

DOING BUSINESS 2018

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DOING BUSINESS 2018: WORLD BANK GROUP RANKS NIGERIA

On the 31st day of October 2017, World Bank Group published “Doing Business 2018: Reforming to Create Jobs”, its 15th in a series of annual reports analysing the regulations that enhance business activity and those that constrain it.

In this 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.

Doing Business presents results for two aggregate measures: the Distance to Frontier score and the Ease of Doing Business index, 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 index 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 index show only how much the regulatory environment has changed relative to that in other economies.

A high Ease of Doing Business ranking connotes that the regulatory environment is more conducive to the setting up and operation of a local firm. Economies with cumbersome regulatory structures highlight how resource allocation is distorted, and how such distortion negatively impacts on entrepreneurial endeavours to transform their ideas into viable businesses. Cumbersome regulatory structures also constitutes a disincentive for businesses to leave the informal sector, and for that reason, economic growth is further impeded.

Nigeria made a significant stride towards the global good practice frontier; and in consequence has been ranked 145 out of 190 economies, and a Distance to Frontier score of 52.03. This represents an upward review compared to its Ease of Business ranking of 169 and Distance to Frontier score of 44.63 in the preceding year. The data in the report are current as of the 1st day of June 2017.

In this year’s report, New Zealand for the second consecutive year emerged 1st on the Ease of Doing Business ranking, Mauritius for the second consecutive year emerged the best in Africa by ranking 25th, and Somalia ranked 190th.

The annual report presents quantitative indicators following analysis of regulations or changes in regulations that affect 11 areas of the life of a business, viz., starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency, and labour market regulation. It is important to highlight that the labour market regulation indicators are not included in this year's aggregate Distance to Frontier score or Ease of Doing Business ranking, but the data are presented in the economy profile.

The rankings are benchmarked to June 2017 and based on the average of each economy's Distance to Frontier 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 lowest performance and 100 represents 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 is a population-weighted average for the two (2) largest business cities, Lagos and Kano.

Nigeria, Brunei Darussalam, Thailand, Malawi, Kosovo, India, Uzbekistan, Zambia, Djibouti and El Salvador were the most improved economies in 2016/17 in areas tracked by Doing Business. These countries implemented in total 53 regulatory reforms making it easier to do business.

Nevertheless, the report showed that Nigeria fared poorly in getting electricity, registering property, paying taxes, and trading across borders; ranking 172nd, 179th, 171st and 183rd respectively. This illustrates a slight upward review for getting electricity and paying taxes compared with the previous year. Furthermore, the report ranked Nigeria 130th, 96th, 145th, and 147th in starting a business, enforcing contracts, resolving insolvency and dealing with construction permits respectively. Nigeria, however, fared very differently in the ease of getting credit and protecting minority investors, ranking 6th and 33rd respectively.

With respect to the Distance to Frontier scores, Nigeria recorded an overall 3.85 positive change, which signifies Nigeria is closing the gap with the global regulatory frontier. To sustain this progress, Nigeria must continue to remove specific regulatory obstacles to business and create the right enabling environment for an attractive and competitive investment climate supportive of private sector endeavours.

It is evident from the report that economies with comprehensive reform effort record considerable improvement in their economy's regulatory and business environment. For that reason, there is a visible correlation between the number of reforms and the actual improvement in the Distance to Frontier score.

To put it simply, 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. Highlighting the extent of regulatory obstacles and identifying the source of business development constraint enables a government to identify clear-cut areas of action as well as design reform agendas.

It is logical to express a word of caution in using this report considering that its strength and limitations must be considered. Doing Business methodology has its limitations because it does not measure all aspects of the business environment that are important to firms or investors – or all factors that affect competitiveness. The aspects which are not part of the study include but are not limited to: an economy's proximity to large markets, corruption, availability of skilled labour, 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, macroeconomic stability 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 report may have, it is our view that this annual report shows a keen analysis and interpretation of facts. Beyond question, it provides an opportunity for policy makers who have the sincerity of purpose and objective to improve 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 having few bureaucratic hurdles, robust legal institutions, and laws and regulations that are based on international good practice.