



ENABLE
Enhancing Nigerian Advocacy
for a Better Business Environment

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An Enabling Environment for Business Development

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What is ENABLE ?



- ENABLE is a DFID-funded business environment reform programme
- ENABLE is the first programme of its kind to apply a “Market Systems Approach” to the challenge of Business Environment Reform
- Aim is to facilitate systemic and sustainable change in the system for business advocacy and Public Private Dialogue.
- Our core advocacy market of public-private dialogue, being defined as **Demand from BMOs for Reform**, and the **Supply of Reform from Government – MDAs** (Ministries Department & Agencies)

The Theme of the Forum

Innovative approaches for Repositioning Micro, Small & Medium Enterprises Development in the Niger Delta

- **FACT** - MSMEs want a conducive environment for doing business in the Niger Delta as well as in the rest of the Nigeria.

But why?



Understanding the Business Environment

- The laws, policies, and regulations that shape a country's business environment are the outcome of a negotiation between the public and private sector.
- But what comprises the Business Environment issues? How do we define them?

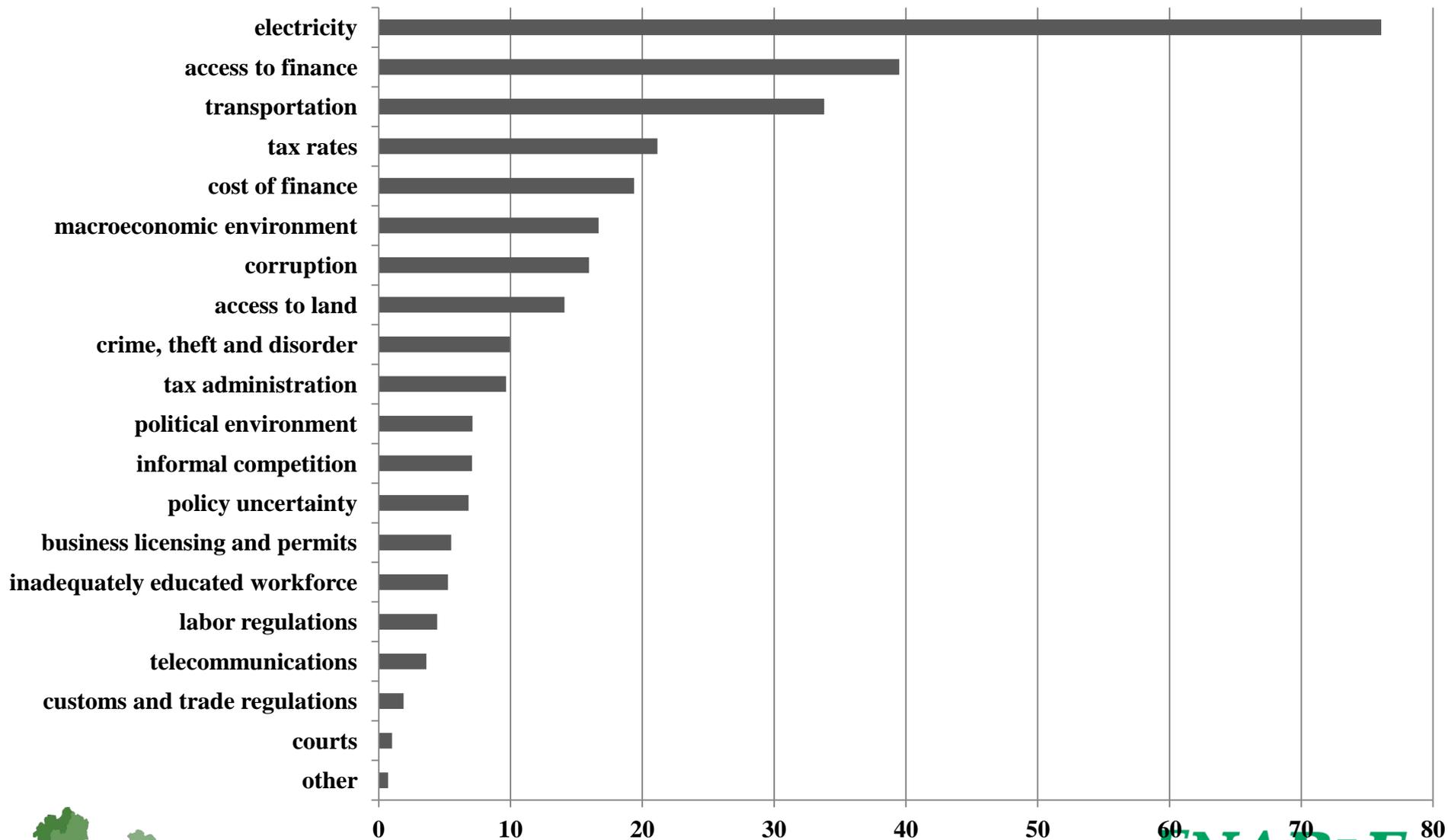
Defining Business Environment Components

1. **Legislative & regulatory framework**
2. **Consumer protection, Intellectual Property Rights,**
3. **Consistency of Government policy**
4. **Macro-economy**
5. **Access to affordable finance**
6. **Availability of skilled labour**
7. **Access to Justice (e.g. contract enforcement)**
8. **Infrastructure (e.g. power, water, Transport**
9. **Land Tenure (e.g. land use planning, title transfer)**

Doing Business in Nigeria – How easy is it?

Topics / 189 Countries	DB 2014 Rank – 147 th	DB 2013 Rank 138 th	Change in Rank -9
Starting a Business	122	114	-8
Dealing with Construction Permits	151	146	-5
Getting Electricity	185	184	-1
Registering Property	185	185	No change
Getting Credit	13	11	-2
Protecting Investors	68	67	-1
Paying Taxes	170	167	-3
Trading Across Borders	158	159	1
Enforcing Contracts	136	138	2
Resolving Insolvency	107	107	No change

Perception of Constraints: Nigeria



Key Constraints to Nigerian Businesses

Electricity remains a main constraint to businesses in Nigeria, affecting all types for firms. **83%** of firms said that electricity was a serious obstacle.

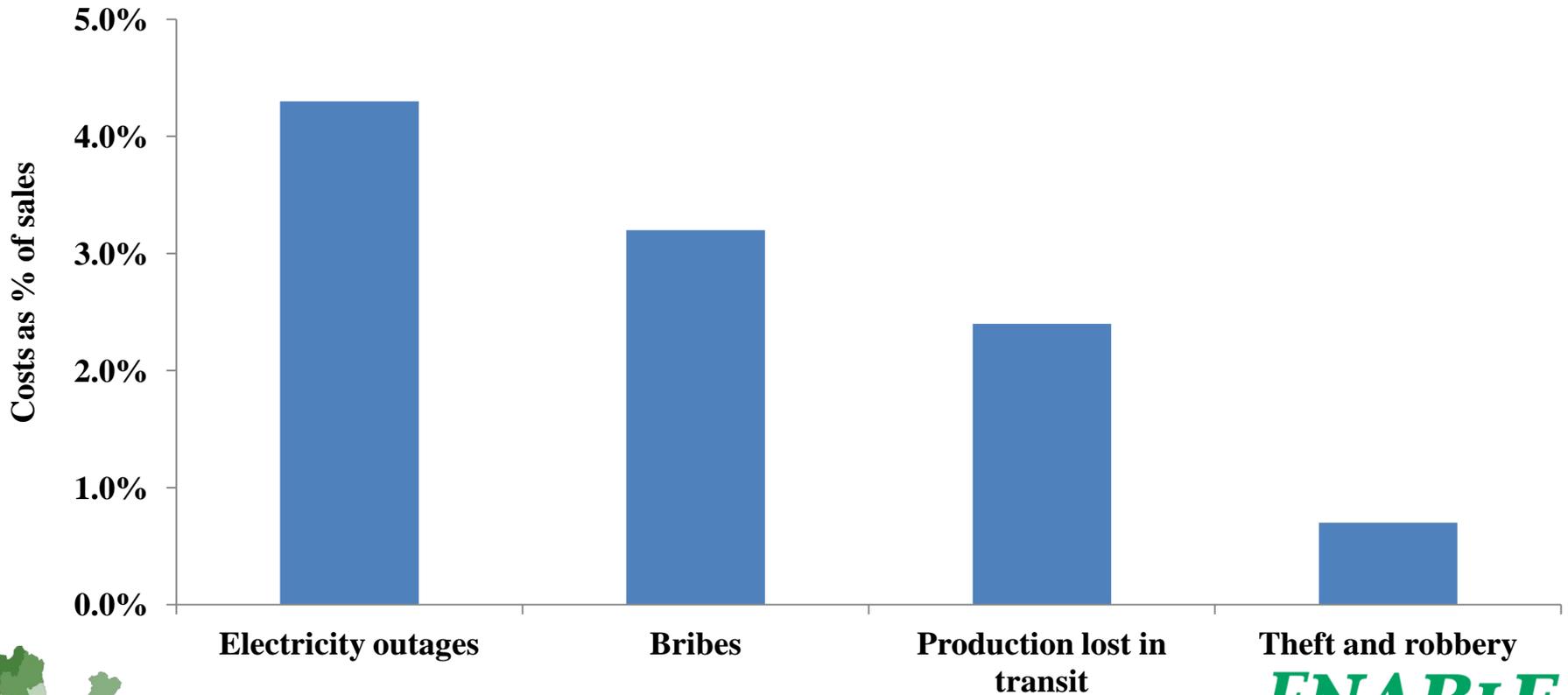
Access to credit, especially for SMEs. Close to half of respondents said access to finance and the cost of financing were serious obstacles.

Corruption & transportation were also serious concerns for many firms in Nigeria. Over $1/3^{\text{rd}}$ of managers said that these were serious problems. Bribes and production lost while in transit are also high in Nigeria. Manufacturing firms reported paying an average of 3.2 percent of sales in bribes and that losses during transit are equal to 2.4 percent of sales.

Indirect costs as percent of sales (manufacturing only)

Inefficiencies in the business environment impose a huge indirect cost on manufacturing in Nigeria - **over ten percent of sales!!** - twice as high for firms in Nigeria as they are for firms in South Africa, Brazil, Russia, and Indonesia

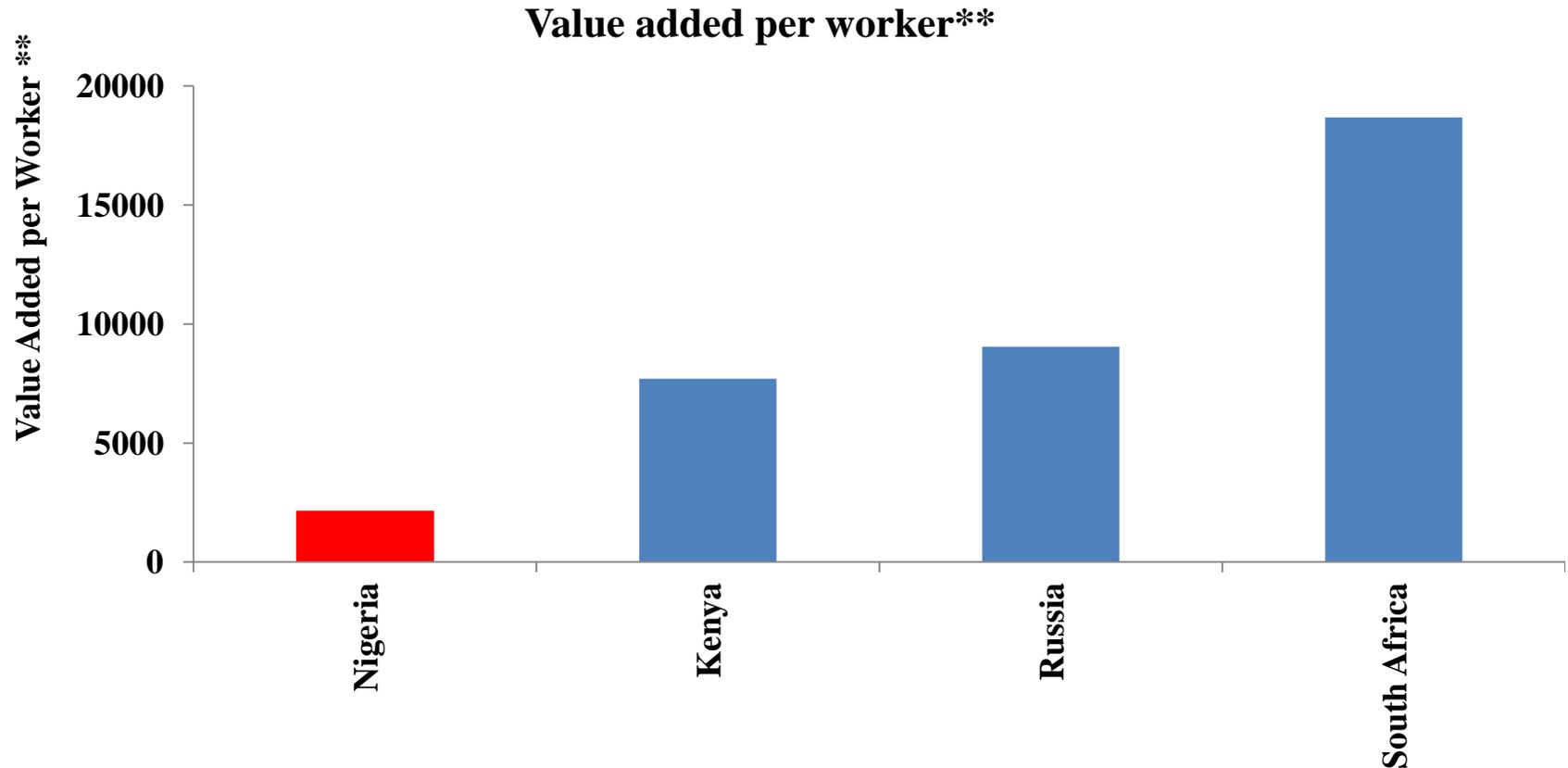
Indirect costs as percent of sales (manufacturing only)



Labour Productivity (Value-Added Per Worker)

Nigeria lags behind in firm performance. The median manufacturing firm in **Nigeria** produces about **\$2,100** of value-added per worker compared to about **Kenya \$7,700** Russia \$9,100 & **South Africa\$18,700**

(**countries' data covers various years deflated to 2005 \$ rate)



What can an individual MSME do?

- ✓ Do you honestly have a Unique Selling Point?
- ✓ How can you add more value for your customers?
- ✓ Who are your competitors? What are their competitive strengths compared to yours?
- ✓ Are you really making a profit or simply turning over cash?
- ✓ Are you re-investing in the business or simply taking out profits when you need cash?
- ✓ How well trained are your staff?
- ✓ Do you have a realistic and achievable plan?
- ✓ **Proper Preparation & Planning Prevents Poor Performance**
- ✓ Actively participate in a sector or broad based Business Member Organisation in order to engage in dialogue with Government to address business environment issues of concern



How can MSMEs develop bargaining power?

- Operating as Business Membership Organisations (BMOs) – safety in numbers. Power of being in a collective.
- BMOs act as key intermediaries between the public and private sector.
- When they work effectively, BMOs identify pressing constraints in the business environment, formulate evidence-based policy proposals, advocate for business-friendly laws and regulation, and engage government in substantive and constructive dialogue.

The current situation - BMOs

- Unfortunately, BMOs in Nigeria have not historically done a good job in promoting a better business environment.
- The majority of Nigerian BMOs lack understanding of the basics of advocacy. Few have dedicated advocacy managers or teams.
- Most BMOs in Nigeria have weak financial capacity, meaning they are unable to fund advocacy activities. This stems from inadequate fundraising skills, and ineffective member communications and services.

Poor performance of BMOs. Why?



- BMOs rarely conduct robust research, meaning that they do not understand the issues in sufficient depth and fail to formulate credible policy proposals;
- BMOs tend to present government with shopping lists, or make vague demands for funding or “government support”, which does little to address key BE constraints facing members;
- BMOs tend to have a poor record in engaging the media, forming coalitions, and communicating persuasively;
- Dialogue platforms tend to be talking-shops, with limited substantive debate;
- There is little follow-up by BMOs, meaning promises are regularly broken and policies are poorly implemented;
- BMOs often lack credibility with government, or are seen as unrepresentative. Selfish interest of some members!

Common Advocacy Weaknesses

1. **Limited member participation** – elite hijacking issues for narrow interests
2. **Poor Prioritisation** - taking on too many issues (*e.g. access to finance + minimum wage + power + multiple taxes*)
3. **Inconsistent & incoherent** presentation of policy positions = **weak & convoluted message**
4. Poor research = Poor evidence = **Weak Advocacy**; (*anecdotal and unscientific evidence; unreliable data; low quality analysis*)
5. **Lack of secretariat capacity** – limited knowledge base, inadequate skills and experience
6. **Lack of FOCUS!** – BMO activity diverted away from advocacy towards sponsorship

A 5-step Advocacy guide

1. **Identify issues of concern to members**
2. **Prioritise issues & seek member re-validation**
3. **Conduct in-depth research & analysis as evidence for dialogue**
4. **Prepare a realistic & achievable strategy and work plan with clear objectives**
5. **Implement with discipline & focus – targeting decision makers and the media**

The benefits of a Better Business Environment

- A.** Low “cost of Doing Business” = Increased possibility that MSMEs will want to invest

- B.** An improved enabling environment = **A** more vibrant private sector

- C.** **A** better business environment = **C**ompetitive Sustainable MSMEs = **I**ncreased **E**mployment = **P**overty **R**eduction

Thank you

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