

The latest business competitiveness ranking

How close is Nigeria to the Promised Land?

It is heartwarming to read the latest doing business report of the World Bank and Nigeria's giant leap to 145th among 190 economies on the ease of doing business. Nigeria gained 24 places on the latest ranking, an improvement on the prior year's ranking of 169, and exceeded the short term target of 20-place movement. According to the Report, Nigeria, alongside El Salvador, India, Malawi, Brunei Darussalam, Kosovo, Uzbekistan, Thailand, Zambia and Djibouti are the top 10 most improved countries on the ease of doing business index.

Based on the 2018 Report, Nigeria improved in seven indicators with the greatest stride made on enforcing credit which went 43 places up to 96. Access to credit is perhaps the area that has been less-publicized but with profound impact on micro, small and medial scale enterprises (MSMEs). With a 38-place upward movement, Nigeria is now adjudged the 6th best country in the world in terms of access to credit and the 2nd best in Sub-Saharan Africa, only behind Zambia. The impact of the two legislations on movable collateral registry and credit bureau offer MSMEs tremendous opportunity to access credit. Nigeria is also ranked the 3rd best country in Africa and 33rd globally in terms of protecting minority investors.

Making Nigeria a globally competitive business destination is one of the key objectives of the Economic Recovery and Growth Plan developed by the current administration. Whilst the narratives of economic recession, foreign exchange brouhaha, high borrowing cost, aggressive tax drive and other pain-points for businesses operating in the country might have overshadowed the efforts of government in the past two years, there is a concerted effort at demonstrating intention, backed by action, to create a business-friendly environment in the country.

One of the major steps taken by the President in demonstrating commitment towards the creation of a competitive business environment was to set up the Presidential Enabling Business Environment



Council (PEBEC) in July 2016. PEBEC is inter-governmental and inter-ministerial and chaired by the Vice President. The mandate of PEBEC is to remove bureaucratic constraints to doing business in Nigeria and make the country a progressively easier place to do business. PEBEC has the Enabling Business Environment Secretariat (EBES), which assists Ministries, Departments and Agencies of governments (MDAs) to implement its reform agenda.

Regulatory framework aimed at institutionalizing the reforms include an executive order (EO1) signed by the Vice President, Prof Yemi Osinbajo SAN, on 18 May 2017, in his capacity as the then Acting President. EO1 covered transparency in MDAs, default approval, one government initiative among others. Two bills, the Secured Transaction in Moveable Asset Bill 2017 and Credit Reporting Bill 2017, were passed by the National Assembly and assented to by the Acting President on 30 May 2017.

EBES deserve commendation for its public-private partnership, focused pursuits of goals, setting measurable targets with specific timelines and deliverables. Between February and April 2017, PEBEC implemented a 60-day National Action Plan (NAP1), focusing on specific areas that are covered by the World Bank's Doing Business Report. This include starting a business, paying taxes, dealing with constructions permits, getting electricity, getting

credits, registering property, cross-border trading, entry and exit of people. The scorecard released at the end of NAP1 showed an overall result of 70% completion of targeted reforms.

On starting a business, the Corporate Affairs Commission rolled out its online portal with capability for name search, reservation, registration and payment of stamp duty, which simplified and shortened the registration cycle drastically. Obtaining construction permits was streamlined and transparency was enhanced by providing schedules of rules, fees and other requirements online in the two pilot States of Lagos and Kano. In Lagos, perfecting title in respect of property transfer was simplified and made more transparent by removing sworn affidavit for certified copies of land ownership records and, in both Lagos and Kano, the prerequisites for property transactions are now published. Establishment of credit bureau and opportunity to obtain credit scores as well as establishing a collateral registry strengthened access to credit. The electronic service channels for tax filing and payments made paying taxes easier.

The ease of paying taxes improved by 11 places with Nigeria now ranked 171st globally and 35th in Sub-Saharan Africa. Nigeria moved up by 3 and 8 places on registering property at 179th position and getting electricity at 172nd position respectively. Our worst rating is on cross-

border trading where we sit in the bottom 8 at 183rd position.

As we rejoice at the upward movements, Nigeria's position as the 35th country out of 48 African countries on paying taxes should challenge us to make fundamental changes to the system of taxation in Nigeria. The crux of the issue with Nigeria tax system is structural and a fall-out of our federal structure. This is evident from the constitutional issues tied to allocation of taxing powers. The quantity and quality of legislation governing our tax system require urgent change. The fact that the overall doing business ranking for Nigeria is much better than the ease of paying taxes is a pointer to the amount of efforts required to getting the tax system simplified.

It is a common knowledge that tax policy, regulation and administration are the critical pillars of an efficient tax system. The National Tax Policy (NTP) that was approved by the Federal Executive Council on 1 February 2017 is by far our biggest achievement in terms of reforms required to change the face of taxation in the country. This ideally should have been followed by necessary bills to change the entire tax laws, which are largely outdated and out of sync with modern business realities. The most recent income tax act is the 1993 Personal Income Tax Act, which came into force at a time when there was virtually no internet in Nigeria. The Companies Income Tax Act was enacted in 1979. The constitutional issue of allocation of taxing power is one that requires attention. The Taxes and Levies Act provides for 55 taxes and levies collectible by the three tiers of government with the Federal, State and Local Governments having 9, 25 and 21 respectively. This explains the 59 different tax payments captured in the recent World Bank report translating to 360 compliance hours in one year! We must fix this to make paying taxes easier in Nigeria.

The efforts of the tax administrators at simplifying the tax system will only be amplified if the legal framework is fixed. Any attempt to build modern tax administration on an

archaic legal framework will be tantamount to the biblical paradox of new wine in old bottle.

As we savour the euphoria of the new business ranking, all hands must be on deck to ensure that the initiatives that brought about this progress are sustained and improved progressively. The second 60-day National Action Plan (NAP2) is currently being pursued with focus on over 60 initiatives and target completion date of 1 December 2017.

Businesses and taxpayers in Nigeria must take the challenge and demand quality service. Nigerians must insist that reform initiatives announced by government are implemented by the MDAs. Constant feedback and suggestions for improvement should also be provided to affected agencies of government. This will ensure that the improvement being noticed is sustained for the collective benefit of the business community.

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