figure 8: Non-tariff barriers which make business difficult**



(NB this result omits all null responses)

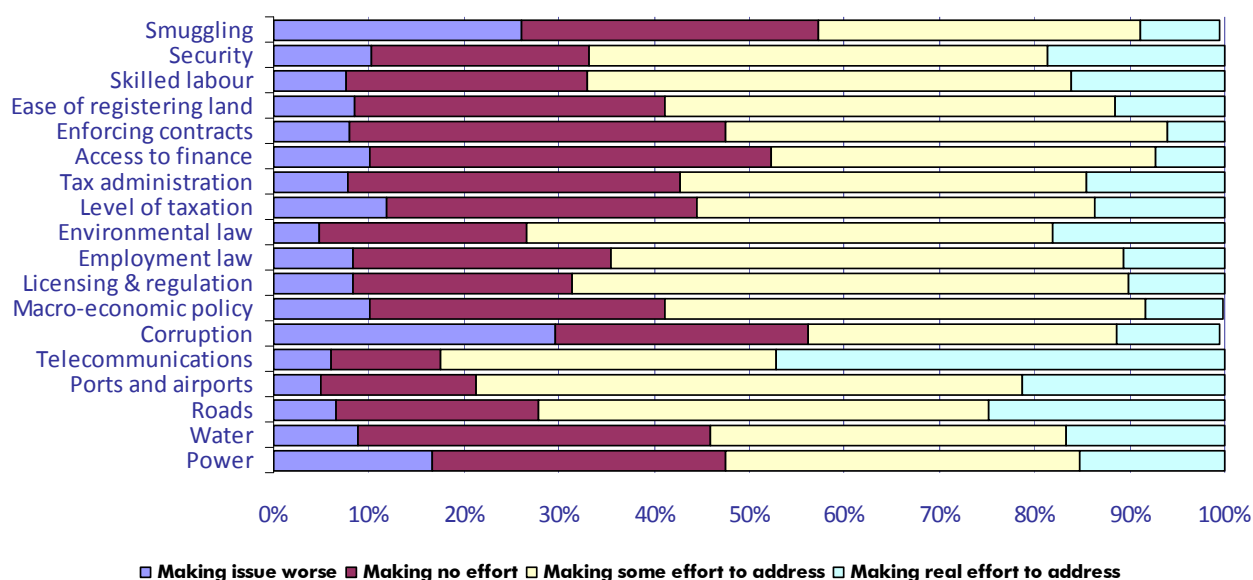
There is a challenge here for policy makers, however, in that some large companies can use non-tariff barriers as a competitive advantage and some companies and individuals have vested interests in maintaining these barriers.

It is incumbent on the wider private sector therefore to identify areas where reform is needed.

## 6.4 GOVERNMENT PERFORMANCE

The third question asked respondents about their perception of government efforts to address these aspects of the enabling environment. Answers ranged from 'the government is making real efforts to address the issue' (coded 1), through 'some effort' and 'no effort', to 'government actions are making this issue worse' (coded 4). Figure 9 shows the results. On the whole, the government is perceived to be making some effort to address most issues. It is seen as making a real effort to address telecommunications. However, on the key issues of corruption and smuggling, it is seen by almost a third of respondents to making the issue worse and by almost a further third to be making no effort to improve the situation.

**Figure 9: Government performance in addressing key factors**

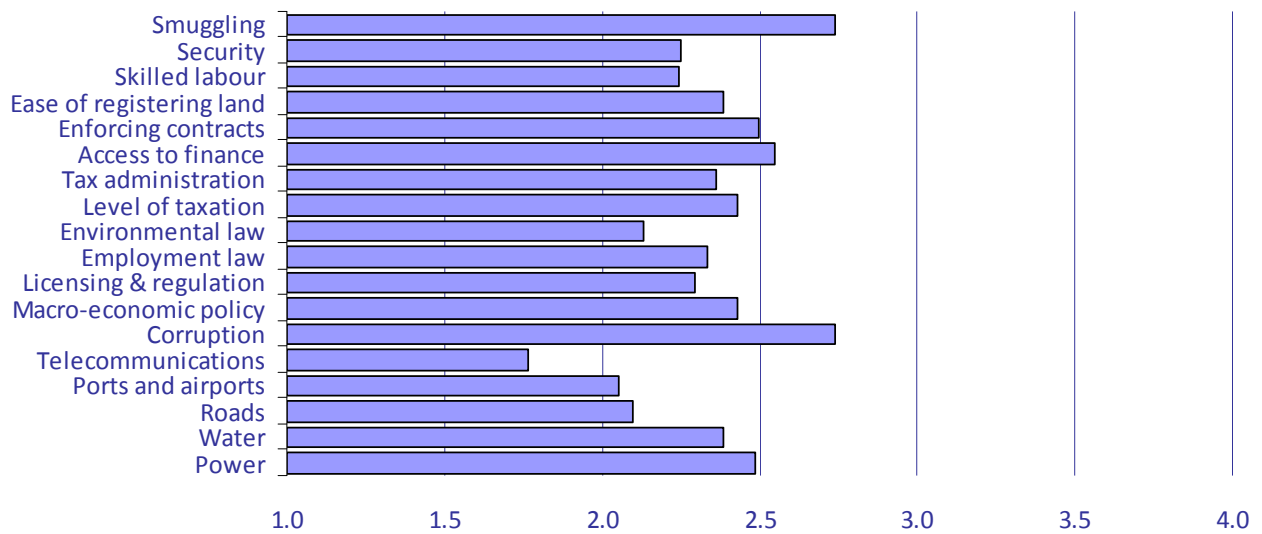


As with the responses on which issues make doing business difficult, we have combined all the results into a single score. The score ranges from 1: government is making a real effort to address the issue to 4: government is making the issue worse. So, a score of 1 would mean that every respondent thinks that the government is making a real effort to address the issue, a score between 1 and 2 indicates that a majority of respondents think that government is making some effort to address the issue, a score between 2 and 3 indicates that the majority of respondents think that the government is making no effort and a score between 3 and 4 indicates that the majority of respondents think that the government is making the issue worse. A score of 4 would mean that every respondent thinks that the government is making the issue worse.

**The overall perception is that government is making no real effort to address issues of corruption or smuggling**

Figure 10 reveals the overall perception that the government is making no real effort to address the issues of corruption or smuggling – but also indicates a similar perception in relation to access to finance, to ease land registration and to improve power supplies.

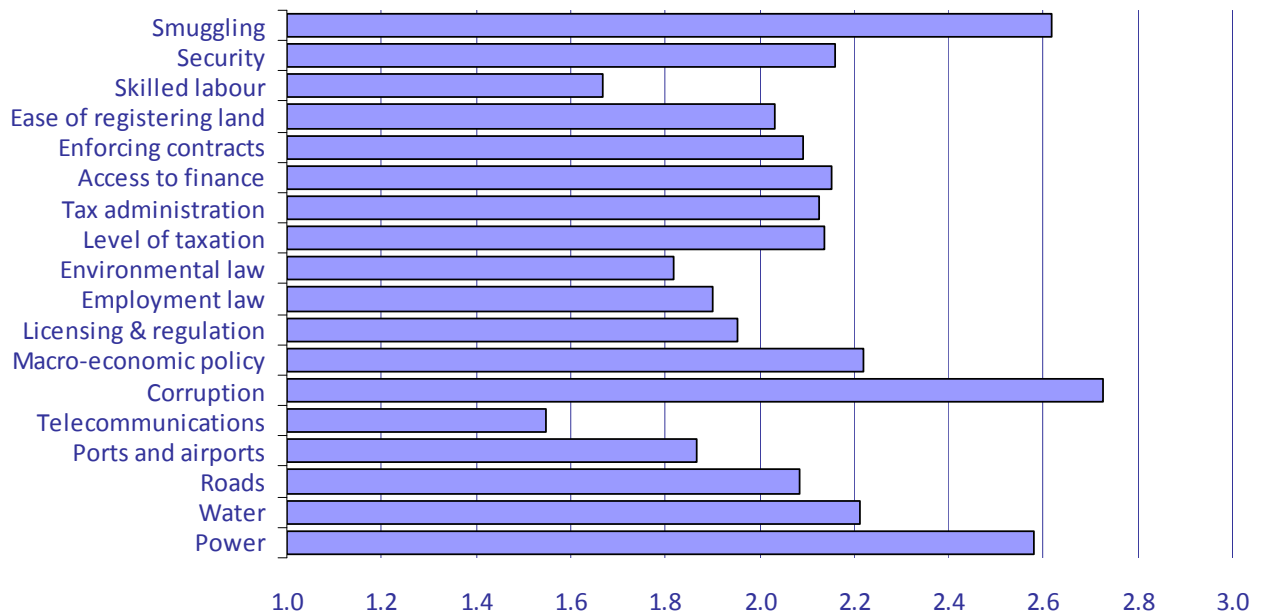
**Figure 10: Government performance in addressing key factors**



### 6.5 INFLUENCE ON INVESTMENT

The fourth question asked respondents which factors were likely to influence investment decisions and how (scored 1: encourage further investment; 2: neither encourage nor deter; 3: deter further investment). Despite corruption not figuring as a major barrier, it is seen as the biggest deterrent to investment, perhaps suggesting that businesses have put in place mechanisms to deal with corruption but that they would still rather not have to battle it all the time. Smuggling is also a deterrent, presumably because it leads to unfair competition. Power is also a significant deterrent to new investment.

**Figure 11: Factors which affect investment decisions**



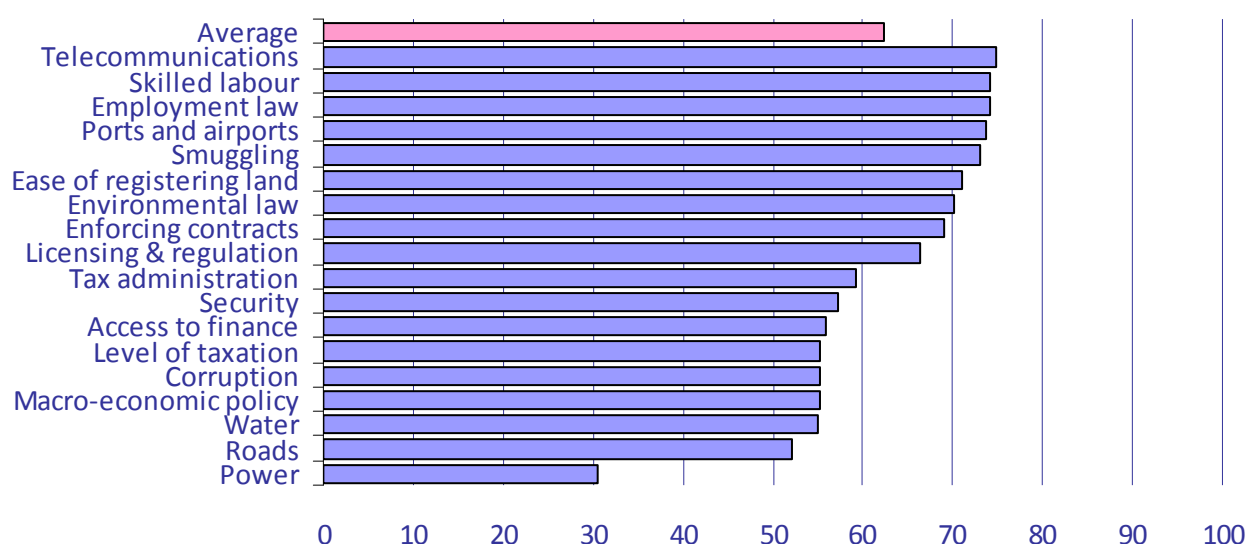
## 6.6 ENABLING ENVIRONMENT PRIORITIES

We have prepared an 'enabling environment priority index' based on the level of difficulty perceived by respondents combined with the perception of how the government is addressing the issue.

The chart below shows the combined views for all of our issues. Note that the scale has been inverted and rebased so that a factor that causes the most difficulty for business and in which the government is making the problem worse will be shown as zero and a factor that causes the least difficulty for business and in which the government is making a real effort to improve the position is shown as 100. This reveals that the issue that is the least problematic is telecommunications, followed by availability of skilled labour, employment law and ports & airports. The biggest problem, by a long way, is power followed by roads and then (with the same score) corruption, water, level of taxation, water and macro-economic policy with access to finance close. These should be the immediate priorities for government to address.

**The biggest problem is power; telecommunications is the least problematic**

**Figure 12: Enabling environment priority index**



Whilst it is difficult to combine all views into a single figure, we recognise that having a single figure makes it easy to see at a glance whether the private sector perceives that the enabling environment has improved or deteriorated.

We have therefore calculated a single figure.

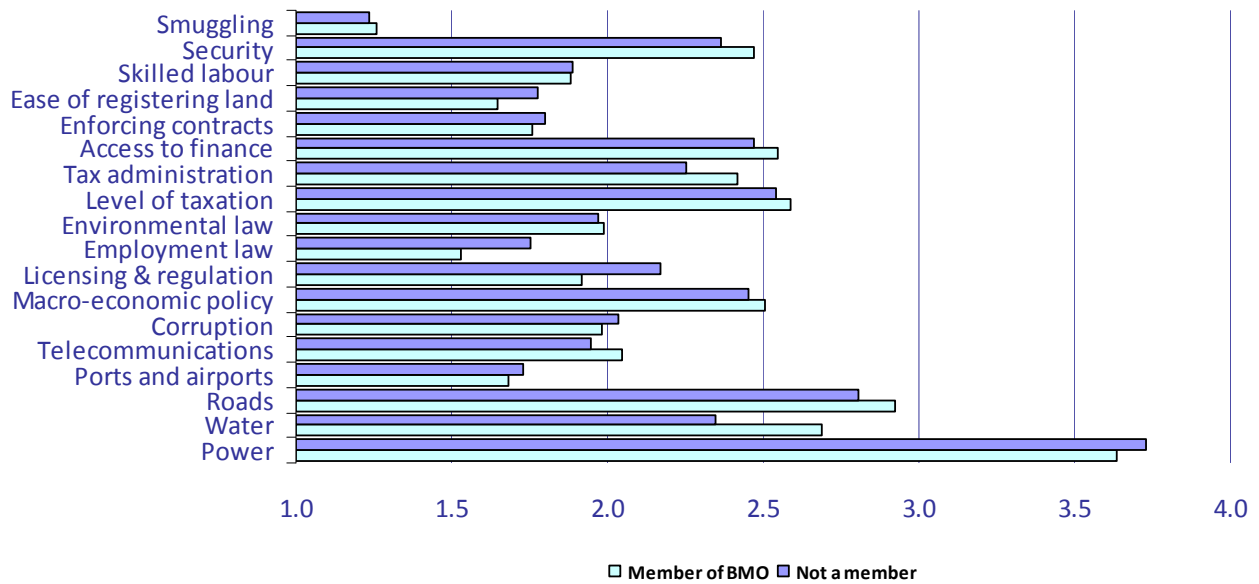
**Table 3: Enabling environment perception index**

	2008	2009
Nigeria		62
Abuja		66
Kaduna		64
Kano		61
Lagos		62
Tanzania	57	66
Kenya	52	
Uganda	63	

## 7. REVIEW BY MEMBERSHIP OF BMO

It might be expected that members of Business Membership Organisations would be more concerned about the impact of the issues on their business and, perhaps, more critical of the government. Indeed, it may well be that they joined the BMO precisely to add their weight to those lobbying for changes in public policy. It seems, however, that there is almost no difference in perceptions between business leaders of businesses that are a member of a BMO and those that are not.

**Figure 13: Review by membership of BMO**



(Some 166 respondents were members of a BMO; 232 respondents were not members of a BMO)

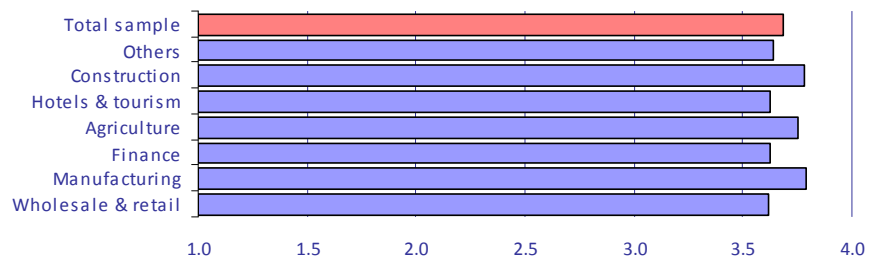
## 8. REVIEW BY ISSUE

In this section we review the priority issues, looking at the relative importance to each of the sectors.

### 8.1 POWER

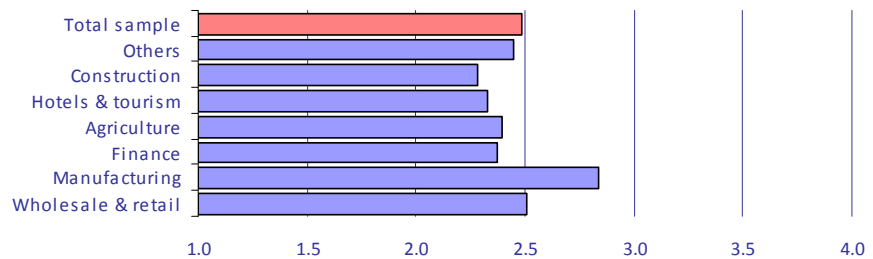
Power is the overwhelming issue that makes doing business difficult. One might have expected manufacturing to be the sector most concerned about power, and it is, but construction and agriculture are at similar levels of complaining and the rest of business is not far behind.

**Figure 14: Makes business difficult for...**



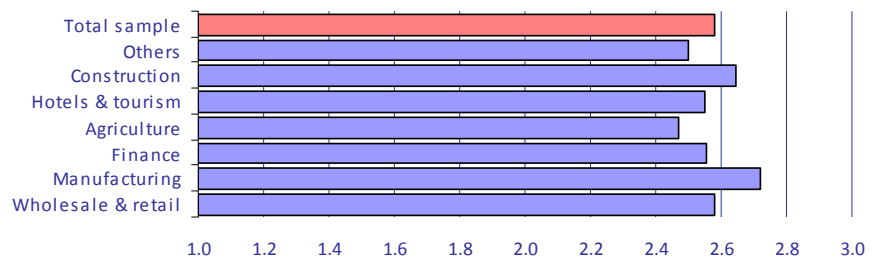
The overall perception is that the government is making no effort to improve the provision of power. The manufacturing sector is close to saying that the government is making the issue worse.

**Figure 15: Government perceived to be making the issue worse**



All sectors say that power is likely to deter future investment. Furthermore, high reliance on off-grid sources of power makes business in Nigeria rather less competitive than their competitors in countries with more reliable power supplies.

**Figure 16: Would deter further investment by...**

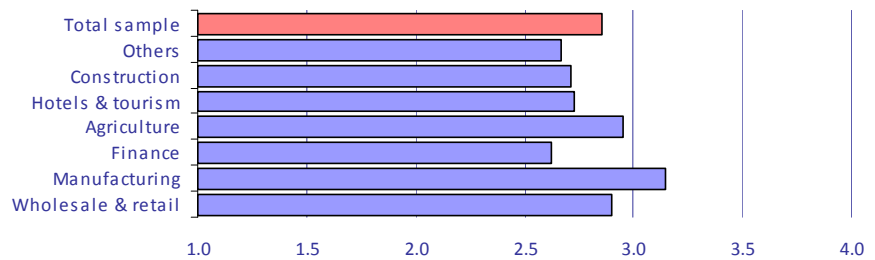


## 8.2 ROADS

The roads is the second biggest factor making doing business very difficult.

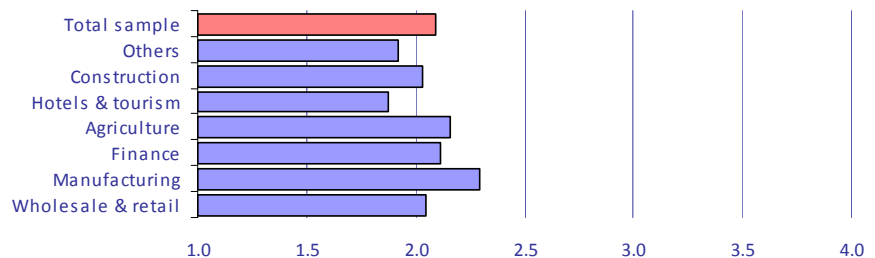
One might have expected the manufacturing and agricultural sectors to identify roads as a problem. In fact, all sectors including even hotels, restaurants and tourism, say that this is a problem. And manufacturing says that the roads make business very difficult.

**Figure 17: Makes business difficult for...**



The general view of all sectors is that government is not doing anything to address this problem.

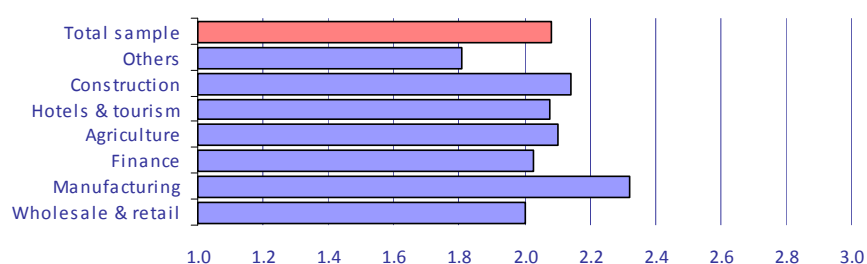
**Figure 18: Government perceived to be making the issue worse**



The manufacturing sector clearly says that the roads would deter future investment. Other sectors seem more sanguine, with the other services sector saying that the state of the roads would neither encourage nor deter investment.



**Figure 19: Would deter further investment by...**



### 8.3 CORRUPTION

A few years ago, Nigeria was generally second from bottom in Transparency International's Index of Perceived Corruption. It has improved – or maybe other countries have got worse – to 130 out of 180. It is interesting to compare with countries in Africa. Of the 47 countries reviewed in Africa, 31 scored less than 3 (out of 10) indicating that corruption is perceived as rampant. A score between 3 and 5 indicates that corruption is perceived as a serious challenge. Only one scored more than 5.

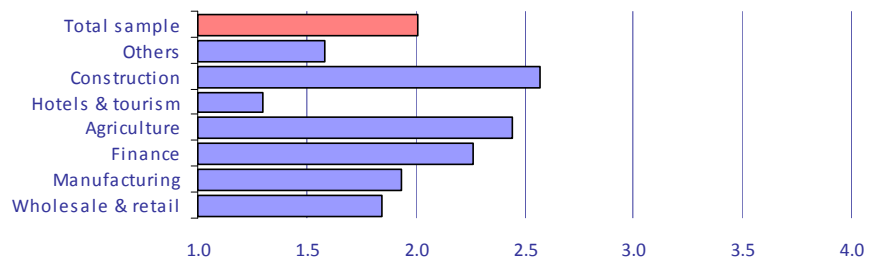
**Table 4: Index of perceived corruption**

	Rank	Score (out of 10)
Botswana	37	5.6
Ghana	69	3.9
Rwanda	89	3.3
Tanzania	126	2.6
Nigeria	130	2.5
Uganda	130	2.5
Kenya	146	2.2

Interestingly it seems that corruption was not seen by respondents to be an enormous problem, though most businesses think that it could be improved. Three sectors said that it made business somewhat difficult, but four sectors simply said that it could be improved. Hotels and tourism is close to saying that it is not an issue.

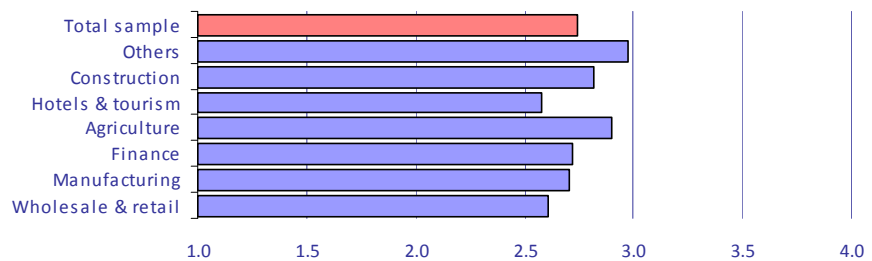
The survey did not ask about levels of corruption, however, so responding that corruption is not a big problem could result either from low levels of corruption or, possibly more likely, that businesses have become so inured to it that they just live with it. Amongst our sectors, it is only hotels and tourism that register it as a problem.

**Figure 20: Makes business difficult for...**



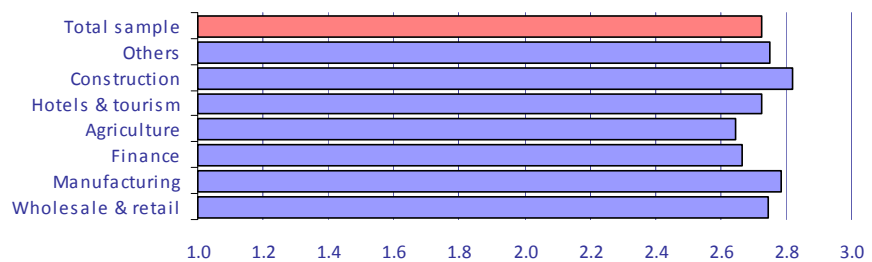
Most sectors think that government is making no effort to address the issue, with other services and agriculture close to saying that the government is making the position worse, perhaps confirming that corruption is still rife.

**Figure 21: Government perceived to be making the issue worse**



Every sector, even hotels and tourism which said that corruption was not a major problem, is deterred from future investment by corruption, perhaps also confirming the conclusion that businesses live with corruption but would rather that it was effectively tackled.

**Figure 22: Would deter further investment by...**



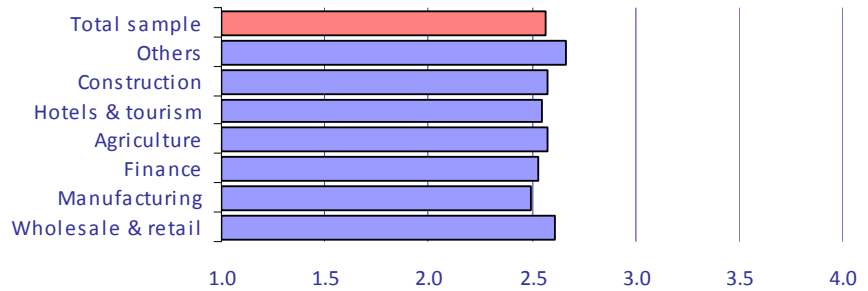
This is one area where arguably BMOs could do more – encouraging their members to adopt codes of ethics and to join the Convention on Business Integrity.<sup>3</sup> They could then promote publicly the fact that businesses that have joined their particular BMO have undertaken to work ethically and without engaging in corrupt practices – thus encouraging other businesses specifically to trade with their members.

<sup>3</sup> See [www.theconvention.org](http://www.theconvention.org)

## 8.4 LEVEL OF TAXATION

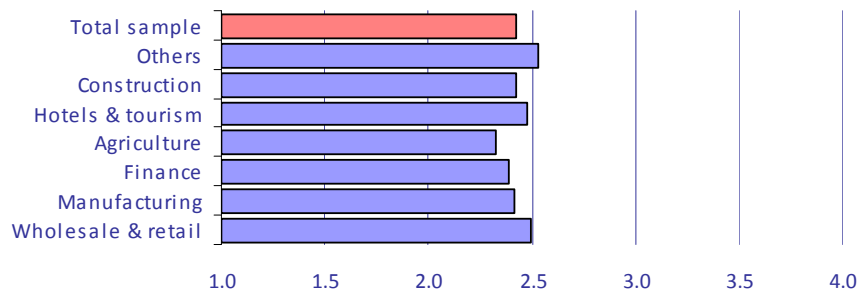
Businesses argue that levels of taxation make business somewhat difficult and the results are fairly uniform across the sectors. Businesses everywhere, of course, argue that taxation is too high. There is a problem in Nigeria, however, in that there are many different taxes, levied by different levels of government, and which are often perceived not to be making a difference to services.

**Figure 23: Makes business difficult for...**



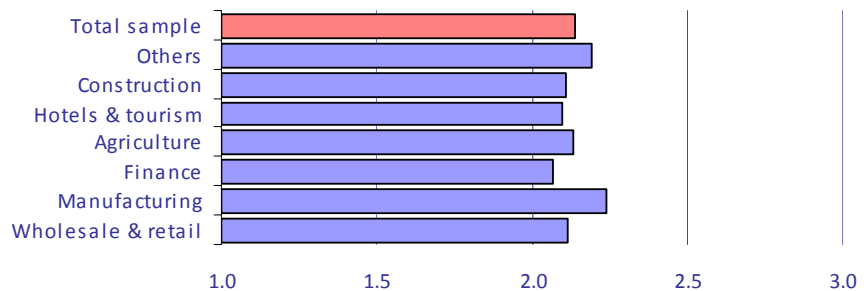
No sector thinks that government is making an effort to address this problem.

**Figure 24: Government perceived to be making the issue worse**



All sectors indicate that levels of taxation would deter investment.

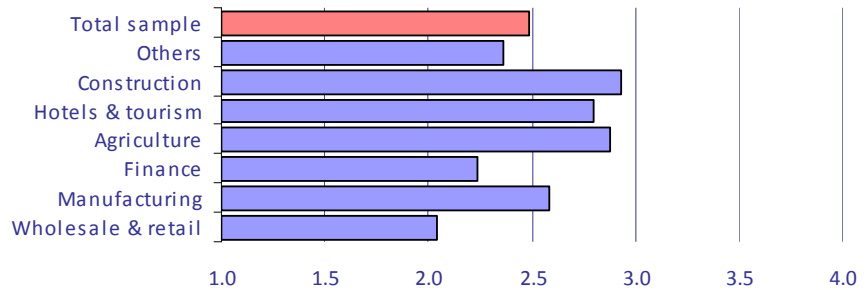
**Figure 25: Would deter further investment by...**



## 8.5 WATER

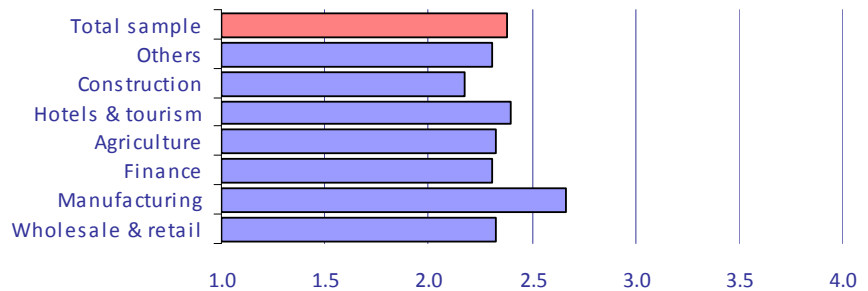
Water is an issue that makes doing business difficult for all sectors. Three sectors – construction, agriculture and hotels & tourism – are close to saying that it makes business very difficult.

**Figure 26: Makes business difficult for...**



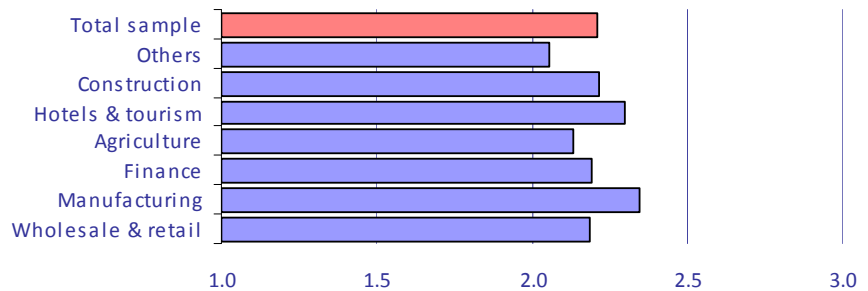
No sector believes that the government is making any efforts to address this issue.

**Figure 27: Government perceived to be making the issue worse**



Perhaps not surprisingly, every sector says that it is likely to deter further investment.

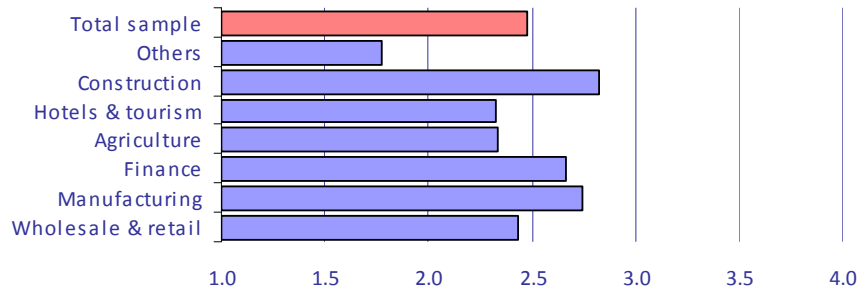
**Figure 28: Would deter further investment by...**



## 8.6 MACRO-ECONOMIC POLICY

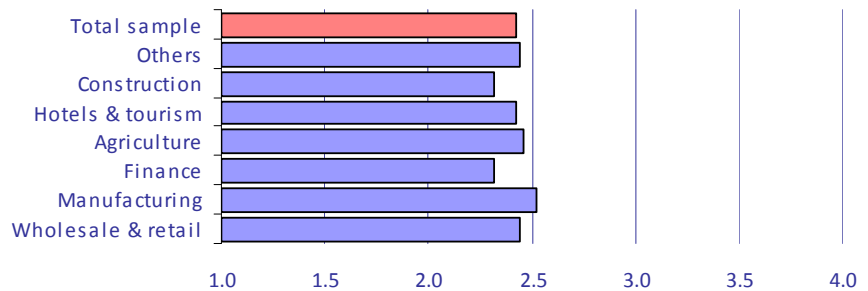
All sectors, apart from other services, see macro-economic policy – effectively inflation, interest rates and exchange rates – as making business somewhat difficult.

**Figure 29: Makes business difficult for...**



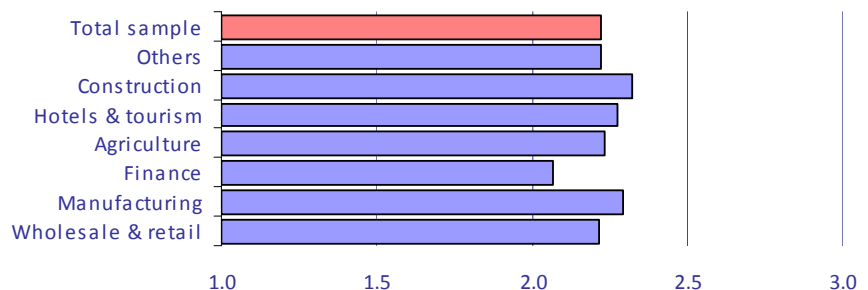
The general view is that government is making no real effort to address this area.

**Figure 30: Government perceived to be making the issue worse**



And every sector says that it would deter further investment.

**Figure 31: Would deter further investment by...**

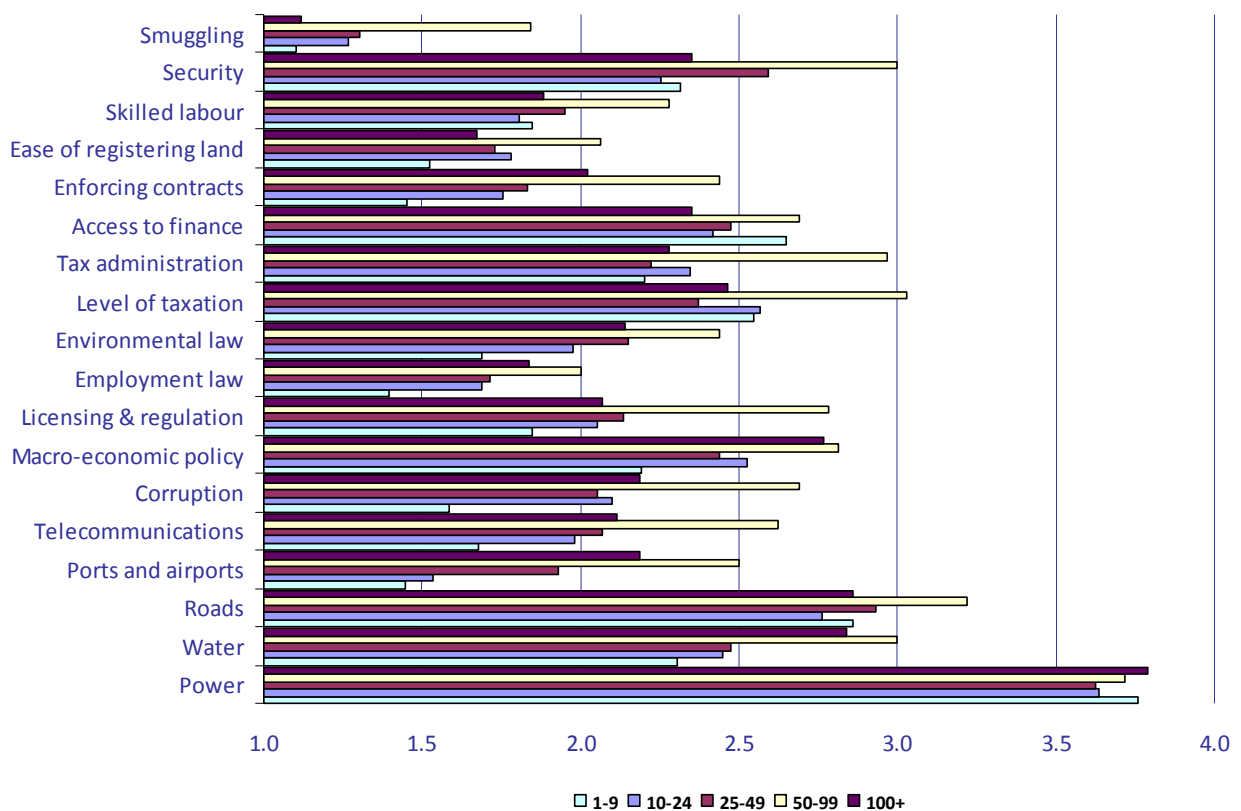


## 9. REVIEW BY BUSINESS SIZE

Respondents were asked to state how many staff they employed. Not every respondent answered that question, but most did.

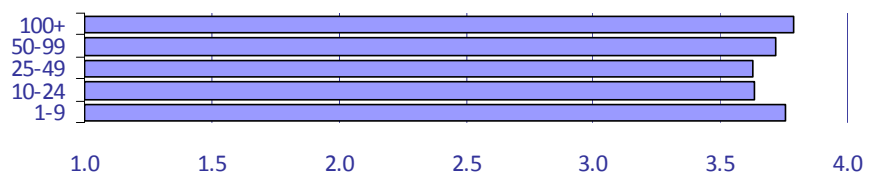
Power is a problem for businesses whatever their size. It is interesting to note, though, that most issues seem to be particularly problematic for businesses employing 50-99 staff. It is not clear why this should be – and it may be worth some further investigation – though one possibility is that as a business grows the issues become more problematic until it reaches a critical size when it can cope more effectively with the problem such as licensing and regulation, or administration of taxation, or security, or telecommunications, or the ease of enforcing contracts or corruption.

**Figure 32: Factors which make business difficult: by business size**



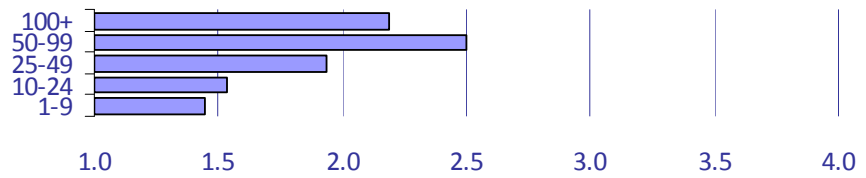
As noted, power makes business difficult irrespective of the size of business.

**Figure 33: Power**



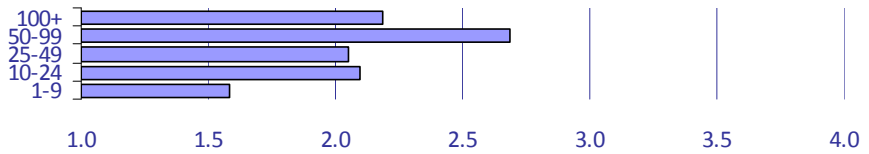
Ports are not perceived to be much of a problem for the smallest businesses – though this may simply reflect the fact that they are not in the sort of business that relies on the ports. Businesses employing 50-99 staff regard the ports as making business somewhat difficult.

**Figure 34: Ports**



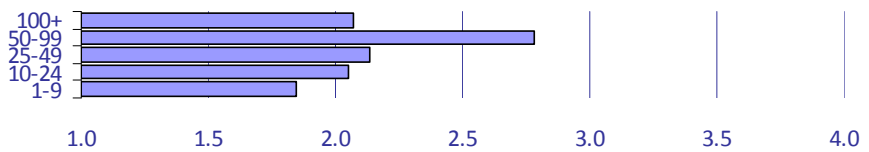
Businesses employing 50-99 also seem to have the most problem with corruption; only micro-businesses say that it is not a big issue.

**Figure 35: Corruption**



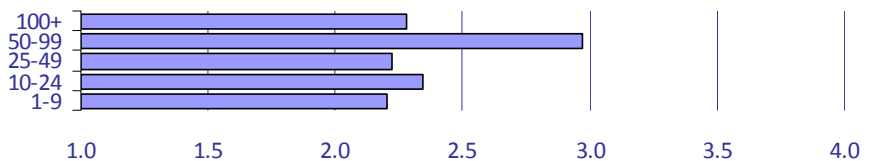
Generally, licensing and regulation is not seen as an issue – except for businesses employing 50-99, who think that it makes business somewhat difficult. Often licensing and corruption go hand in hand, so perhaps it is not surprising to see broadly similar results for corruption and licensing.

**Figure 36: Licensing & regulation**



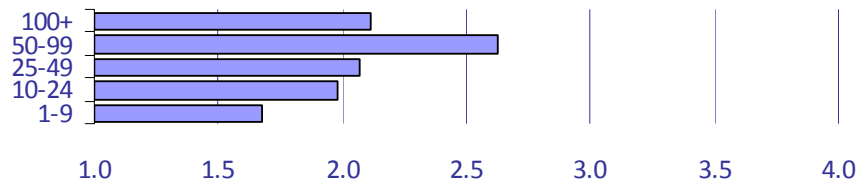
It is therefore also interesting to note that it also businesses employing 50-99 who see the administration of taxation as making business somewhat difficult.

**Figure 37: Tax administration**



It seems that the only group that sees telecommunications as an issue is also the group employing 50-99 staff.

**Figure 38: Telecommunications**

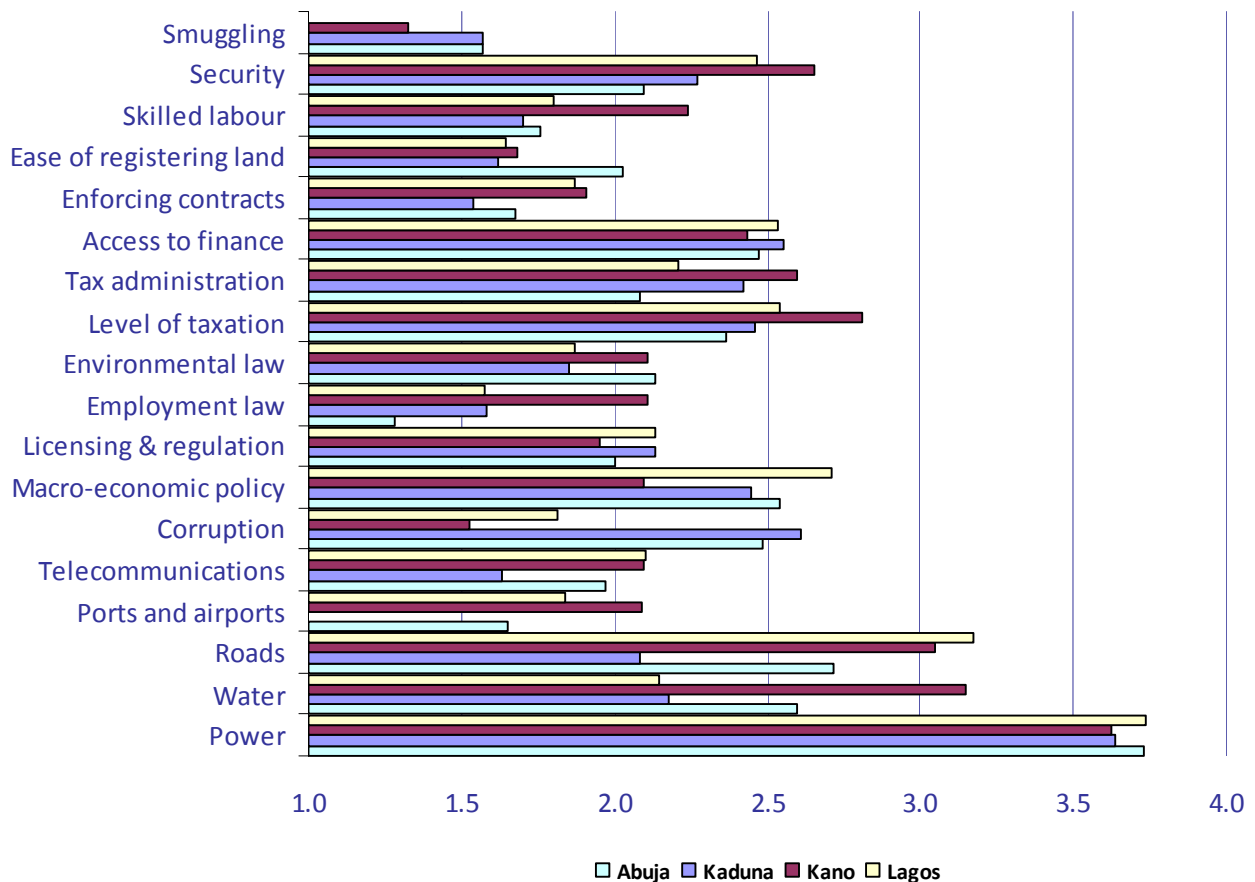


It might be worthwhile talking further to businesses employing 50-99 to identify reasons why everything should be a problem. It may be, however, that this is an artefact of the sample, since there a relatively small number of businesses in this category.

## 10. REVIEW BY LOCATION

The survey has secured a good level of respondents from all the states in which ENABLE provides support, allowing us to compare views across the states. On the whole, the problem issues are the same across all states.

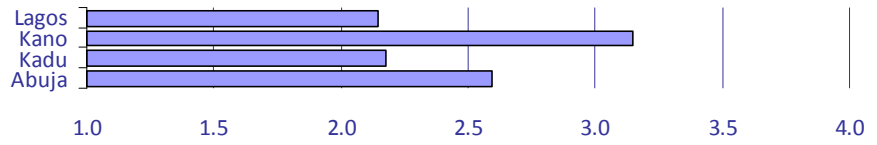
**Figure 39: Factors which make business difficult: by location**





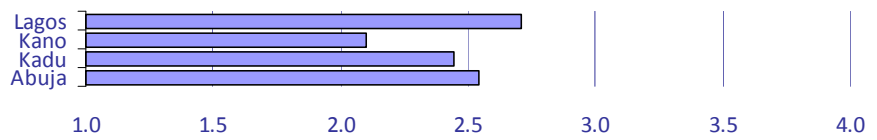
There are some differences however. For example, water is seen in Kano as an issue that makes doing business very difficult and in Abuja as an issue that makes business somewhat difficult.

**Figure 40: Water**



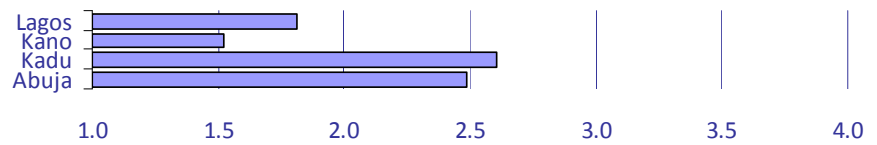
In Lagos, macro-economic policy is perceived to make business somewhat difficult, but is but much less of an issue in Kano.

**Figure 41: Macro-economy**



Corruption is seen to make business somewhat difficult in both Kaduna and Abuja, but is much less of a problem in Lagos and Kano.

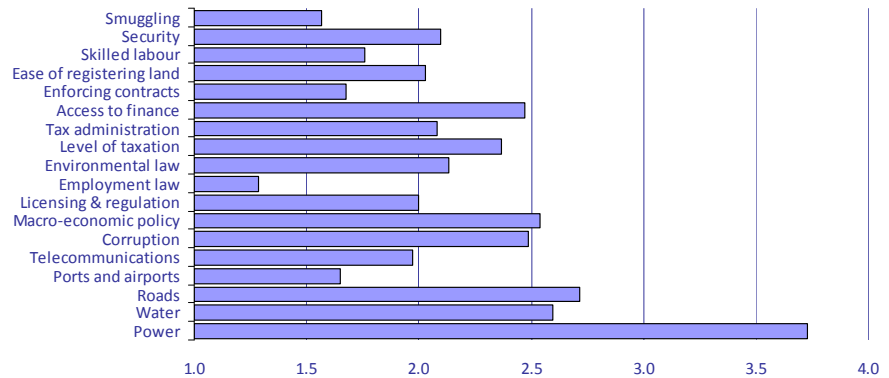
**Figure 42: Corruption**



## 11. ABUJA

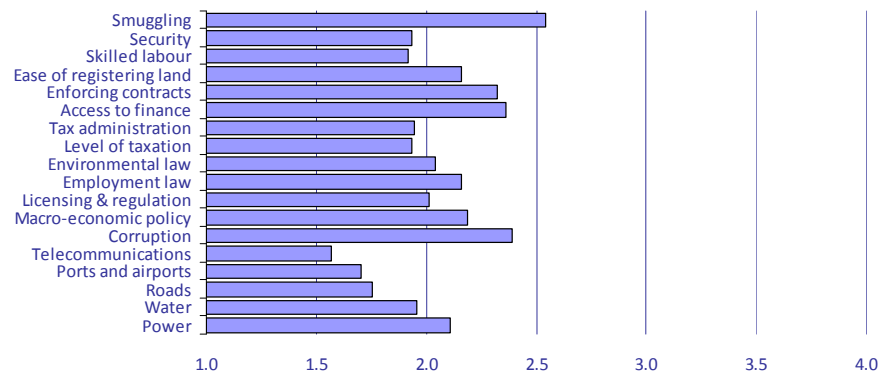
The issue that make business difficult in Abuja is power Issues that make business somewhat difficult are roads, water, macro-economic policy, corruption and access to finance.

**Figure 43: Factors which making business difficult**



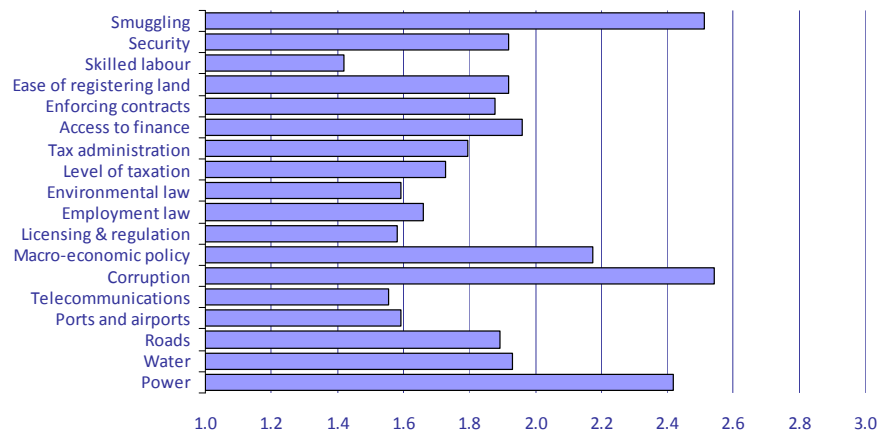
The government is not perceived to be making any of the issues worse, but most respondents think that it is making no effort for most issues. It is perceived to be making some effort with telecommunications, ports and roads.

**Figure 44: Government performance in addressing key factors**



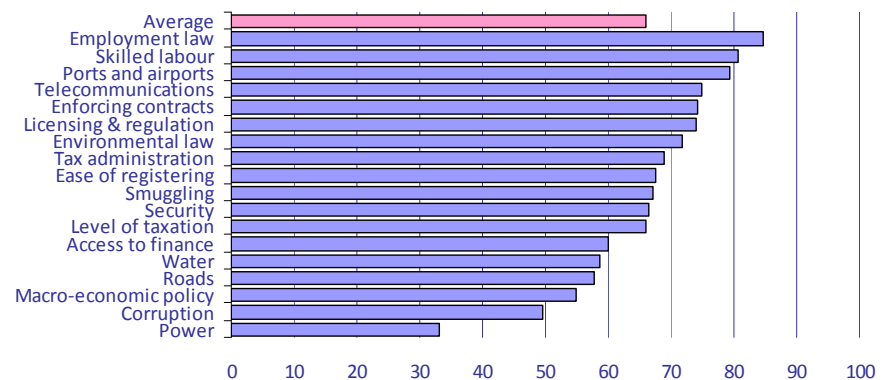
Respondents are deterred from making further investment by corruption, smuggling and power.

**Figure 45: Factors which affect investment decisions**



The priorities to be addressed by government, as revealed in the enabling environment priority index, are power, corruption, macro-economic policy, roads, water and access to finance.

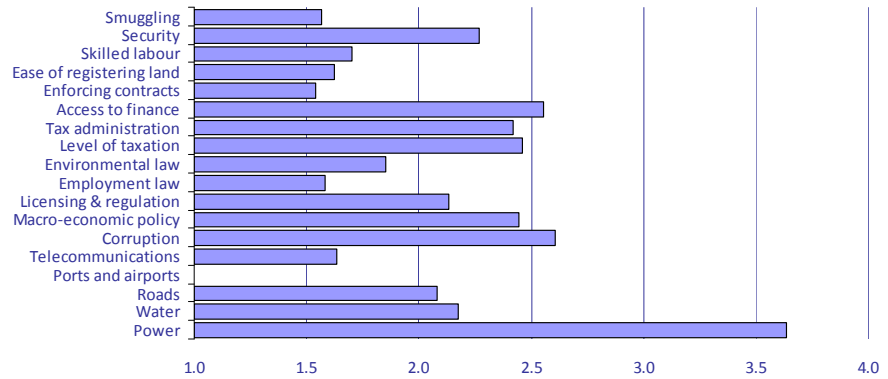
**Figure 46: Enabling environment priority index**



## 12. KADUNA

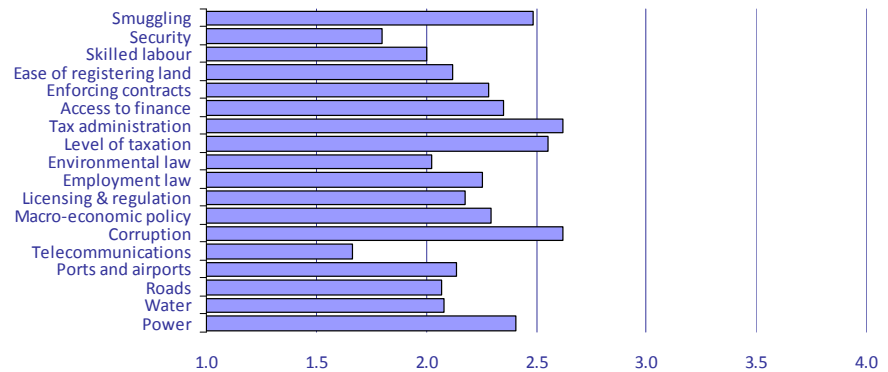
The issue that make business difficult in Kaduna is power. Issues that make business somewhat difficult are corruption, access to finance, level of taxation, macro-economic policy and tax administration. It is worth noting that the ports and airports are not seen as a problem at all.

**Figure 47: Factors which making business difficult**



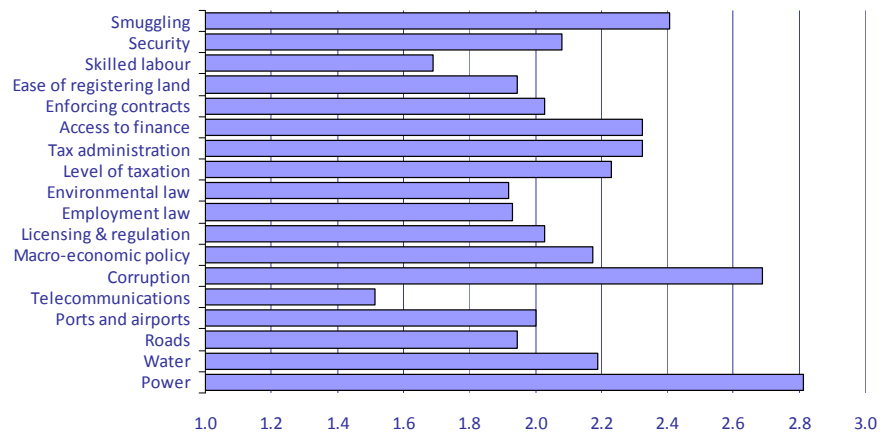
The government is not perceived to be making any of the issues worse, but most respondents think that it is making no effort for any issue except telecommunications and security.

**Figure 48: Government performance in addressing key factors**



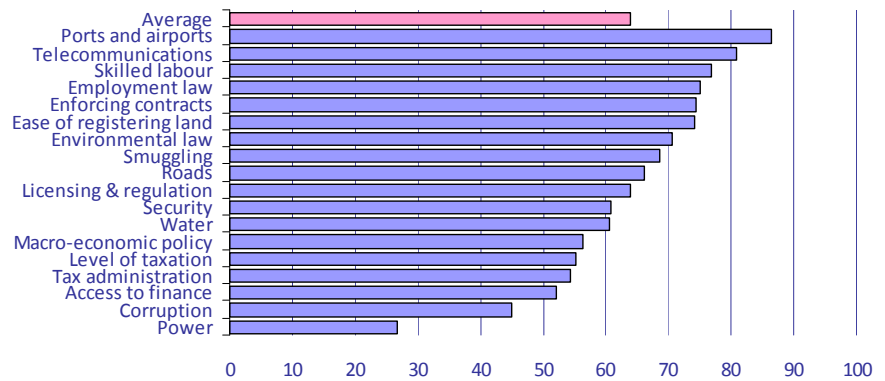
Respondents are deterred from making further investment by power, corruption and smuggling.

**Figure 49: Factors which affect investment decisions**



The enabling environment priority index reveals the priorities to be addressed as power, corruption, access to finance and tax administration.

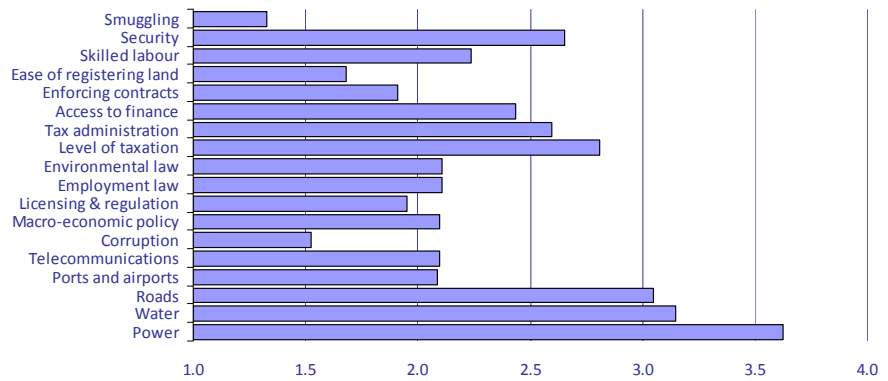
**Figure 50: Enabling environment priority index**



### 13. KANO

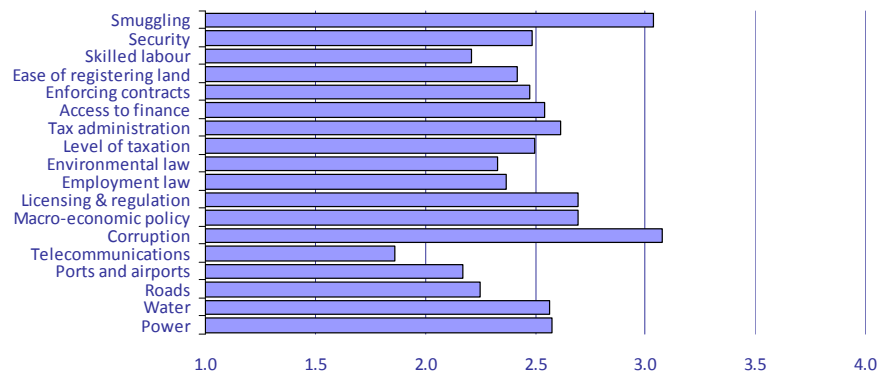
In Kano, there are three issues that are regarded as making business difficult: power, water and roads. Issues that make business somewhat difficult include level of taxation, tax administration and security. Corruption is not seen to be a particular issue in Kano.

**Figure 51: Factors which making business difficult**



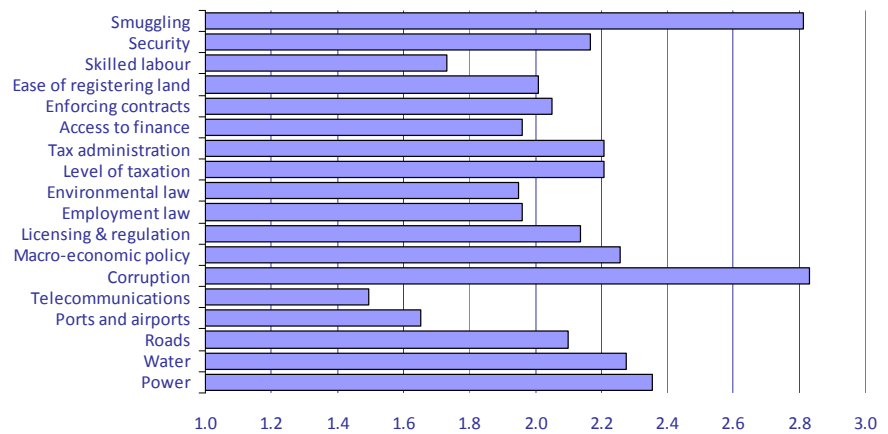
The government is perceived, just, to be making two issues worse: corruption and smuggling. The only one where it is perceived to be making an effort is telecommunications. In all other cases, it is seen to be making no effort.

**Figure 52: Government performance in addressing key factors**



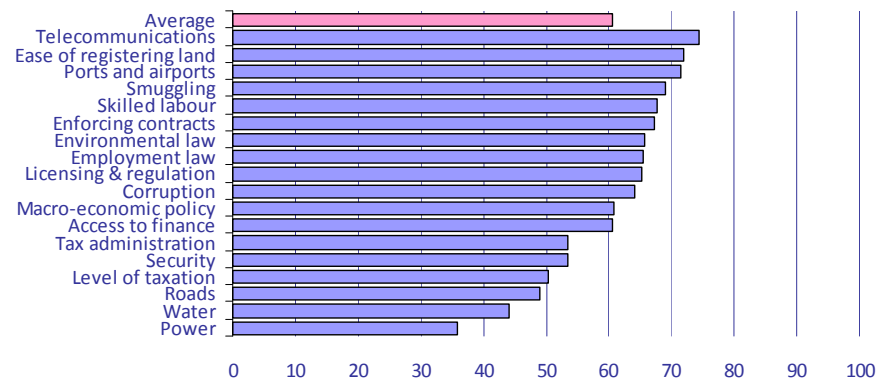
Respondents are deterred from making further investment by corruption, smuggling and power. Given that corruption is not regarded as an issue that makes business difficult, this is an interesting result, suggesting that corruption is rife, but that businesses are able to live with it, though given the choice they would rather not.

**Figure 53: Factors which affect investment decisions**



The priorities to be addressed by government, as revealed in the enabling environment priority index, are power, water, roads, level of taxation and security.

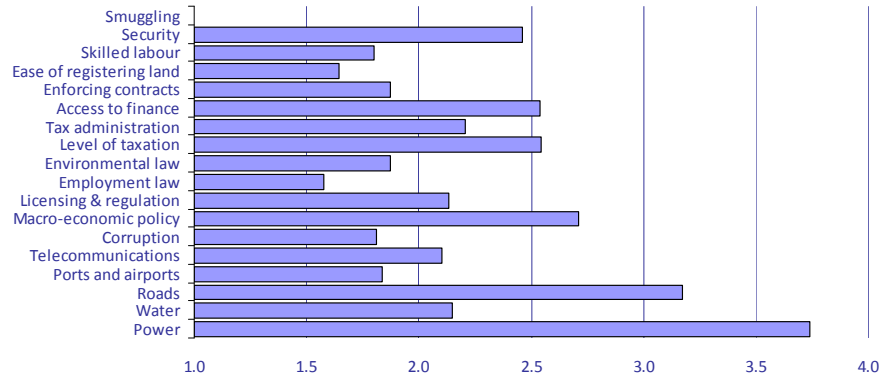
**Figure 54: Enabling environment priority index**



## 14. LAGOS

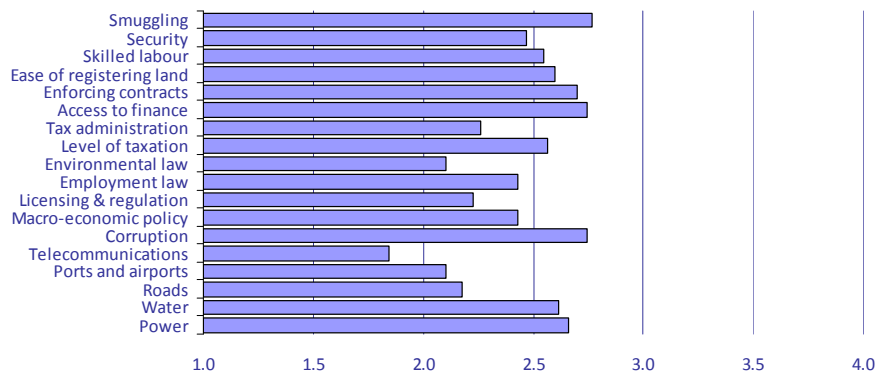
The issues that make business difficult in Lagos are power and roads. Issues that make business somewhat difficult are macro-economic policy, access to finance, level of taxation and security.

**Figure 55: Factors which making business difficult**



The government is not perceived to be making any of the issues worse, but most respondents think that it is making no effort for every issue except telecommunications.

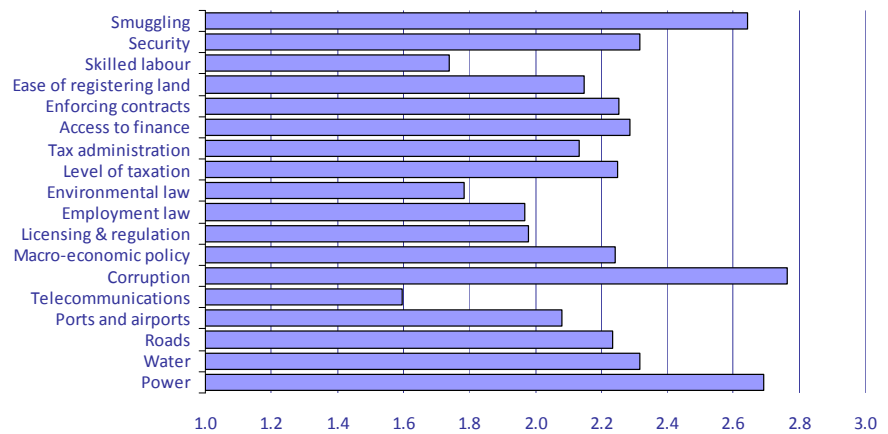
**Figure 56: Government performance in addressing key factors**



Respondents are deterred from making further investment by corruption, power and smuggling.

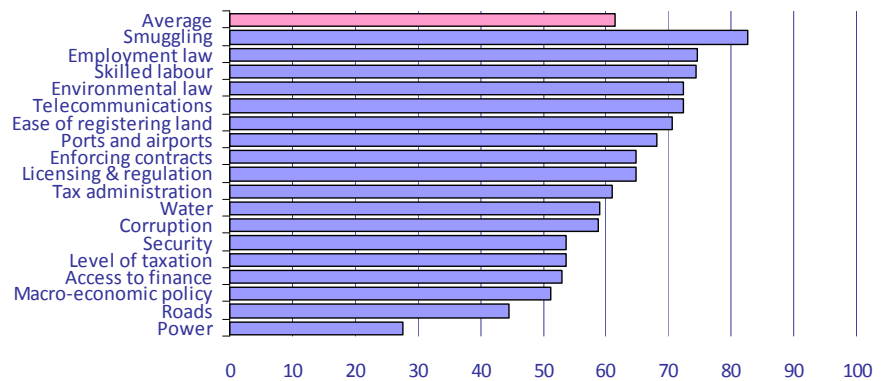


**Figure 57: Factors which affect investment decisions**



The priorities to be addressed by government, as revealed in the enabling environment priority index, are power, roads, macro-economic policy and access to finance.

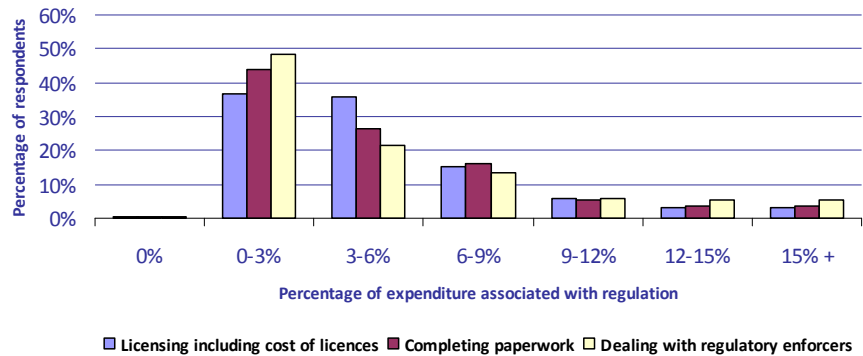
**Figure 58: Enabling environment priority index**



## 15. COST OF RED TAPE

Respondents were asked about the costs of regulation – split into three groups: the direct cost of licensing including the cost of the licences themselves, the effective cost through the staff time required to complete paperwork associated with regulation and the effective cost through staff time of dealing with the enforcers of regulation. Respondents were asked to say in which band they believed that each of these categories of cost fell.

**Figure 59: Cost of red tape and regulation**



As can be seen from figure 59, the category achieving the highest proportion of respondents was that for less than three per cent. This is fairly modest, though when you add the three together they can quickly mount up. And the majority of respondents thought that the cost was above three per cent.

As can be seen from the figure below, there is little to choose between sectors and the average across the entire sample is around 10 per cent which, if respondents have answered accurately, is a high proportion of costs to be spending on red tape and regulation. Getting this down would not only make businesses feel that the government was really trying to make a difference, but would free up a lot of resource that could be invested in business expansion – leading to more wealth creation and more jobs.

**Reducing the cost to business of red tape would free up resources for investment**

**Figure 60: Cost of red tape and regulation**

