

## World Bank Group Issues Guidance on Doing Business in Nigeria

July 2008

On May 20, 2008, the World Bank and the International Finance Corporation (collectively, the “World Bank Group”) issued a report entitled “Doing Business in Nigeria 2008.”<sup>1</sup> The “Doing Business” series of reports are an effort by the World Bank Group to provide “objective measures of business regulations and their enforcement” across 178 countries as well as at the city and regional level. Generally speaking, the “Doing Business” reports measure how government regulations enhance or restrain business activity. The report compares nations and sub-national regions against each other on various business regulatory measures in the hopes that such comparisons will prompt reform and generate best practices among various nations and regions.

“Doing Business in Nigeria 2008” is the first sub-national report on Sub-Saharan Africa, which reflects Nigeria’s importance as an investment target. It also notes the country’s continued struggle to battle corruption and economic inefficiencies. The report examines 10 Nigerian states<sup>2</sup> and Abuja Federal Capital Territory, and compares them with each other as well as with 178 worldwide economies. The study focuses on four factors: (i) starting a business; (ii) dealing with licenses; (iii) registering property; and (iv) enforcing contracts. In addition to its analyses, the report provides helpful lists of procedures that companies can use as guidelines when starting a business, dealing with licenses or registering property.

The report found that, as a whole, Nigeria ranks 108 out of 178 economies for ease of doing business. By comparison, the United States ranked third. Although improved business registration and building permit processes made it easier to do business in Nigeria since the World Bank Group issued its last report, more vigorous improvements by other developing nations have hindered Nigeria’s overall ranking. Among the ten Nigerian states and Abuja, it was deemed easiest to do business in Kaduna and most difficult to do business in Ogun (by comparison, Abuja ranks second and Lagos ranks eighth). The most difficult business process throughout Nigeria involves the registration of property, where Nigeria as a whole ranks 173rd.

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<sup>1</sup> The report notes that while the report is a product of the World Bank Group staff, it does not necessarily reflect the views of the Executive Directors of the World Bank or the governments they represent. Moreover, the World Bank Group does not guarantee the accuracy of the information contained in the report.

<sup>2</sup> The ten Nigerian states analyzed were Abia, Anambra, Bauchi, Cross River, Enugu, Kaduna, Kano, Lagos, Ogun and Sokoto.

In the context of addressing these discrete aspects of the Nigerian business environment, the report notes that difficult business environments can push legitimate entrepreneurs into the underground economy, a consequence it describes as “a serious problem in Nigeria.” One overarching theme of the report is that inefficient or inconsistent business practices allow for corruption to flourish. By highlighting these inefficiencies and inconsistencies the World Bank Group hopes to prompt reform and illuminate best practices, thus raising the Nigerian business environment as a whole. Until such reforms are made, however, Nigeria will likely face continued pervasive corruption, particularly in light of the potential for outsized investment returns this emerging economy has to offer through natural resource development.

If you would like to discuss the attached summary and report in more detail, please contact Kevin T. Abikoff at (202) 721-4770 or Beatrice Hamza-Bassey at (212) 837-6778. Mr. Abikoff has advised several multinational corporations doing, or seeking to do, business in Sub-Saharan Africa, including Nigeria. Ms. Hamza-Bassey is a member of the Nigerian Bar and is Chair of the Firm’s Africa Practice Group.

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