

DOING BUSINESS 2017

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DOING BUSINESS 2017: WORLD BANK GROUP RANKS NIGERIA

On the 25th day of October 2016, World Bank Group published “Doing Business 2017: Equal Opportunity for All”, its 14th in a series of annual reports measuring the regulations that enhance business activity and those that constrain it.

In its annual report, Doing Business presents quantitative indicators on business regulations and the protection of property rights that can be compared across 190 economies—from Afghanistan to Zimbabwe. For the first time this year, Doing Business collects data on Somalia, increasing the number of economies under analysis to 190.

Doing business presents results for two aggregate measures: the distance to frontier score and the ease of doing business ranking, which is based on indicator sets that measure and benchmark regulations applying to domestic small to medium-size businesses through their life cycle. The ease of doing business ranking compares economies with one another; the distance to frontier score benchmarks economies with respect to regulatory best practice, showing the absolute distance to the best performance on each Doing Business indicator. When compared across years, the distance to frontier score shows how much the regulatory environment for local entrepreneurs in an economy has changed over time in absolute terms, while the ease of doing business ranking show only how much the regulatory environment has changed relative to that in other economies. A high ease of doing business ranking suggests the regulatory environment is well-intentioned for setting up and operation of a local firm.

Nigeria has been ranked 169 out of 190 economies, which is an upward review compared to its ranking of 170 in the preceding year. The Distance to Frontier score is 44.63. The data in the report are current as of June 1, 2016 save for paying taxes indicator, which covers the period January to December 2015.

In this year’s report, New Zealand emerged 1st on the Ease of Doing Business ranking, Mauritius emerged the best in Africa by ranking 49th and Somalia took the bottom position.

As outlined previously, the annual report presents quantitative indicators following analysis of regulations or changes in regulations that affect the life cycle of businesses across the world’s economies. There are ten topics included in the ranking namely, starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. It is worth mentioning that the labour market regulation indicators are not included in this year’s aggregate ease of doing business, but the data are presented in the economy profile.

The rankings are benchmarked to June 2016 and based on the average of each economy's distance to frontier (DTF) scores for the 10 topics included in this year's aggregate ranking. An economy's distance to frontier score is indicated on a scale from 0 to 100, where 0 represents the worst performance and 100 the frontier. It is indicative of how far the economy has moved toward (or away from) the most efficient practices and strongest regulations in areas covered by Doing Business. The data captured for Nigeria covers Lagos and Kano thus the scores are a population-weighted average for the two (2) cities.

The report showed that Nigeria fared poorly in registering property, trading across borders and paying taxes, ranking 182nd, 181st and 182nd respectively. No changes compared with the preceding year. It also ranked Nigeria 180th in getting electricity which is an upward review compared to the previous year. It ranked Nigeria 138th, 139th, 140th and 174th in starting a business, enforcing contracts, resolving insolvency and dealing with construction permits respectively. Nigeria, however, fared well in the ease of getting credit and protecting minority investors ranking 44th and 32nd respectively.

In simple terms, Doing Business expounds on how uncomplicated or challenging it is for a local entrepreneur to set up and run a business when complying with relevant regulations. It is, however, worth mentioning that the Doing Business methodology has its limitations as certain key areas which are important to firms, investors and the overall economy are not part of the study conducted by Doing Business. They include but not limited to the following: an economy's proximity to large markets, the security of property from theft and looting, the quality of infrastructure services (other than those related to trading across borders and getting electricity), the transparency of government procurement, macroeconomics conditions or the underlying strength of institutions. It is also necessary to mention that it is not feasible to design a case study that will be an equally good fit for all the economies. For the reason that the report aims to have a global coverage, the choice of indicators is partly constrained by the data that can realistically be collected in some of the least developed economies of the world.

In spite of any limitations or gaps the reports may have, it is our view that this annual report shows a keen analysis and interpretation of facts. Undoubtedly, it provides an opportunity for policy makers who have the intention of improving their country's regulatory environment to conduct comparative analysis with other economies. In doing so, policy makers can highlight the extent of regulatory obstacles, identify the source of business environment constraints and ultimately, articulate well-defined areas of action with a view to establishing a foundation for sustainable economic development.