

A World Bank Group Flagship Report

14TH EDITION

Doing Business 2017

Equal Opportunity for All

Economy Profile 2017

Nigeria



Comparing Business Regulation
for Domestic Firms in **190** Economies

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INTRODUCTION

Doing Business sheds light on how easy or difficult it is for a local entrepreneur to open and run a small to medium-size business when complying with relevant regulations. It measures and tracks changes in regulations affecting 11 areas in the life cycle of a business: 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 labor market regulation. *Doing Business 2017* presents the data for the labor market regulation indicators in an annex. The report does not present rankings of economies on labor market regulation indicators or include the topic in the aggregate distance to frontier score or ranking on the ease of doing business.

In a series of annual reports *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, over time. The data set covers 48 economies in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 25 in East Asia and the Pacific, 25 in Eastern Europe and Central Asia, 20 in the Middle East and North Africa and 8 in South Asia, as well as 32 OECD high-income economies. The indicators are used to analyze economic outcomes and identify what reforms have worked, where and why.

This economy profile presents the *Doing Business* indicators for Nigeria. To allow useful comparison, it also

provides data for other selected economies (comparator economies) for each indicator. The data in this report are current as of June 1, 2016 (except for the paying taxes indicators, which cover the period January–December 2015).

The *Doing Business* methodology has limitations. Other areas important to business—such as an economy's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders and getting electricity), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions—are not directly studied by *Doing Business*. The indicators refer to a specific type of business, generally a local limited liability company operating in the largest business city. Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policy makers in designing regulatory reform.

More information is available in the full report. *Doing Business 2017* presents the indicators, analyzes their relationship with economic outcomes and presents business regulatory reforms. The data, along with information on ordering *Doing Business 2017*, are available on the *Doing Business* website at <http://www.doingbusiness.org>.

CHANGES IN *DOING BUSINESS 2017*

As part of a three-year update in methodology, *Doing Business 2017* expands further by adding postfiling processes to the paying taxes indicator, including a gender component in three of the indicators and developing a new pilot indicator on selling to the government. Also, for the first time this year *Doing Business* collects data on Somalia, bringing the total number of economies covered to 190.

The paying taxes indicator is expanded this year to include postfiling processes – those processes that occur after a firm complies with its regular tax obligations. These include tax refunds, tax audits and tax appeals. In particular, *Doing Business* measures the time it takes to get a value added tax (VAT) refund, deal with a simple mistake on a corporate tax return that can potentially trigger an audit and good practices with administrative appeals process.

This year's *Doing Business* report presents a gender dimension in four of the indicator sets: starting a business, registering property, enforcing contracts and labor market regulation. Three of these areas are included in the distance to frontier score and in the ease of doing business ranking, while the fourth—labor market regulation—is not.

Doing Business has traditionally assumed that the entrepreneurs or workers discussed in the case studies were men. This was incomplete by not reflecting correctly the *Doing Business* processes as applied to women—which in some economies may be different from the processes applied to men. Starting this year, *Doing Business* measures the starting a business process for two case scenarios: one where all entrepreneurs are men and one where all entrepreneurs are women. In economies where the processes are more onerous if the entrepreneur is a woman, *Doing Business* now counts the extra procedures applied to roughly half of the population that is female (for example, obtaining a husband's consent or gender-specific requirements for opening a personal bank account when starting a business). Within the registering property indicators, a gender component has been added to the quality of land administration index. This component measures women's ability to use, own, and transfer property according to the law. Finally, within the enforcing contracts indicator set, economies will be scored on

having equal evidentiary weight of women's testimony in court.

Also for the first time this year *Doing Business* collects data on Somalia, bringing the total number of economies covered to 190.

For more details on the changes, see the "Old and new factors covered in *Doing Business*" section in the Overview chapter starting on page 1 of the *Doing Business 2017* report. For more details on the data and methodology, please see the "Data Notes" chapter starting on page 114 of the *Doing Business 2017* report. For more details on the distance to frontier metric, please see the "Distance to frontier and ease of doing business ranking" chapter in this profile.

THE BUSINESS ENVIRONMENT

For policy makers trying to improve their economy's regulatory environment for business, a good place to start is to find out how it compares with the regulatory environment in other economies. *Doing Business* provides an aggregate ranking on the ease of doing business based on indicator sets that measure and benchmark regulations applying to domestic small to medium-size businesses through their life cycle. Economies are ranked from 1 to 190 by the ease of doing business ranking. *Doing Business* presents results for 2 aggregate measures: the distance to frontier score and the ease of doing business ranking. The ranking of economies is determined by sorting the aggregate distance to frontier scores, rounded to two decimals. 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. (See the chapter on the distance to frontier and ease of doing business).

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 can show only how much the regulatory environment has changed relative to that in other economies.

The 10 topics included in the ranking in *Doing Business 2017*: 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. The labor market regulation indicators are not included in this year's aggregate ease of doing business ranking, but the data are presented in the economy profile.

ECONOMY OVERVIEW

Region: Sub-Saharan Africa

Income category: Lower middle income

Population: 182,201,962

GNI per capita (US\$): 2,820

DB2017 rank: 169

DB2016 rank: 170*

Change in rank: 1

DB 2017 DTF: 44.63

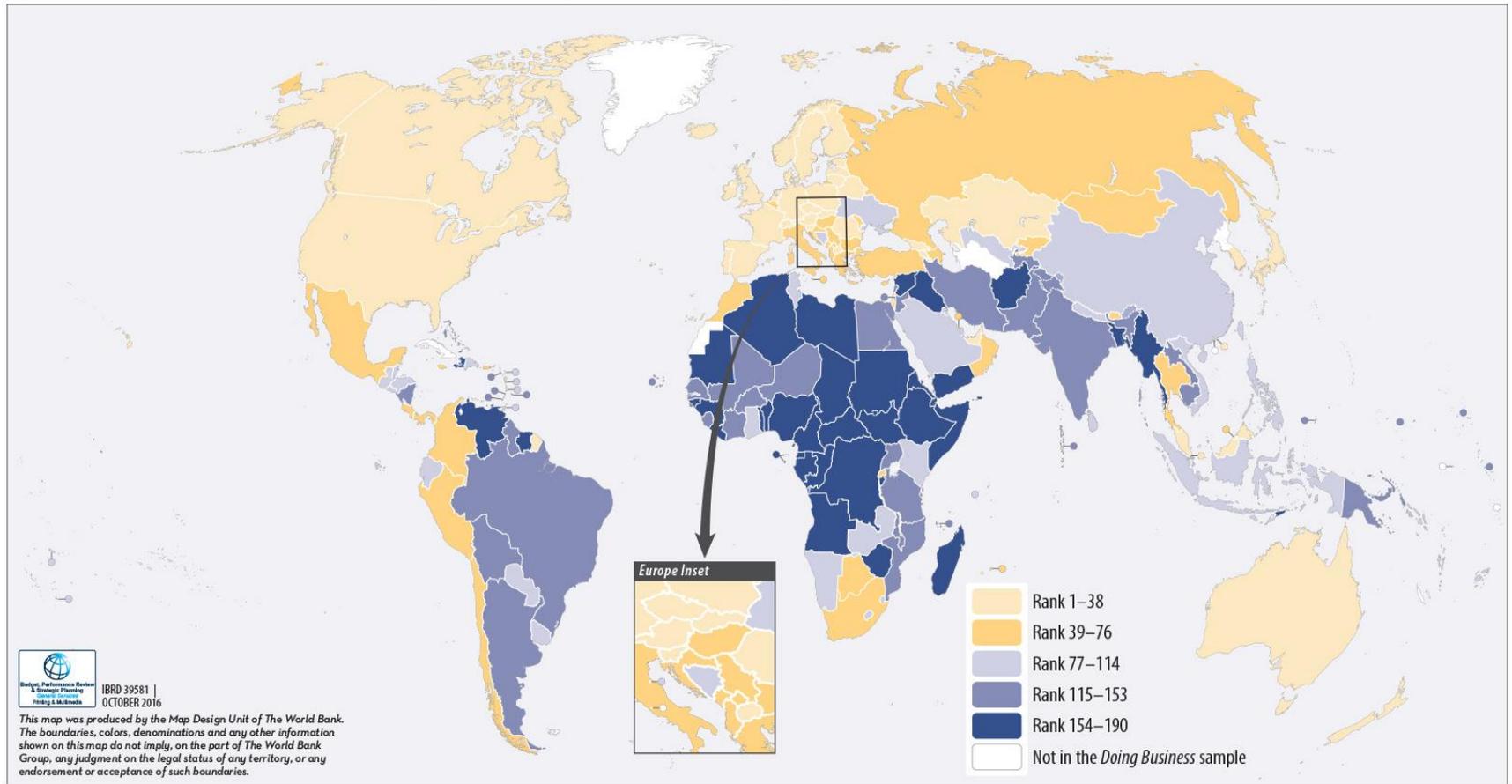
DB 2016 DTF: 44.02

Change in DTF: 0.61

* DB2016 ranking shown is not last year's published ranking but a comparable ranking for DB2016 that captures the effects of such factors as data revisions and the changes in methodology. See the data notes starting on page 114 of the *Doing Business 2017* report for sources and definitions.

THE BUSINESS ENVIRONMENT

Figure 1.1 Where economies stand in the global ranking on the ease of doing business



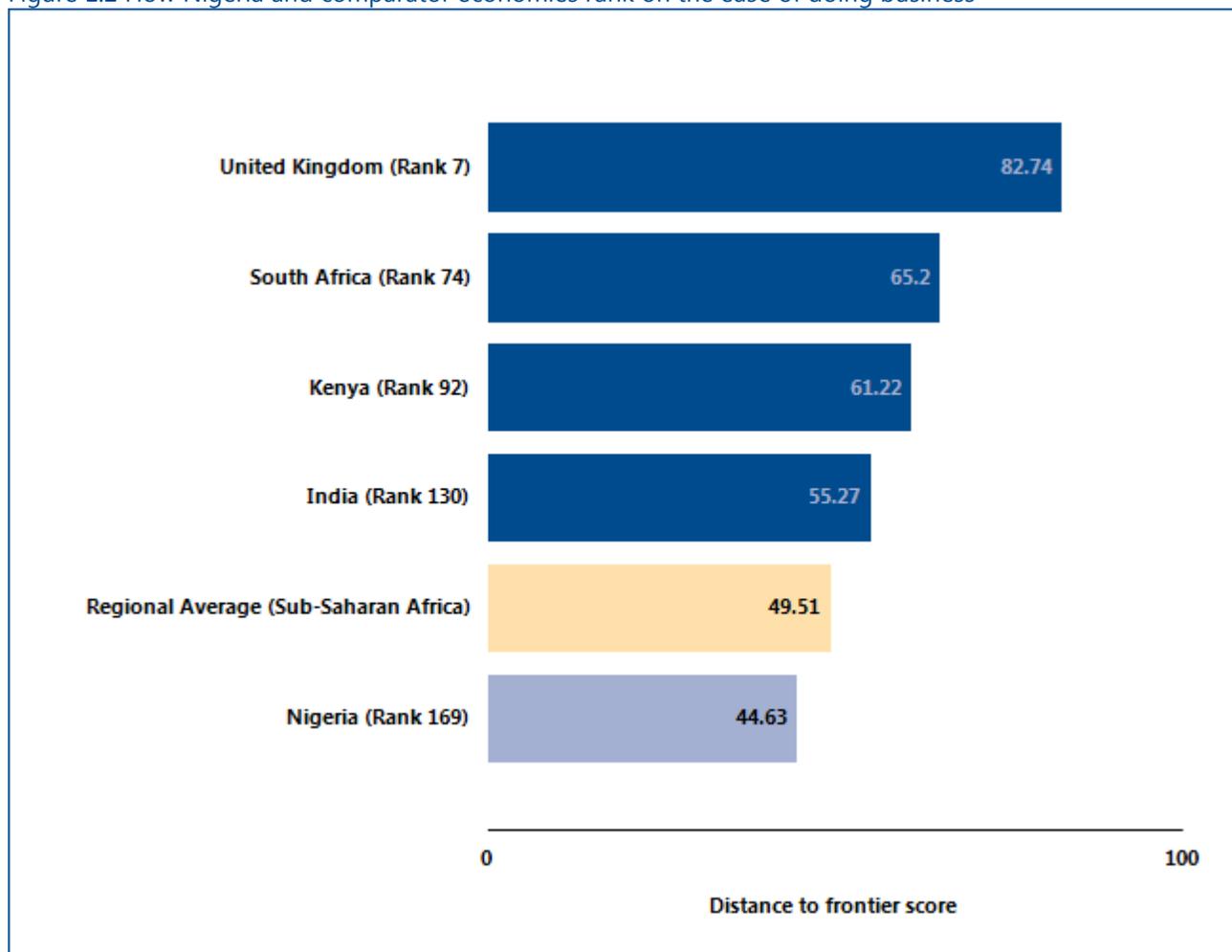
Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

For policy makers, knowing where their economy stands in the aggregate ranking on the ease of doing business is useful. Also useful is to know how it ranks relative to comparator economies and relative to the

regional average (figure 1.2). The economy's rankings (figure 1.3) and distance to frontier scores (figure 1.4) on the topics included in the ease of doing business ranking provide another perspective.

Figure 1.2 How Nigeria and comparator economies rank on the ease of doing business



Note: 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. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. 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. For the economies for which the data cover 2 cities, scores are a population-weighted average for the 2 cities.

Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

Figure 1.3 Rankings on *Doing Business* topics - Nigeria
 (Scale: Rank 190 center, Rank 1 outer edge)

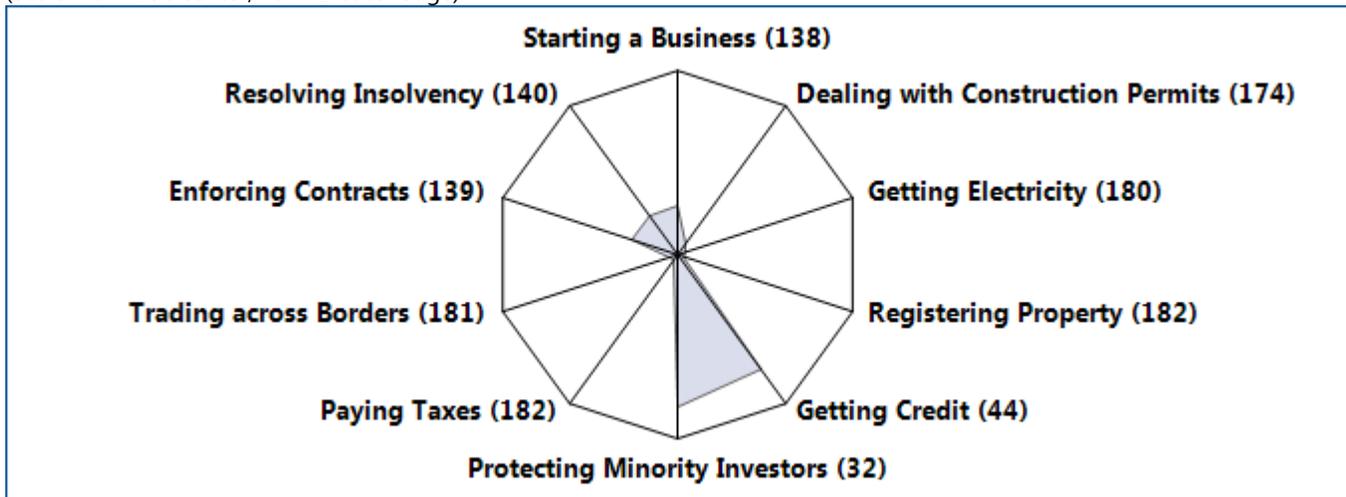
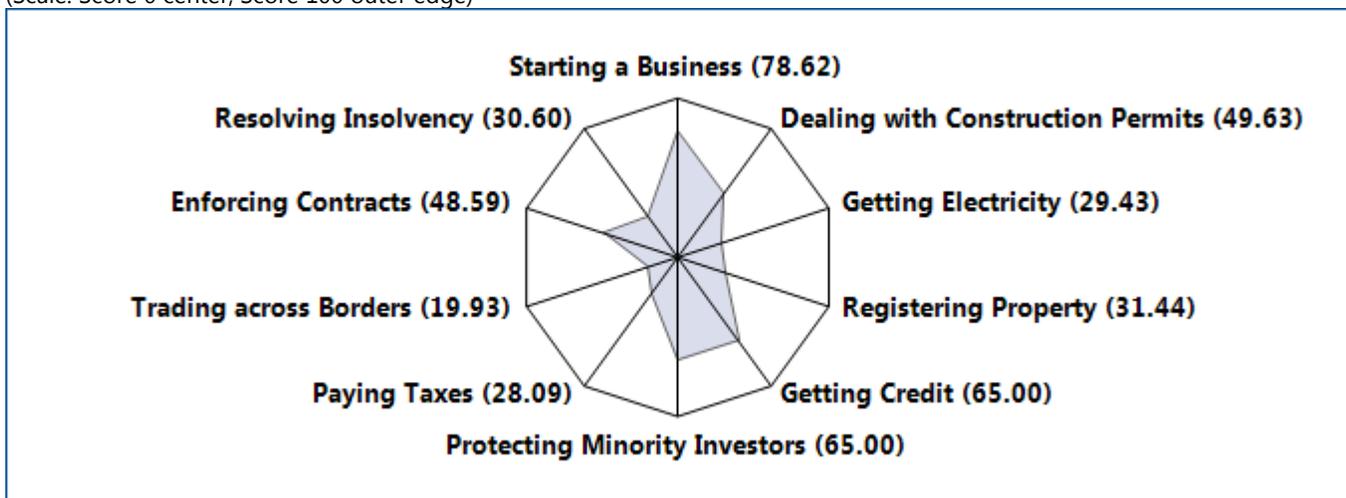


Figure 1.4 Distance to frontier scores on *Doing Business* topics - Nigeria
 (Scale: Score 0 center, Score 100 outer edge)



Source: *Doing Business* database.

Note: 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. The distance to frontier score benchmarks economies with respect to regulatory practice, showing the absolute distance to the best performance in each *Doing Business* indicator. 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. For the economies for which the data cover 2 cities, scores are a population-weighted average for the 2 cities.

THE BUSINESS ENVIRONMENT

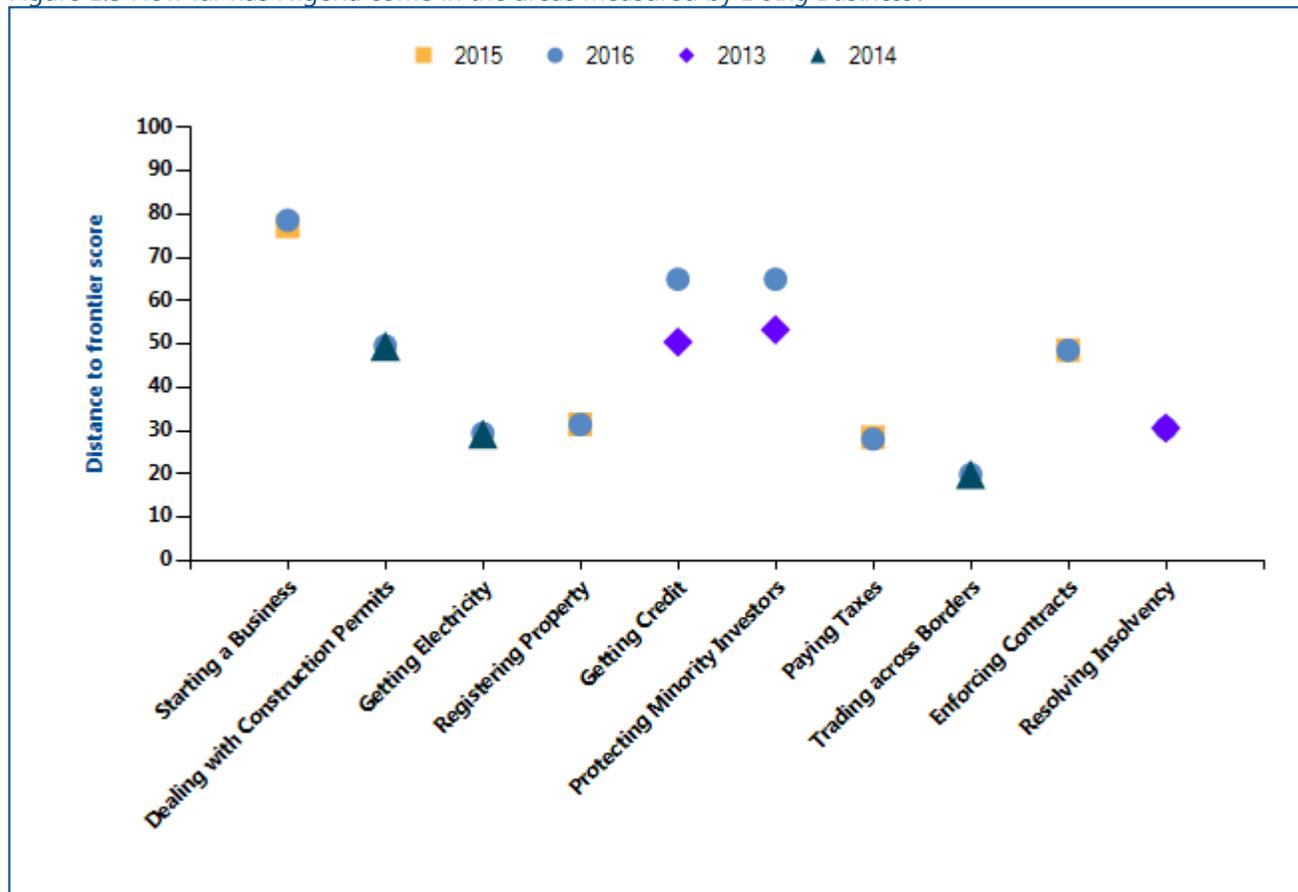
Just as the overall ranking on the ease of doing business tells only part of the story, so do changes in that ranking. Yearly movements in rankings can provide some indication of changes in an economy’s regulatory environment for firms, but they are always relative.

Moreover, year-to-year changes in the overall rankings do not reflect how the business regulatory environment in an economy has changed over time—or how it has changed in different areas. To aid in assessing such changes,

Doing Business introduced the distance to frontier score. This measure shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator.

Comparing the measure for an economy at 2 points in time allows users to assess how much the economy’s regulatory environment as measured by *Doing Business* has changed over time—how far it has moved toward (or away from) the most efficient practices and strongest regulations in areas covered by *Doing Business* (figure 1.5).

Figure 1.5 How far has Nigeria come in the areas measured by *Doing Business*?



Note: The distance to frontier score shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator. Getting credit, protecting minority investors and resolving insolvency had methodology changes in 2014 and thus are only comparable to 2013. Dealing with construction permits, getting electricity and trading across borders had methodology changes in 2015 and thus are only comparable to 2014. Starting a business, registering property, paying taxes and enforcing contracts had methodology changes in 2016 and thus are only comparable to 2015. The measure is normalized to range between 0 and 100, with 100 representing the best performance (the frontier). See the data notes starting on page 114 of the *Doing Business 2017* report for more details on the distance to frontier score. Source: *Doing Business* database.

THE BUSINESS ENVIRONMENT

The absolute values of the indicators tell another part of the story (table 1.1). The indicators, on their own or in comparison with the indicators of a good practice economy or those of comparator economies in the region, may reveal bottlenecks reflected in large numbers of procedures, long delays or high costs. Or they may reveal unexpected strengths in an area of business

regulation—such as a regulatory process that can be completed with a small number of procedures in a few days and at a low cost. Comparison of the economy's indicators today with those in the previous year may show where substantial bottlenecks persist—and where they are diminishing.

Table 1.1 Summary of *Doing Business* indicators for Nigeria

Indicator	Nigeria DB2017	Nigeria DB2016	Lagos DB2017	Kano DB2017	India DB2017	Kenya DB2017	South Africa DB2017	United Kingdom DB2017	Best performer globally DB2017
Starting a Business (Rank)	138	137	--	--	155	116	131	16	1 (New Zealand)
Starting a Business (DTF Score)	78.62	77.19	79.98	74.08	74.31	83.13	80.47	94.58	99.96 (New Zealand)
Procedure – Men (number)	8.7	8.7	8.0	11.0	12.9	7.0	7.0	4.0	1.0 (New Zealand)
Time – Men (days)	25.2	30.5	24.0	29.0	26.0	22.0	43.0	4.5	0.5 (New Zealand)
Cost – Men (% of income per capita)	31.0	31.7	30.6	32.4	13.8	21.1	0.2	0.1	0.0 (Slovenia)
Procedure – Women (number)	8.7	8.7	8.0	11.0	12.9	7.0	7.0	4.0	1.0 (New Zealand)
Time – Women (days)	25.2	30.5	24.0	29.0	26.0	22.0	43.0	4.5	0.5 (New Zealand)
Cost – Women (% of income per capita)	31.0	31.7	30.6	32.4	13.8	21.1	0.2	0.1	0.0 (Slovenia)
Paid-in min. capital (% of income per capita)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0 (127 Economies*)
Dealing with Construction Permits	174	173	--	--	185	152	99	17	1 (New Zealand)

Indicator	Nigeria DB2017	Nigeria DB2016	Lagos DB2017	Kano DB2017	India DB2017	Kenya DB2017	South Africa DB2017	United Kingdom DB2017	Best performer globally DB2017
(Rank)									
Dealing with Construction Permits (DTF Score)	49.63	49.61	42.35	73.98	32.83	57.18	68.21	80.34	87.40 (New Zealand)
Procedures (number)	16.1	16.1	17.0	13.0	35.1	17.0	19.0	9.0	7.0 (4 Economies*)
Time (days)	106.3	106.3	116.0	74.0	190.0	160.0	141.0	86.0	28.0 (Korea, Rep.)
Cost (% of warehouse value)	23.6	24.4	30.0	2.3	25.9	6.3	0.9	1.1	0.1 (Trinidad and Tobago)
Building quality control index (0-15)	6.8	6.8	6.5	8.0	11.5	7.0	10.0	9.0	15.0 (Luxembourg*)
Getting Electricity (Rank)	180	182	--	--	26	106	111	17	1 (Korea, Rep.)
Getting Electricity (DTF Score)	29.43	29.38	29.13	30.43	85.09	64.43	63.18	89.12	99.88 (Korea, Rep.)
Procedures (number)	9.0	9.0	9.0	9.0	5.0	3.0	4.0	4.0	3.0 (15 Economies*)
Time (days)	195.2	195.2	198.0	186.0	45.9	97.0	84.0	79.0	18.0 (Korea, Rep.*)
Cost (% of income per capita)	422.8	437.7	422.8	422.8	133.2	642.0	156.1	25.8	0.0 (Japan)
Reliability of supply and transparency of tariff index (0-8)	0.0	0.0	0.0	0.0	7.0	0.0	0.0	8.0	8.0 (26 Economies*)
Registering Property (Rank)	182	182	--	--	138	121	105	47	1 (New Zealand)
Registering Property (DTF Score)	31.44	31.43	29.86	36.71	50.00	54.40	59.03	74.11	94.46 (New Zealand)
Procedures (number)	12.1	12.1	13.0	9.0	7.0	9.0	7.0	6.0	1.0 (4 Economies*)

Indicator	Nigeria DB2017	Nigeria DB2016	Lagos DB2017	Kano DB2017	India DB2017	Kenya DB2017	South Africa DB2017	United Kingdom DB2017	Best performer globally DB2017
Time (days)	69.6	69.6	77.0	45.0	46.8	61.0	23.0	21.5	1.0 (3 Economies*)
Cost (% of property value)	10.5	10.5	10.1	11.8	7.7	6.1	7.3	4.8	0.0 (Saudi Arabia)
Quality of the land administration index (0-30)	6.3	6.3	7.0	4.0	7.0	16.0	13.5	24.0	29.0 (Singapore)
Getting Credit (Rank)	44	60	--	--	44	32	62	20	1 (New Zealand)
Getting Credit (DTF Score)	65.00	60.00	65.00	65.00	65.00	70.00	60.00	75.00	100.00 (New Zealand)
Strength of legal rights index (0-12)	7.0	6.0	7.0	7.0	6.0	7.0	5.0	7.0	12.0 (3 Economies*)
Depth of credit information index (0-8)	6.0	6.0	6.0	6.0	7.0	7.0	7.0	8.0	8.0 (30 Economies*)
Credit registry coverage (% of adults)	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	100.0 (3 Economies*)
Credit bureau coverage (% of adults)	7.7	6.7	7.7	7.7	21.4	25.8	63.7	100.0	100.0 (23 Economies*)
Protecting Minority Investors (Rank)	32	30	--	--	13	87	22	6	1 (New Zealand*)
Protecting Minority Investors (DTF Score)	65.00	65.00	65.00	65.00	73.33	53.33	70.00	78.33	83.33 (New Zealand*)
Strength of minority investor protection index (0-10)	6.5	6.5	6.5	6.5	7.3	5.3	7.0	7.8	8.3 (New Zealand*)
Extent of conflict of interest regulation index (0-10)	7.0	7.0	7.0	7.0	6.7	6.7	8.0	8.3	9.3 (New Zealand*)
Extent of shareholder governance index (0-	6.0	6.0	6.0	6.0	8.0	4.0	6.0	7.3	8.3 (Norway)

Indicator	Nigeria DB2017	Nigeria DB2016	Lagos DB2017	Kano DB2017	India DB2017	Kenya DB2017	South Africa DB2017	United Kingdom DB2017	Best performer globally DB2017
10)									
Paying Taxes (Rank)	182	182	--	--	172	125	51	10	1 (United Arab Emirates)
Paying Taxes (DTF Score)	28.09	28.43	28.08	28.09	46.58	61.72	81.09	90.74	99.44 (United Arab Emirates)
Payments (number per year)	59.0	59.0	59.0	59.0	25.0	31.0	7.0	8.0	3.0 (Hong Kong SAR, China*)
Time (hours per year)	907.9	907.9	956.0	747.0	241.0	195.5	203.0	110.0	55.0 (Luxembourg)
Total tax rate (% of profit)	34.3	33.3	34.3	34.3	60.6	37.4	28.8	30.9	26.1 (32 Economies*)
Postfiling index (0-100)	17.2	17.2	17.2	17.2	4.3	32.1	58.6	87.4	98.5 (Estonia)
Trading across Borders (Rank)	181	181	--	--	143	105	139	28	1 (10 Economies*)
Trading across Borders (DTF Score)	19.93	19.93	19.93	19.93	57.61	66.38	58.01	93.76	100.00 (10 Economies*)
Time to export: Border compliance (hours)	135	135	135	135	106	21	100	24	0 (18 Economies*)
Cost to export: Border compliance (USD)	786	786	786	786	413	143	428	280	0 (18 Economies*)
Time to export: Documentary compliance (hours)	131	131	131	131	38	19	68	4	1 (25 Economies*)
Cost to export: Documentary compliance (USD)	250	250	250	250	92	191	170	25	0 (19 Economies*)
Time to import: Border compliance (hours)	284	284	284	284	283	180	144	3	0 (25 Economies*)

Indicator	Nigeria DB2017	Nigeria DB2016	Lagos DB2017	Kano DB2017	India DB2017	Kenya DB2017	South Africa DB2017	United Kingdom DB2017	Best performer globally DB2017
Cost to import: Border compliance (USD)	1077	1077	1077	1077	574	833	657	0	0 (28 Economies*)
Time to import: Documentary compliance (hours)	173	173	173	173	61	84	36	2	1 (29 Economies*)
Cost to import: Documentary compliance (USD)	564	564	564	564	135	115	213	0	0 (30 Economies*)
Enforcing Contracts (Rank)	139	139	--	--	172	87	113	31	1 (Korea, Rep.)
Enforcing Contracts (DTF Score)	48.59	48.59	49.34	46.07	35.19	58.27	54.10	69.36	84.15 (Korea, Rep.)
Time (days)	509.8	509.8	447.0	720.0	1420.0	465.0	600.0	437.0	164.0 (Singapore)
Cost (% of claim)	57.7	57.7	62.0	43.4	39.6	41.8	33.2	43.9	9.0 (Iceland)
Quality of judicial processes index (0-18)	7.7	7.7	8.0	6.5	9.0	9.0	7.0	15.0	15.5 (Australia)
Resolving Insolvency (Rank)	140	139	--	--	136	92	50	13	1 (Finland)
Resolving Insolvency (DTF Score)	30.60	30.68	30.60	30.60	32.75	43.39	57.94	82.04	93.89 (Finland)
Recovery rate (cents on the dollar)	27.8	28.0	27.8	27.8	26.0	28.4	35.1	88.6	92.9 (Norway)
Time (years)	2.0	2.0	2.0	2.0	4.3	4.5	2.0	1.0	0.4 (22 Economies*)
Cost (% of estate)	22.0	22.0	22.0	22.0	9.0	22.0	18.0	6.0	1.0 (22 Economies*)
Strength of insolvency framework index (0-16)	5.0	5.0	5.0	5.0	6.0	9.0	12.5	11.0	15.0 (6 Economies*)

Source: Doing Business database.

Note: DB2016 rankings shown are not last year's published rankings but comparable rankings for DB2016 that capture the effects of such factors as data revisions and changes to the methodology. The global best performer on time for paying taxes is defined as the lowest

time recorded among all economies in the DB2016 sample that levy the 3 major taxes: profit tax, labor taxes and mandatory contributions, and VAT or sales tax. If an economy has no laws or regulations covering a specific area—for example, insolvency—it receives a “no practice” mark. Similarly, an economy receives a “no practice” mark if regulation exists but is never used in practice or if a competing regulation prohibits such practice. Either way, a “no practice” mark puts the economy at the bottom of the ranking on the relevant indicator. * Two or more economies share the top ranking on this indicator. A number shown in place of an economy’s name indicates the number of economies that share the top ranking on the indicator. For a list of these economies, see the *Doing Business* website (<http://www.doingbusiness.org>).

STARTING A BUSINESS

Formal registration of companies has many immediate benefits for the companies and for business owners and employees. Legal entities can outlive their founders. Resources are pooled as several shareholders join forces to start a company. Formally registered companies have access to services and institutions from courts to banks as well as to new markets. And their employees can benefit from protections provided by the law. An additional benefit comes with limited liability companies. These limit the financial liability of company owners to their investments, so personal assets of the owners are not put at risk. Where governments make registration easy, more entrepreneurs start businesses in the formal sector, creating more good jobs and generating more revenue for the government.

What do the indicators cover?

Doing Business records all procedures officially required, or commonly done in practice, for an entrepreneur to start up and formally operate an industrial or commercial business, as well as the time and cost to complete these procedures and the paid-in minimum capital requirement. These procedures include obtaining all necessary licenses and permits and completing any required notifications, verifications or inscriptions for the company and employees with relevant authorities. The ranking of economies on the ease of starting a business is determined by sorting their distance to frontier scores for starting a business. These scores are the simple average of the distance to frontier scores for each of the component indicators.

To make the data comparable across economies, several assumptions about the business and the procedures are used. It is assumed that any required information is readily available and that the entrepreneur will pay no bribes. Assumptions about the business:

- Is a limited liability company (or its legal equivalent). If there is more than one type of limited liability company in the economy, the limited liability form most common among domestic firms is chosen. Information on the most common form is obtained from incorporation lawyers or the statistical office.
- Operates in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Is 100% domestically owned and has five

WHAT THE STARTING A BUSINESS INDICATORS MEASURE

Procedures to legally start and operate a company (number)

Preregistration (for example, name verification or reservation, notarization)

Registration in the economy's largest business city¹

Postregistration (for example, social security registration, company seal)

Obtaining approval from spouse to start a business, to leave the home to register the company or open a bank account.

Obtaining any gender specific document for company registration and operation, national identification card or opening a bank account.

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day (2 procedures cannot start on the same day). Procedures that can be fully completed online are recorded as ½ day.

Procedure completed once final document is received

No prior contact with officials

Cost required to complete each procedure (% of income per capita)

Official costs only, no bribes

No professional fees unless services required by law or commonly used in practice

Paid-in minimum capital (% of income per capita)

Deposited in a bank or with a notary before registration (or within 3 months)

- The size of the entire office space is approximately 929 square meters (10,000 square feet).

owners, none of whom is a legal entity

- Has start-up capital of 10 times income per capita
- Performs general commercial or industrial activities, such as the production or sale to the public of products or services. The business does not perform foreign trade activities and does not handle products subject to a special tax regime, for example, liquor or tobacco. It is not using heavily polluting production processes.
- Leases the commercial plant or offices and is not a proprietor of real estate.
- The amount of the annual lease for the office space is equivalent to 1 times income per capita

- Does not qualify for investment incentives or any special benefits.
- Has at least 10 and up to 50 employees one month after the commencement of operations, all of them domestic nationals.
- Has a turnover of at least 100 times income per capita.
- Has a company deed 10 pages long.

The owners:

- Have reached the legal age of majority and are capable of making decisions as an adult. If there is no legal age of majority, they are assumed to be 30 years old.
- Are sane, competent, in good health and have no criminal record.
- Are married, the marriage is monogamous and registered with the authorities.
- Where the answer differs according to the legal system applicable to the woman or man in question (as may be the case in economies where there is legal plurality), the answer used will be the one that applies to the majority of the population.

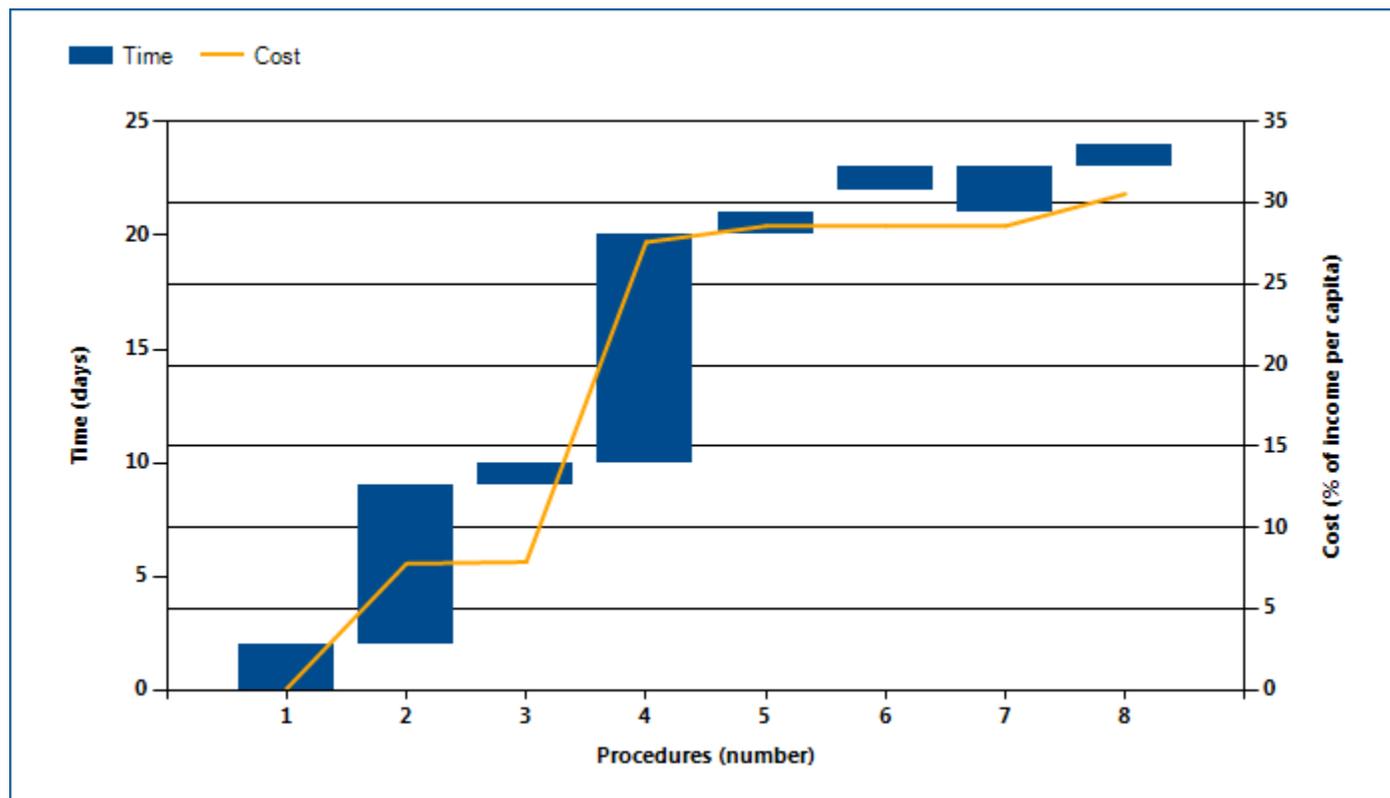
STARTING A BUSINESS

Where does the economy stand today?

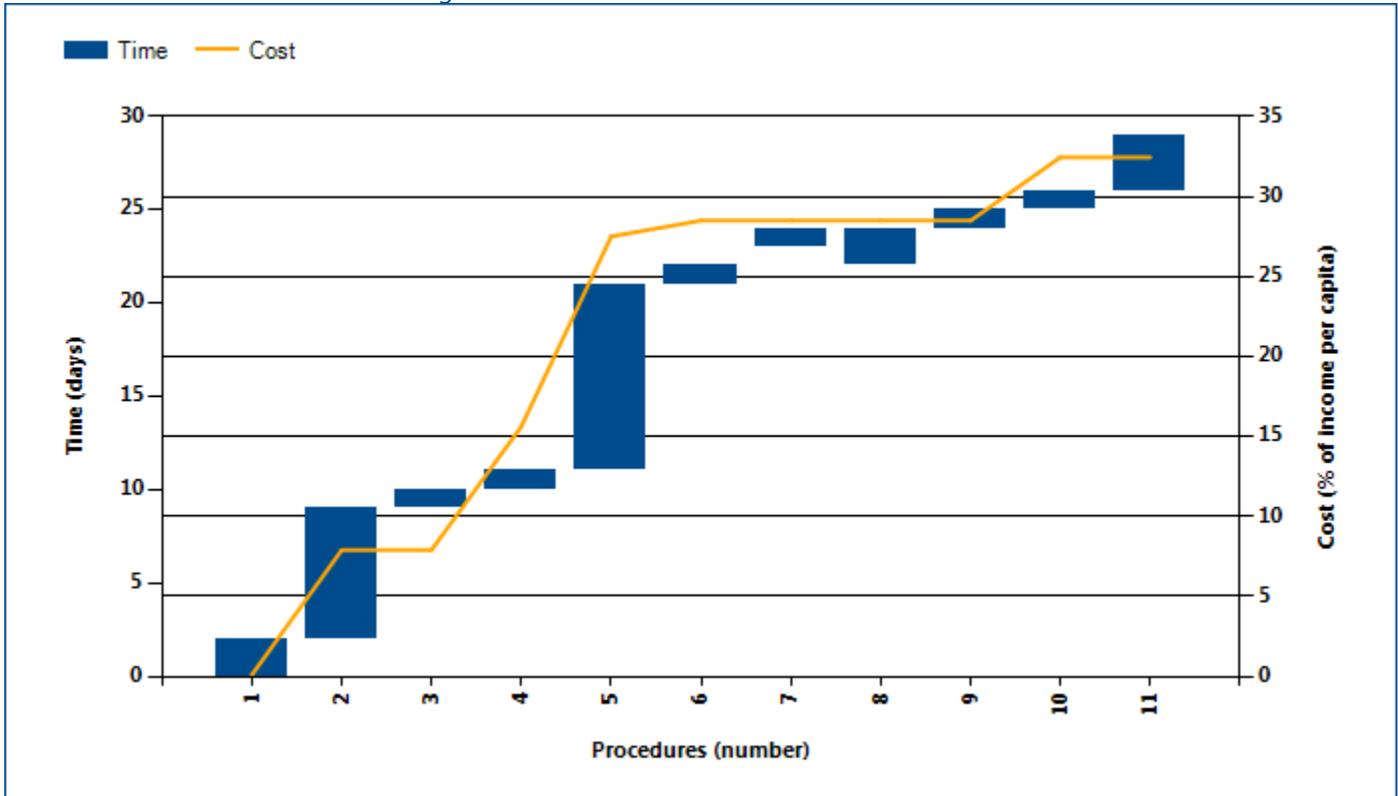
What does it take to start a business in Nigeria? According to data collected by *Doing Business*, starting a business there requires 8.7 procedures, takes 25.2 days, costs 31.0% of income per capita for men, and requires 8.7 procedures, takes 25.2 days, costs 31.0% of income per capita for women. A requirement of paid-in minimum capital of 0.0% of income per capita (figure 2.1) is legally mandatory for both men and women. Most

indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 2.1 What it takes to start a business in Nigeria - Lagos
Paid-in minimum capital (% of income per capita): 0.0



What it takes to start a business in Nigeria - Kano



Source: *Doing Business* database.

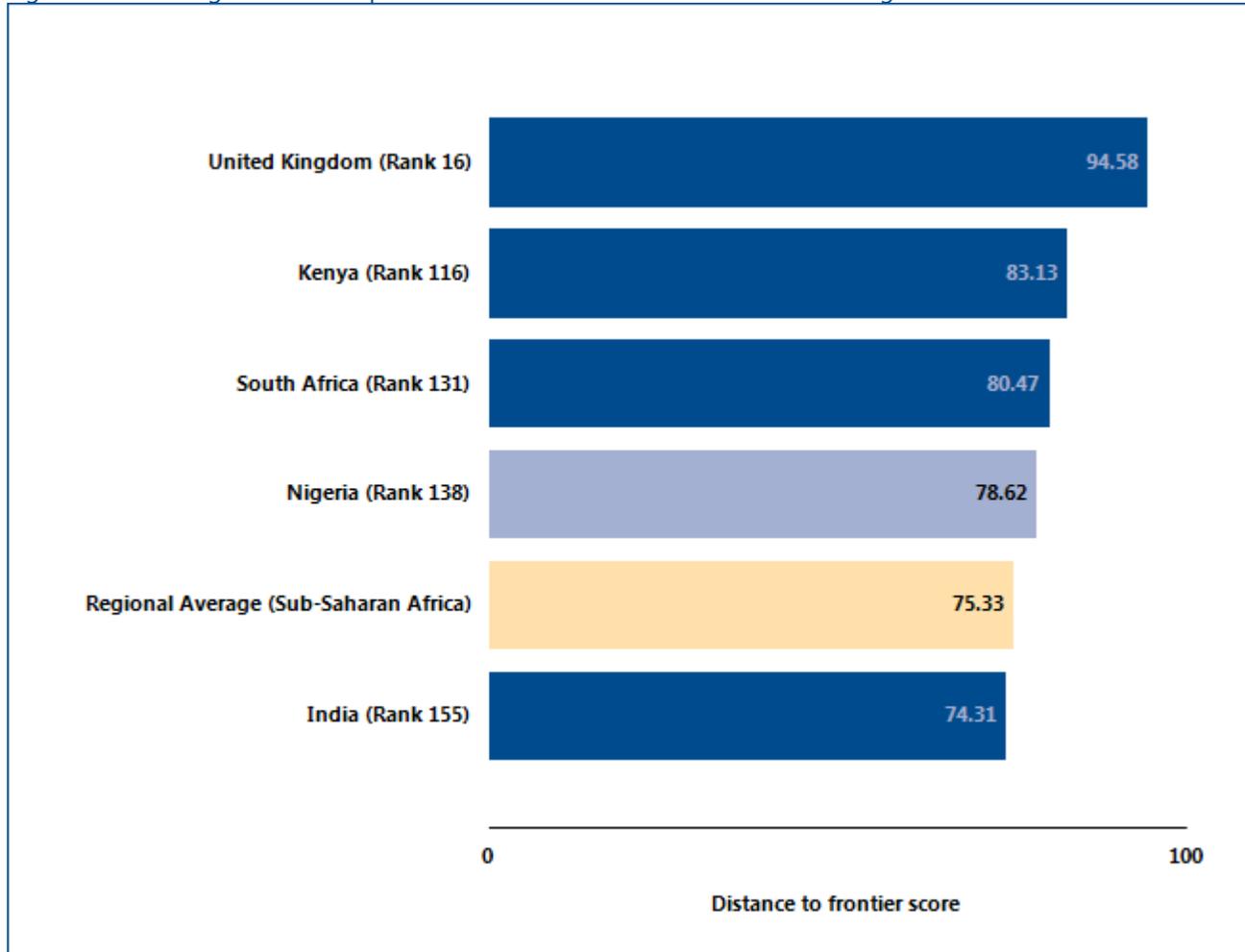
Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the starting a business indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter. Procedures in light blue are for married women only.

STARTING A BUSINESS

Globally, Nigeria stands at 138 in the ranking of 190 economies on the ease of starting a business (figure 2.2). The rankings for comparator economies and the regional

average ranking provide other useful information for assessing how easy it is for an entrepreneur in Nigeria to start a business.

Figure 2.2 How Nigeria and comparator economies rank on the ease of starting a business



Source: Doing Business database.

STARTING A BUSINESS

Economies around the world have taken steps making it easier to start a business—streamlining procedures by setting up a one-stop shop, making procedures simpler or faster by introducing technology and reducing or eliminating minimum capital requirements. Many have undertaken business registration reforms in stages—and

they often are part of a larger regulatory reform program. Among the benefits have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities.

What business registration reforms has *Doing Business* recorded in Nigeria (table 2.1)?

Table 2.1 How has Nigeria made starting a business easier—or not?
By *Doing Business* report year from DB2011 to DB2017

DB year	Reform
DB2017	Nigeria made starting a business easier by improving online government portals . This reform applies to both Kano and Lagos.

Source: *Doing Business* database.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

STARTING A BUSINESS

What are the details?

Underlying the indicators shown in this chapter for Nigeria is a set of specific procedures—the bureaucratic and legal steps that an entrepreneur must complete to incorporate and register a new firm. These are identified by *Doing Business* through collaboration with relevant local professionals and the study of laws, regulations and publicly available information on business entry in that economy. Following is a detailed summary of those procedures, along with the associated time and cost. These procedures are those that apply to a company matching the standard assumptions (the “standardized company”) used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators measure).

STANDARDIZED COMPANY

Legal form: Private Limited Liability Company

Paid-in minimum capital requirement: NGN 0

City: Lagos, Kano

Start-up Capital: 10 times GNI per capita

Table 2.2 Summary of time, cost and procedures for starting a business in Nigeria - Lagos

No.	Procedure	Time to complete	Cost to complete
1	<p>Reserve a unique company name</p> <p>The Corporate Affairs Commission (CAC) online system was launched on February 2nd, 2015. This platform enables online unique name reservation as well as enabling filing the incorporation forms for the entire registration process.</p> <p>Applicants can go to the CAC branch office in Lagos (either in Yaba or Alausa) to complete this procedure with the CAC accredited professionals, where the business founders submit Form CAC 1: Availability Check and Reservation of Name. Alternatively, they can complete the process online at: http://services.cac.gov.ng/.</p> <p><i>Agency: Corporate Affairs Commission</i></p>	2 days	NGN 500 application form
2	<p>Prepare the requisite incorporation documents and pay the stamp duty</p> <p>To prepare the requisite incorporation documents, the business founders must complete the statutory forms, prepare and print the memorandum and articles of association, and have them stamped by the Federal Inland Revenue Service (FIRS).</p> <p>The stamp duty payable on share capital (ad valorem) is 0.75% and NGN 500 for each additional copy of Memorandum and Articles of Association stamped.</p> <p><i>Agency: Federal Inland Revenue Service</i></p>	7 days	0.75% stamp duty paid on share capital + NGN 500 for each additional copy of Memorandum and Articles of Association stamped (2 copies)

No.	Procedure	Time to complete	Cost to complete
3	<p>Sign the declaration of compliance (Form CAC 4) before a Commissioner for Oaths or a Notary Public</p> <p>The declaration by the barrister or solicitor engaged in the formation of the company may be sworn to before a Notary Public for a fee of NGN 4,000 - NGN 5,000 or at any of the recognized courts in the country (Magistrate Court, the State High Court, or the Federal High Court) before a Commissioner for Oaths for a small fee of NGN 500 usually chargeable by the respective courts.</p> <p><i>Agency: Notary Public</i></p>	1 day	NGN 500 at the court or NGN 4,000 - NGN 5,000 with a Notary Public
4	<p>Register the company and pay fees</p> <p>To register the company with the Corporate Affairs Commission (CAC), the following incorporation documents are submitted:</p> <ul style="list-style-type: none"> • Form CAC 1: Availability Check and Reservation of Name. • Memorandum and articles of association, stamped by the commissioner for stamp duties (2 copies). • Form CAC 3: Notice of registered address. • Form CAC 4: Declaration of compliance. • Form CAC 7: Particulars of directors. • Form CAC 2: Statement of share capital and return of allotment of shares. • Form CAC 2.1: Particulars of the company secretary. <p>Incorporation fees are:</p> <ul style="list-style-type: none"> • Incorporation fees for a company whose share capital exceeds NGN 1,000,000.00 are NGN 10,000.00 for the first NGN 1,000,000.00 and NGN 5,000.00 for every additional NGN 1,000,000.00 or any part thereof. • NGN 500 incorporation forms. • NGN 3,000 for certified true copy of memorandum and articles of association. • NGN 2,000 for certified true copy of particulars of directors. • NGN 2,000 for certified true copy of particulars of shareholders. • NGN 2,000 for certified true copy of particulars of the company secretary. <p>The payment of registration fees can be made at the bank desk at the CAC. The payment of statutory filing fees can now be processed online through Remita, an electronic payment platform. Upon making relevant payments online, the applicant is still required to verify these payments at the CAC in person.</p> <p><i>Agency: Corporate Affairs Commission</i></p>	10 days	see procedure details

No.	Procedure	Time to complete	Cost to complete
5	<p>Make a company seal</p> <p>Section 74 of the Companies and Allied Matters Act (CAMA) requires every company to have a common seal.</p> <p><i>Agency: Sealmaker</i></p>	1 day	NGN 4,000 - NGN 6,000
6	<p>Register for income tax and VAT</p> <p>The Federal Inland Revenue Service (FIRS) requires the applicant to complete tax registration forms for corporate income tax registration as well as VAT.</p> <p>The registration process requires submitting a completed tax office-issued application (taxpayer registration input form, TRIF/2006/001 COYS) and the following documents:</p> <ul style="list-style-type: none"> • Completed FIRS questionnaire. • Memorandum and articles of association (copy). • Certificate of incorporation (copy). • Directors' names and addresses. • Tax advisor's name and address. • Letter of appointment of a tax adviser and corresponding letter of acceptance. • The date the company commenced business; • Names, addresses and mobile numbers of major promoters and the chairman of the company, including their email addresses; • Other sources of income of the chairman and the promoters of the company; • Name and addresses of the principal officers of the company including the chairman, managing director, legal adviser and accountant; <p>To register, the company must submit the taxpayer registration input form in duplicate, and the original certificate of incorporation must be presented for review by the controller. Upon the completed taxpayer registration input form and all other documents being received, a tax reference number is allocated.</p> <p><i>Agency: Federal Inland Revenue Service</i></p>	1 day	no charge
* 7	<p>Register for personal income tax PAYE at the State Tax Office</p> <p>All employers shall register with the relevant state tax authority for income tax withholding.</p>	2 days (simultaneous with previous procedure)	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>The PAYE Regulations of 2003 made pursuant to the Personal Income Tax Act provides that all employers are to register with the Lagos State Board of Internal Revenue Tax Office nearest to the registered company address for the purpose of remitting income tax deducted from their employees. The employer must within 6 months of commencing a business deduct tax from emoluments of employees and remit the amount deducted to any of the designated collecting banks.</p> <p>The registration requirements are as follows:</p> <ol style="list-style-type: none"> 1. A copy of certificate of incorporation. 2. List of staff and their annual salaries. 3. Letter of application for registration. 4. Corporate income tax and VAT tax reference number. <p>Upon completion of registration, an Employer's Identification Number will be issued.</p> <p>An employer who fails or refuses to register commits an offence and is liable on conviction to pay a NGN 25,000 fine in addition to the payment of arrears of the tax due.</p> <p><i>Agency: State Tax Office</i></p>		
* 8	<p>Register business premises with the Lagos State Government and pay the business premises levy</p> <p>To register the company premises with the Lagos State Government, the entrepreneur heads to any nationalized commercial bank with some evidence of the business premises (utility bills, etc.) and pays the business premise levy to the account of the Lagos Inland Revenue Services (LIRS). The bank then issues a receipt bearing the Lagos State Government logo.</p> <p>Business premises in an urban area of Nigeria are required to be registered on the payment of a NGN 10,000 registration fee in the first year of registration (NGN 5,000 per annum as renewal registration fees in the subsequent years).</p> <p>For rural areas, the business premises registration fees is NGN 2,000 for the first year of registration (NGN 1,000 per annum as registration renewal fees for the subsequently years).</p> <p><i>Agency: Bank</i></p>	1 day (simultaneous with previous procedure)	NGN 10,000

* Takes place simultaneously with another procedure.

Source: *Doing Business* database.

Note: Online procedures account for 0.5 days in the total time calculation.

Procedures in light blue are for married women only.

No.	Procedure	Time to complete	Cost to complete
1	<p>Reserve a unique company name</p> <p>The Corporate Affairs Commission online system allows for online search of unique company names upon the purchase of an e-payment card for a flat fee of NGN 500 from an accredited bank. If the system is not fully operational due to either power fluctuations or network failures, applicants may go to the CAC office in person to complete this procedure. The time to conduct the availability of name search, receive confirmation and reserve the company name is usually 24 hours (2 business days). The company's name reservation lasts 60 days but can be renewed for a similar period.</p> <p><i>Agency: Corporate Affairs Commission</i></p>	2 days	NGN 500
2	<p>Prepare the requisite incorporation documents and pay the stamp duty</p> <p>This procedure involves the following tasks:</p> <ol style="list-style-type: none"> Preparing and printing the memorandum and articles of association; Completing the requisite statutory forms; Having the memorandum and articles of association stamped by the Federal Inland Revenue Service. <p>There is a stamp duty office on the same premises as the CAC.</p> <p><i>Agency: Stamp duty office</i></p>	7 days	Stamp duty at 0.75% of share capital + NGN 1,000 for stamping of two extra copies of memorandum and articles of association (NGN 500 each) + NGN 500 for incorporation forms
3	<p>Sign the declaration of compliance (Form CAC 4) before a Commissioner for Oaths or notary public</p> <p>A declaration must be sworn by: (i) a barrister or solicitor engaged in the formation of the company or (ii) a person named in the memorandum and articles of association as a director or secretary of the company. This procedure can be done before a notary public or filed at the State or Federal High Court. The common practice is for this declaration to be sworn before a Commissioner of Oaths at the State High Court.</p> <p><i>Agency: State High Court</i></p>	1 day	NGN 50
4	<p>Obtain a bank draft for payment of the registration fees</p> <p>Payment is made to a bank designated by the Corporate Affairs Commission.</p> <p>Fees are as follows:</p> <ul style="list-style-type: none"> Incorporation fees for a company whose share capital exceeds NGN 1,000,000.00 are NGN 10,000.00 for the first NGN 1,000,000.00 and NGN 5,000.00 for every additional NGN 1,000,000.00 or any part thereof. 	1 day	see procedure details

No.	Procedure	Time to complete	Cost to complete
	<ul style="list-style-type: none"> • NGN 500 incorporation forms. • NGN 3,000 for certified true copy of memorandum and articles of association. • NGN 2,000 for certified true copy of particulars of directors. • NGN 2,000 for certified true copy of particulars of shareholders. • NGN 2,000 for certified true copy of particulars of the company secretary. <p><i>Agency: Designated bank</i></p>		
5	<p>Register the company at the Corporate Affairs Commission</p> <p>The applicant must file with the Corporate Affairs Commission the required incorporation documents and forms, which include:</p> <ul style="list-style-type: none"> a. Stamped memorandum and articles of association (2 copies); b. Form CAC 3, Notice of registered address; c. Form CAC 7, Particulars of directors; d. Form CAC 4, Declaration of compliance and the prescribed registration fees; e. Copy of the reservation of company name approval; f. Form CAC 2, Statement of share capital and return of allotment of shares; g. Form CAC 2.1, Particulars of Person who is the company secretary of a company or any changes therein; h. Photocopy of information page of international passport or national identity card for each director and subscriber. <p>The fee schedule for registration is the following:</p> <ul style="list-style-type: none"> - for the first NGN 1,000,000 of nominal capital: NGN 10,000; - for every NGN 1,000,000 or less thereof of nominal capital after the first NGN 1,000,000: NGN 5,000; <p>Fees for certified true copies of some forms are paid as follows: - - NGN 3,000 for C.T.C of Memorandum and Articles of Association;</p> <ul style="list-style-type: none"> - NGN 2,000 for C.T.C of Particulars of Directors (CAC 7); - NGN 2,000 for C.T.C of Allotment of Share Capital (CAC 2); - NGN 2,000 for C.T.C of particulars of the company secretary. <p>Lawyers are usually hired to undertake the administrative incorporation procedures. On average, a lawyer will charge NGN 60,000 to handle the entire incorporation process in this state.</p> <p>The payment of statutory filing fees can now be processed online through Remita, an electronic payment platform. Upon making relevant payments online, the applicant is still required to verify these payments at the CAC in person.</p> <p><i>Agency: Corporate Affairs Commission</i></p>	10 days	NGN 60,000 for legal fees

No.	Procedure	Time to complete	Cost to complete
6	<p>Make a company seal</p> <p>Section 74 of the Companies and Allied Matters Act (CAMA) requires every company to have a common seal. It is also common in practice, especially because companies will generally have to register a deed or other official documents.</p> <p><i>Agency: Private company</i></p>	1 day	NGN 5,000
7	<p>Register for income tax and VAT</p> <p>Entrepreneurs can register for both corporate income tax and VAT at the new Integrated Tax Office. For corporate income tax, the Federal Inland Revenue Service (FIRS) will require the applicant to complete tax registration forms. The new company registers at the nearest Federal Tax Office.</p> <p>A form obtained from the tax office is filled and the following documents submitted with it:</p> <ul style="list-style-type: none"> a. Taxpayer registration input form (TRIF/2006/001 COYS); b. Completed FIRS questionnaire; c. Copy of memorandum and articles of association; d. Names and addresses of directors; e. Copy of the certificate of incorporation; f. Name, address of tax adviser; g. Letter of appointment of tax adviser and a letter of acceptance; h. The date the company commenced business; i. Names, addresses and mobile numbers of major promoters and the chairman of the company, including their email addresses; j. Other sources of income of the chairman and the promoters of the company; k. Name and addresses of the principal officers of the company including the chairman, managing director, legal adviser and accountant. <p>The application forms must be in triplicate and the original certificate of incorporation must be presented for 'sighting' by the controller before registration can be completed. Upon receipt of the completed taxpayer registration input form and all documents, a tax reference number is allocated.</p> <p>The fees for the tax clearance issuance are as follows: (i) for newly registered companies within 6 months of incorporation: no fee; (ii) for companies that are yet to commence business and show up for registration after 6 months of incorporation, if they request for tax clearance certificate a pre-operation levy of NGN 25,000 is payable for the first time and NGN 20,000 is payable for subsequent years until it files a notice of commencement of business.</p> <p>Companies required to register for VAT complete the VAT registration form (VAT Form 001, obtainable free of charge from all FIRS offices) and return it to the integrated tax office, which will issue a taxpayer</p>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
	<p>identification number (TIN). Companies required to register for VAT must do so within 6 months from the date of company incorporation.</p> <p>Since the registration for corporate income tax and VAT are done in the same place, one Tax Identification Number (TIN) is issued to companies for all federal taxes.</p> <p><i>Agency: Federal Inland Revenue Service</i></p>		
* 8	<p>Register for personal income tax PAYE</p> <p>The employers in the newly incorporated company are required to register with the relevant state tax authority for the purposes of deducting income tax from employees. Once an application is filed with a copy of the certificate of incorporation attached, a reference file is then opened for the company. There is no cost related to this registration.</p> <p><i>Agency: State Tax Office</i></p>	<p>2 days (simultaneous with previous procedure)</p>	<p>no charge</p>
* 9	<p>Receive an inspection from the State Ministry of Commerce, Industry, Cooperatives and Tourism for business premises registration</p> <p>After the submission of all application documents, an inspection of the business premises is carried out by an officer from the State Ministry of Commerce, Industry, Cooperatives and Tourism.</p> <p><i>Agency: State Ministry of Commerce, Industry, Cooperatives and Tourism</i></p>	<p>1 day (simultaneous with previous procedure)</p>	<p>no charge</p>
10	<p>Pay registration fees for business premises into a government account at a designated bank</p> <p>Fees for the business premises permit are paid into a government account at a designated bank. The fees depend on the type of activity, category of business (limited liability company, partnership or sole proprietorship), size of the business, and its location, and range from NGN 600 to NGN 100,000. For a medium manufacturing company located in Kano metropolis, the business premises permit costs NGN 20,000. The annual renewal fee is the same as initial registration.</p> <p><i>Agency: Designated bank</i></p>	<p>1 day</p>	<p>NGN 20,000</p>

No.	Procedure	Time to complete	Cost to complete
11	<p>Obtain a business premises permit</p> <p>Following payment of the assessed registration fees for business premises permit into a designated government account, the State Ministry of Commerce, Industry, Cooperatives and Tourism issues a business premises permit to the new business.</p> <p><i>Agency: State Ministry of Commerce, Industry, Cooperatives and Tourism</i></p>	3 days	no charge

* Takes place simultaneously with another procedure.

Source: *Doing Business* database.

Note: Online procedures account for 0.5 days in the total time calculation.

Procedures in light blue are for married women only.

DEALING WITH CONSTRUCTION PERMITS

Regulation of construction is critical to protect the public. But it needs to be efficient, to avoid excessive constraints on a sector that plays an important part in every economy. Where complying with building regulations is excessively costly in time and money, many builders opt out. They may pay bribes to pass inspections or simply build illegally, leading to hazardous construction that puts public safety at risk. Where compliance is simple, straightforward and inexpensive, everyone is better off.

What do the indicators cover?

Doing Business records all procedures required for a business in the construction industry to build a warehouse along with the time and cost to complete each procedure. In addition, this year *Doing Business* introduces a new measure, the building quality control index, evaluating the quality of building regulations, the strength of quality control and safety mechanisms, liability and insurance regimes, and professional certification requirements.

The ranking of economies on the ease of dealing with construction permits is determined by sorting their distance to frontier scores for dealing with construction permits. These scores are the simple average of the distance to frontier scores for each of the component indicators.

To make the data comparable across economies, several assumptions about the construction company, the warehouse project and the utility connections are used.

Assumptions about the construction company

The construction company (BuildCo):

- Is a limited liability company (or its legal equivalent).
- Operates in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Is 100% domestically and privately owned.
- Has five owners, none of whom is a legal entity.
- Is fully licensed and insured to carry out construction projects, such as building warehouses.

The construction company (BuildCo) (*continued*):

- Has 60 builders and other employees, all of them nationals with the technical expertise and

WHAT THE DEALING WITH CONSTRUCTION PERMITS INDICATORS MEASURE

Procedures to legally build a warehouse (number)

Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates

Submitting all required notifications and receiving all necessary inspections

Obtaining utility connections for water and sewerage

Registering and selling the warehouse after its completion

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day. Procedures that can be fully completed online are recorded as ½ day

Procedure considered completed once final document is received

No prior contact with officials

Cost required to complete each procedure (% of warehouse value)

Official costs only, no bribes

Building quality control index (0-15)

Sum of the scores of six component indices:

Quality of building regulations (0-2)

Quality control before construction (0-1)

Quality control during construction (0-3)

Quality control after construction (0-3)

Liability and insurance regimes (0-2)

Professional certifications (0-4)

professional experience necessary to obtain construction permits and approvals.

- Has is a licensed architect and a licensed engineer, both registered with the local association of architects or engineers. BuildCo is not assumed to have any other employees who are technical or licensed experts, such as geological or topographical experts.
- Has paid all taxes and taken out all necessary insurance applicable to its general business activity (for example, accidental insurance for construction workers and third-person liability).
- Owns the land on which the warehouse will be built and will sell the warehouse upon its completion.
- Is valued at 50 times income per capita.

Assumptions about the warehouse

The warehouse:

- Will be used for general storage activities, such as storage of books or stationery. The warehouse will not be used for any goods requiring special conditions, such as food, chemicals or pharmaceuticals.
- Will have two stories, both above ground, with a total constructed area of approximately 1,300.6 square meters (14,000 square feet). Each floor will be 3 meters (9 feet, 10 inches) high.
- Will have road access and be located in the periurban area of the economy's largest business city (that is, on the fringes of the city but still within its official limits). For 11 economies the data are also collected for the second largest business city.
- Will not be located in a special economic or industrial zone. Will be located on a land plot of approximately 929 square meters (10,000 square feet) that is 100% owned by BuildCo and is accurately registered in the cadastre and land registry.

- Will be a new construction (there was no previous construction on the land), with no trees, natural water sources, natural reserves or historical monuments of any kind on the plot.
- Will have complete architectural and technical plans prepared by a licensed architect. If preparation of the plans requires such steps as obtaining further documentation or getting prior approvals from external agencies, these are counted as procedures.
- Will include all technical equipment required to be fully operational.
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

Assumptions about the utility connections

The water and sewerage connections:

- Will be 150 meters (492 feet) from the existing water source and sewer tap. If there is no water delivery infrastructure in the economy, a borehole will be dug. If there is no sewerage infrastructure, a septic tank in the smallest size available will be installed or built.
- Will not require water for fire protection reasons; a fire extinguishing system (dry system) will be used instead. If a wet fire protection system is required by law, it is assumed that the water demand specified below also covers the water needed for fire protection.
- Will have an average water use of 662 liters (175 gallons) a day and an average wastewater flow of 568 liters (150 gallons) a day. Will have a peak water use of 1,325 liters (350 gallons) a day and a peak wastewater flow of 1,136 liters (300 gallons) a day.
- Will have a constant level of water demand and wastewater flow throughout the year.
- Will be 1 inch in diameter for the water connection and 4 inches in diameter for the sewerage connection.

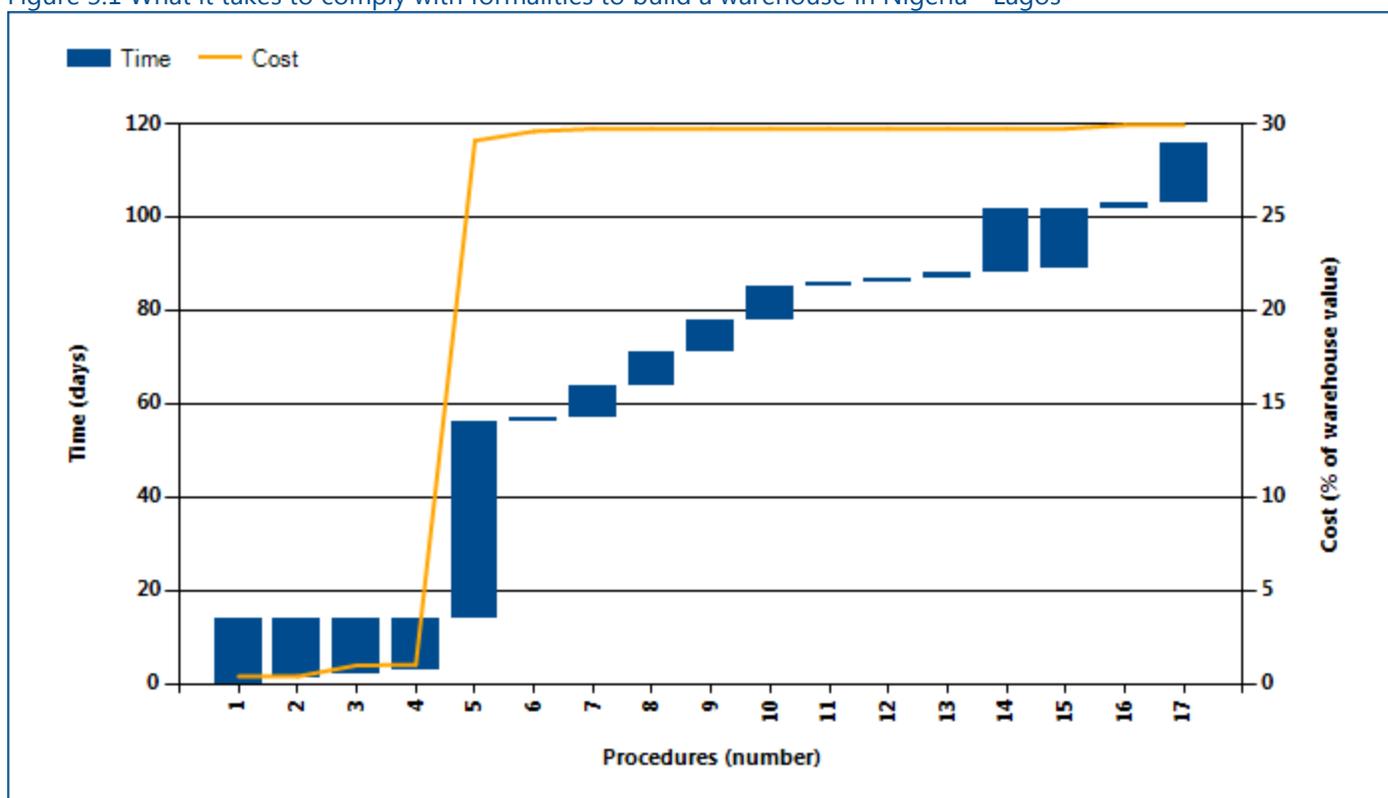
DEALING WITH CONSTRUCTION PERMITS

Where does the economy stand today?

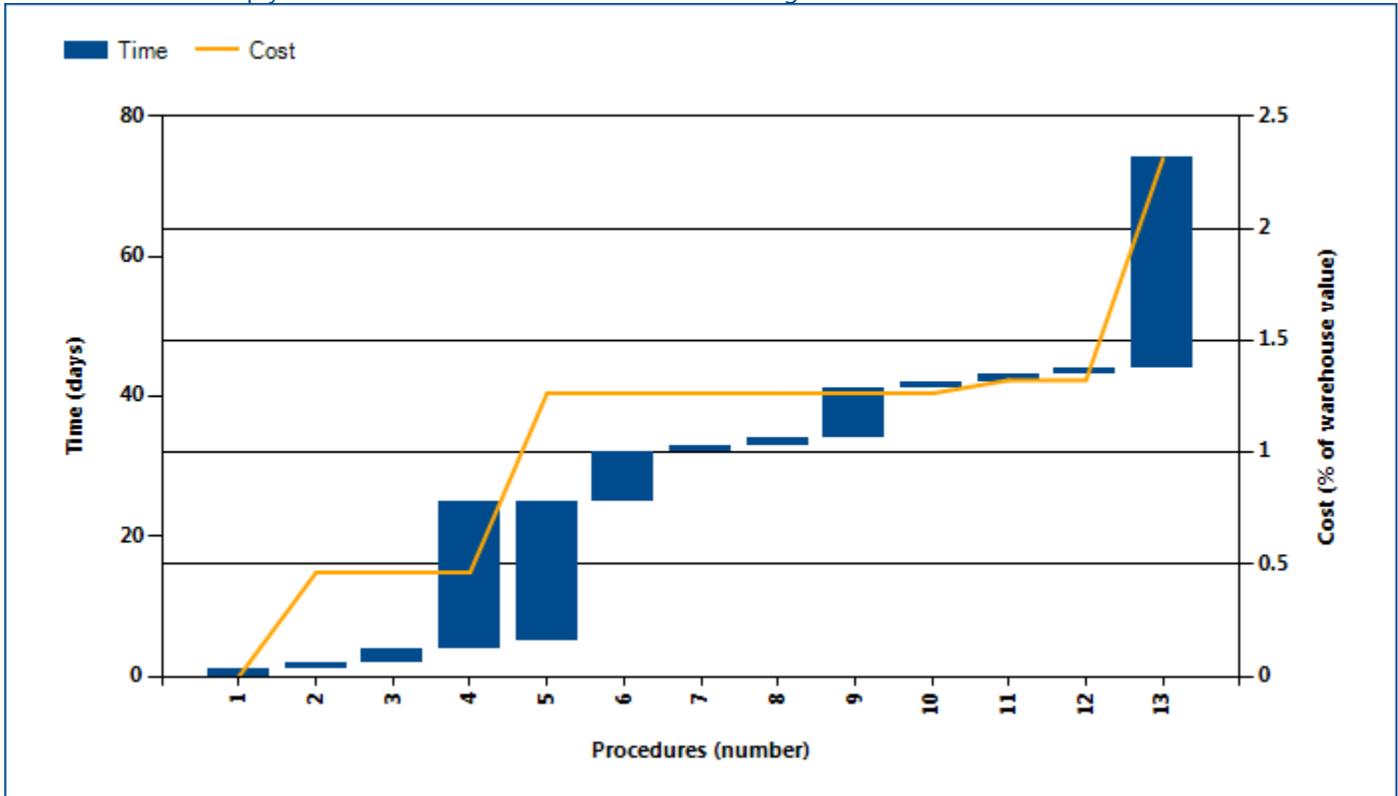
What does it take to comply with the formalities to build a warehouse in Nigeria? According to data collected by *Doing Business*, dealing with construction permits there requires 16.1 procedures, takes 106.3 days and costs 23.6% of the warehouse value (figure 3.1). Most indicator sets refer to a case scenario in the largest

business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 3.1 What it takes to comply with formalities to build a warehouse in Nigeria - Lagos



What it takes to comply with formalities to build a warehouse in Nigeria - Kano



Source: *Doing Business* database.

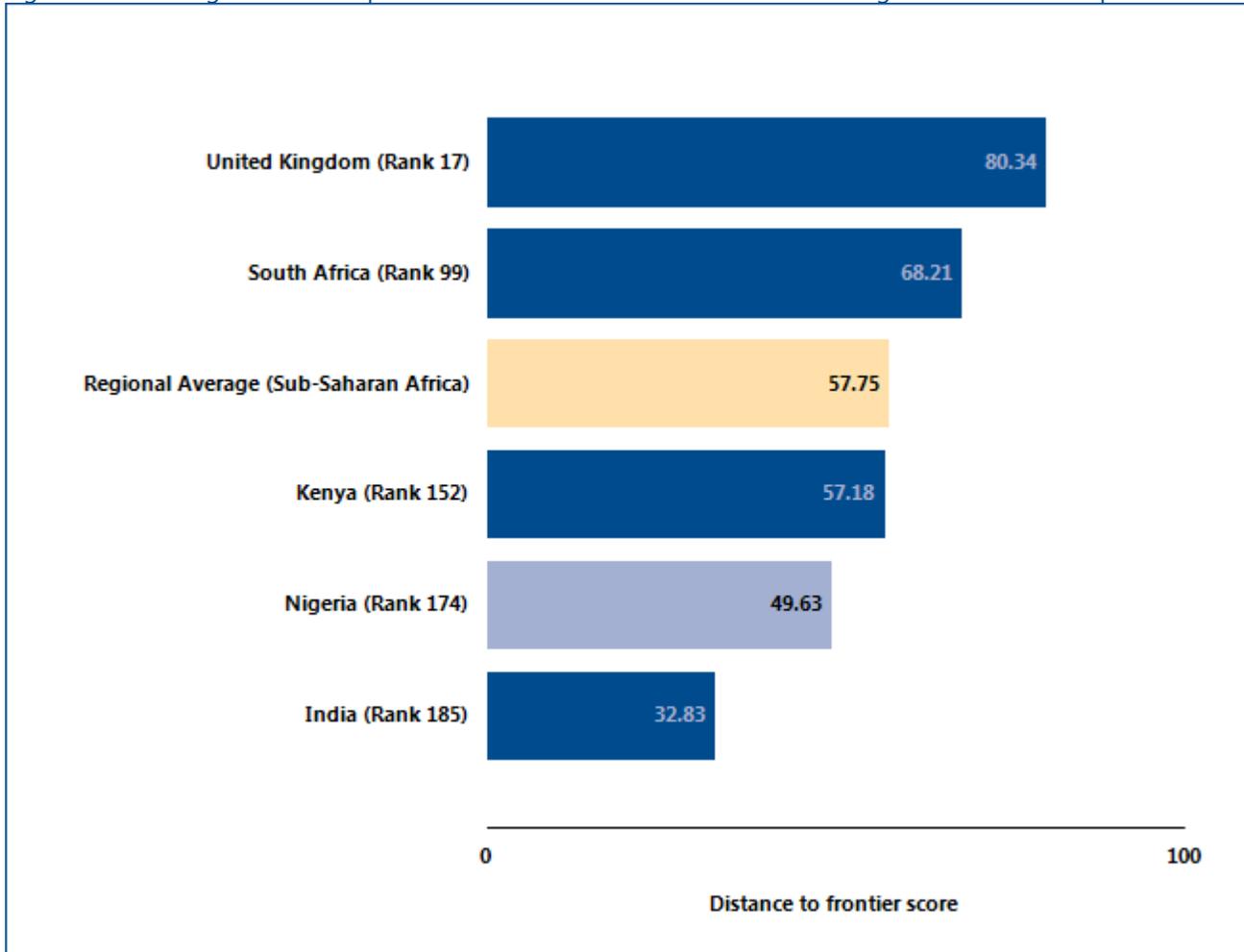
Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the dealing with construction permits indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

DEALING WITH CONSTRUCTION PERMITS

Globally, Nigeria stands at 174 in the ranking of 190 economies on the ease of dealing with construction permits (figure 3.2). The rankings for comparator

economies and the regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in Nigeria to legally build a warehouse.

Figure 3.2 How Nigeria and comparator economies rank on the ease of dealing with construction permits



Source: Doing Business database.

DEALING WITH CONSTRUCTION PERMITS

What are the details?

The indicators reported here for Nigeria are based on a set of specific procedures—the steps that a company must complete to legally build a warehouse—identified by *Doing Business* through information collected from experts in construction licensing, including architects, civil engineers, construction lawyers, construction firms, utility service providers and public officials who deal with building regulations. These procedures are those that apply to a company and structure matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover).

BUILDING A WAREHOUSE

Estimated value of warehouse : **NGN 25,261,790**

City : **Lagos, Kano**

The procedures, along with the associated time and cost, are summarized below.

Table 3.2 Summary of time, cost and procedures for dealing with construction permits in Nigeria - Lagos

No.	Procedure	Time to complete	Cost to complete
1	<p>Obtain soil investigation report</p> <p>A soil investigation report is done by an expert for the stability of the foundation. While according to Law No 3 (implemented in August 2012), only 3-storey (or more) residential or office buildings would need such a report, it would also be needed for a commercial warehouse. Furthermore, depending on the location, sometimes a 2-storey building might require a soil analysis report.</p> <p><i>Agency: Private Company</i></p>	14 days	NGN 100,000
* 2	<p>Obtain sworn affidavit for search at the Commissioner of Oaths</p> <p>Before someone can carry out a search at the Land Registry, an affidavit must be first sworn and filed at the High Court. If the affidavit is registered before noon, then the lawyer will be able to proceed with the search. Otherwise, it will be done on the following day.</p> <p><i>Agency: High Court of Justice</i></p>	1 day	NGN 250
* 3	<p>Obtain an Environmental Technical Analysis Report</p> <p>The Ministry of Environment reviews the environmental impact assessment report. This report is needed to check whether this project is viable and the impact it will have on the immediate environment. All projects require this report, regardless of usage or height.</p> <p><i>Agency: Town Planner Engineer</i></p>	7 days	NGN 150,000

No.	Procedure	Time to complete	Cost to complete
* 4	<p>Obtain a certified true copy (CTC) of the survey plan and CTC of the land ownership title</p> <p>A certified true copy of the survey plan must be obtained from the Land Registry to show the plot and its coordinates. Proof of ownership must also be obtained; otherwise the permit application will not be accepted. The sworn affidavit obtained previously must be presented to obtain the documents.</p> <p>But if the land has not been surveyed, then a private surveyor would have to conduct the survey of the plot of land and this survey would have to be registered with the Surveyor’s General Office. In that case, the survey would be verified against the master plan of Lagos. The black copy will be for BuildCo, the red copy will be registered with the Land Registry and a third copy will be kept at the Surveyor General Office. The cost of survey by a private surveyor can range from NGN 50,000 to NGN 100,000.</p> <p><i>Agency: Land Registry</i></p>	3 days	NGN 7,500
5	<p>Obtain development permit from the Lagos State Physical Planning Permit Authority (LASPPPA)</p> <p>The development permit authorizes construction and is valid for 2 years. To obtain this permit, a building development plan portraying the intended uses and the proposed development on the site and the effect on adjacent developments and neighborhood must be prepared by a professional.</p> <p>Legally, a pre-approval inspection is required to verify that the land is located where the owner has stated it is and to verify that construction has not already started. BuildCo does not have to be present during the visit. An assessment of the amount to be paid will be written after that visit. All the necessary banking accounts where each payment for each tax must be made must be listed on this letter of assessment.</p> <p>For construction involving a structure of more than two floors, the developer or owner must submit a general contractors all-risk insurance policy certificate to the Building Control Agency along with the application to commence building work.</p> <p>The Lagos State Physical Planning Authority charges a contribution levy (10% of the building permit cost) for the preparation and production of development plans, such as local, district, subject, and action plans; development guides; office maintenance; procurement and maintenance of vehicles; office equipment; and similar issues.</p>	42 days	NGN 7,100,616

No.	Procedure	Time to complete	Cost to complete
	<p>The following documents must be presented:</p> <ul style="list-style-type: none"> • Proof of ownership • Survey Plan – on Sun Print paper • 5 sets of architectural drawings • 5 sets of structural drawings (calculation sheets and supervision letter from a registered engineer) • 5 sets of mechanical and electrical drawings • 5 sets of sanitary and plumbing drawings • Current Income tax Clearance Certificate (CIT) • Photocopy of payment of assessment fee • Certificate of incorporation of the company • Environmental Technical Analysis Report <p>The following is a breakdown of the costs to be paid: Assessment fees (formula is Volume of the building X NGN 120) = 3901.6 m³ x NGN 120 Local Planning Office Levy: 10% of assessment fees Spatial Enhancement Contribution: 12% of the Local Planning Office Levy Application form of NGN 5000 Cost of Certificate of Fitness for Habitation: NGN 60,000 Fencing NGN 12 000 Infrastructure Development Charge (IDC) : 1300.6 X NGN 5000</p> <p><i>Agency: State Physical Planning Permit Authority (LASPPA)</i></p>		
6	<p>Hire a private engineer to conduct inspections</p> <p>A private engineer must be hired to conduct the inspections during construction phase. According to the Doing Business methodology, BuildCo has an engineer that prepares all the plans. However, this engineer cannot conduct the inspections as well, so an external engineer must be hired.</p> <p><i>Agency: Private Company</i></p>	1 day	NGN 126,309
7	<p>Obtain certificate of structural stability (first pouring of concrete)</p> <p>The concrete crushing test is done as follows:</p> <ol style="list-style-type: none"> 1. A sample from a block of concrete is taken and brought back to the laboratory for testing. At this stage BuildCo pays for the entire testing. The testing is done at several stages: 2. 7 days after the sample is taken, the first result is obtained. 3. 14 days after the sample is taken, the second result is obtained (7 days after the first result). 4. 21 days after the sample is taken, the third result is obtained (7 days after the second result is delivered). 5. 28 days later the last and final result is obtained, as well as the final report. <p>Normally the longer the concrete is kept, the harder it will become and therefore it will have a better resistance to the crushing test.</p>	7 days	NGN 35,000

No.	Procedure	Time to complete	Cost to complete
	<p>All payment for concrete testing is done once in this procedure.</p> <p><i>Agency: Lagos State Material Testing Laboratory</i></p>		
8	<p>Obtain certificate of structural stability (second pouring of concrete)</p> <p><i>Agency: Lagos State Material Testing Laboratory</i></p>	7 days	no charge
9	<p>Obtain certificate of structural stability (third pouring of concrete)</p> <p><i>Agency: Lagos State Material Testing Laboratory</i></p>	7 days	no charge
10	<p>Obtain certificate of structural stability of foundation</p> <p><i>Agency: Lagos State Material Testing Laboratory</i></p>	7 days	no charge
11	<p>Receive joint inspection during construction from the Building Control Agency and the Zonal Agency</p> <p><i>Agency: Building Control Agency and Zonal Agency</i></p>	1 day	no charge
12	<p>Receive inspections during construction from the Building Control Agency</p> <p>The Lagos State Urban and Regional Planning and Development Law from July 2010 gives the Building Control Agency the power to carry out inspection(s) of building construction, when necessary.</p> <p><i>Agency: Lagos State Building Control Agency</i></p>	1 day	no charge
13	<p>Request and receive inspection by the Fire Department</p> <p>This certificate must be obtained at the local planning authority before the building can be used. It is within the discretion of the authority to conduct an on-site inspection before issuing the certificate. However, such an inspection, which normally takes</p>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
	about 45 minutes, is rarely performed. <i>Agency: Fire Department</i>		
14	Submit report of supervision by private engineer to request and obtain the certificate of completion and fitness <i>Agency: Lagos State Building Control Agency</i>	14 days	no charge
* 15	Submit application for water connection to Lagos Water Company BuildCo collects the LWC Water Connection Form ("WCF") from the nearest Zonal Office ("ZO"). There are 31 zones in Lagos. The Completed WCF is submitted to ZO and ZO sends a Site Inspection Officer ("SIO") to the customer's property. <ul style="list-style-type: none"> • SIO confirms address and locational details of BuildCo's property. SIO also establishes an optimal size and length of connection pipes, and optimal connection materials. • SIO prepares comprehensive Site Report ("SR") including estimates of total connection costs, and submits SR to the ZO. • ZO prepares connection bill to customer. <i>Agency: Zonal Office</i>	1 day	no charge
16	Pay the connection bill and submit evidence of payment to Zonal Office <i>Agency: Zonal Office</i>	1 day	NGN 50,000
17	Receive water connection Once payment has been made, the Zonal Office (ZO) procures the connection materials and carries out the connection works. <i>Agency: Zonal Office</i>	13 days	no charge

* Takes place simultaneously with another procedure.

Source: *Doing Business* database.

Note: Online procedures account for 0.5 days in the total time calculation.

Summary of time, cost and procedures for dealing with construction permits in Nigeria - Kano

No.	Procedure	Time to complete	Cost to complete
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No.	Procedure	Time to complete	Cost to complete
1	<p>Apply for a building plan approval at the Kano Urban Planning and Development Authority</p> <p>In order to obtain a building plan approval, BuildCo must submit a duly completed application form to the Kano Urban Planning and Development Authority, along with the following documents:</p> <ul style="list-style-type: none"> a. Proof of ownership (such as a certificate of occupancy); b. Survey plan (attached to the certificate of occupancy); c. Drawings, including: <ul style="list-style-type: none"> - Architectural designs (site plan, floor plans, elevations, sections, storm drainage system, construction details, doors and windows schedules), duly signed by a registered architect; - Structural designs (design calculations, foundation layout, structural details on beams, columns, staircases, etc.), duly signed by a registered structural engineer; - Electrical designs (lighting and power load calculation, power point layout, lighting point layout, schedule of fittings and fixtures), duly signed by a registered electrical engineer; - Mechanical engineering designs (load calculations, waste disposal layout, soil disposal layout, schedule of sanitary fittings), duly signed by a registered mechanical engineer. <p>The documents are reviewed by the Kano Urban Planning and Development Authority. An assessment of the fees is given to BuildCo, to be paid at a designated bank. An on-site inspection will follow.</p> <p><i>Agency: Kano Urban Planning and Development Authority</i></p>	1 day	no charge
2	<p>Pay the building plan approval fees at a designated bank</p> <p>BuildCo is given a payment order to be submitted to and paid at a designated bank. After payment, BuildCo is given a teller, or a bank receipt, which must be submitted back to the Kano Urban and Planning Development Authority. The authority opens a file for BuildCo, and the documents are submitted to the deputy director, then forwarded to the inspection officers who conduct an on-site inspection.</p> <p><i>Agency: Commercial Bank</i></p>	1 day	NGN 117,045
3	<p>Receive a pre-approval inspection from the Kano Urban Planning and Development Authority</p> <p>After BuildCo's application has been reviewed, the Kano Urban Planning and Development Authority conducts an on-site inspection to verify that the plot reflects the details provided in the drawings and that the land is suitable for the proposed project. The inspectors draft a report in which the plot, roads, setback details, adjoining land and power and water connections are described. The report is then attached to the documents and drawings that BuildCo submitted for approval, and forwarded to the Kano Urban Planning and Development Authority for final review and approval.</p> <p><i>Agency: Kano Urban Planning and Development Authority</i></p>	2 days	no charge

No.	Procedure	Time to complete	Cost to complete
4	<p>Obtain a building plan approval from the Kano Urban Planning and Development Authority</p> <p>After the inspection and the payments have been completed, the documents submitted for approval – along with the inspection report and the 3 remaining copies of the plan – are given to the Kano Urban Planning and Development Authority (KUPD) for final approval. The documents and plans are scrutinized and countersigned by a government architect, structural engineer and electrical engineer, before being submitted to the director. The director attaches a letter to the file before sending it to the managing director, who endorses the application, while the director signs the drawings and issue the approval letter. If granted, KUPD issues BuildCo a building plan approval authorizing the construction of the warehouse to proceed, as well as a plaque showing the file number and expiration date of the approval (3 years). A statutory limit reduced the time taken to complete this procedure to 14 days (10 working days).</p> <p><i>Agency: Kano Urban Planning and Development Authority</i></p>	21 days	no charge
* 5	<p>Hire private engineer to supervise construction work</p> <p>An engineer will supervise the construction work, mainly the foundation of the warehouse and the roofing. His work will also consist to write a final report certifying that the warehouse was built according to approved plans and request the Certificate of Habitation</p> <p><i>Agency: Private firm</i></p>	1 day	NGN 202,094
6	<p>Notify the Kano Urban Planning and Development Authority (KUPD) of commencement of work</p> <p>A letter notifying the Kano Urban Planning and Development Authority (KUPD) of the commencement of work must be sent one week prior to any construction work.</p> <p><i>Agency: Kano Urban Planning and Development Authority</i></p>	7 days	no charge
7	<p>Submit final report of completion of work and request the final inspection</p> <p>The engineer will file a report notifying the Kano Urban Planning and Development Authority (KNUPD) of the completion of work and certifying that the warehouse was built according to the approved plans. The inspectors will then proceed with a final inspection to verify that the work has been completed according to the approved building plans.</p>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
	<i>Agency: Kano Urban Planning and Development Authority</i>		
8	<p>Obtain final inspection from Kano Urban Planning and Development Authority</p> <p><i>Agency: Kano Urban Planning and Development Authority</i></p>	1 day	no charge
9	<p>Obtain a certificate of habitation from the Kano Urban Planning and Development Authority</p> <p>BuildCo's supervising architect/engineer fills out a Building Certification Form stating that the construction works have been completed according to the approved plan and submits it to KUPD. Within 7 days from the receipt of the Building Certification Form (at no cost), KUPD will issue a Certificate of Habitation. In practice, however, this procedure is neither adhered to nor enforced.</p> <p><i>Agency: Kano Urban Planning and Development Authority</i></p>	7 days	no charge
10	<p>Obtain inspection from the Board of Internal Revenue for registration of building</p> <p>The Board of Internal Revenue service will visit the new warehouse and register it for tax purposes.</p> <p><i>Agency: Internal Revenue Authority</i></p>	1 day	no charge
11	<p>Apply for water connection at the Kano State Water Board and pay application form fee</p> <p>In order to obtain a water connection, BuildCo must submit a commercial application form to the Kano State Water Board, which has offices throughout the city.</p> <p><i>Agency: Kano State Water Board</i></p>	1 day	NGN 15,000
12	<p>Receive an inspection by the Kano State Water Board</p> <p>After the application has been submitted, a team of inspectors from the water board office visits the site to ascertain what needs to be done.</p> <p><i>Agency: Kano State Water Board</i></p>	1 day	no charge

No.	Procedure	Time to complete	Cost to complete
13	Obtain water connection Usually, the building is connected to water supply within one month. A BuildCo employee will also install a septic tank. This usually costs about NGN 200,000. <i>Agency: Kano State Water Board</i>	30 days	NGN 250,000

* Takes place simultaneously with another procedure.

Source: *Doing Business* database.

Note: Online procedures account for 0.5 days in the total time calculation.

DEALING WITH CONSTRUCTION PERMITS

Building Quality Control Index

The building quality control index is the sum of the scores on the quality of building regulations, quality control before construction, quality control during construction, quality control after construction, liability and insurance regimes, and professional certifications indices.

The index ranges from 0 to 15, with higher values indicating better quality control and safety mechanisms in the construction permitting system.

The indicator is based on the same case study assumptions as the measures of efficiency.

Table 3.3 Summary of time quality control and safety mechanisms in Nigeria

	Answer (Lagos)	Score (Lagos)	Answer (Kano)	Score (Kano)
Building quality control index (0-15)		6.5		8.0
Quality of building regulations index (0-2)		0.5		0.0
How accessible are building laws and regulations in your economy? (0-1)	Free of charge; Not easily accessible.	0.5	Not easily accessible.	0.0
Which requirements for obtaining a building permit are clearly specified in the building regulations or on any accessible website, brochure or pamphlet? (0-1)	List of required documents; Required preapprovals.	0.0	List of required documents; Available only on request.	0.0
Quality control before construction index (0-1)		1.0		1.0
Which third-party entities are required by law to verify that the building plans are in compliance with existing building regulations? (0-1)	Licensed architect; Licensed engineer.	1.0	Licensed architect.	1.0
Quality control during construction index (0-3)		2.0		2.0
What types of inspections (if any) are required by law to be carried out during construction? (0-2)	Inspections by external engineer or firm; Inspections at various phases.	1.0	Inspections by external engineer or firm; Inspections at various phases.	1.0
Do legally mandated inspections occur in practice during construction? (0-1)	Mandatory inspections are always done in practice.	1.0	Mandatory inspections are always done in practice.	1.0

	Answer (Lagos)	Score (Lagos)	Answer (Kano)	Score (Kano)
Quality control after construction index (0-3)		3.0		2.0
Is there a final inspection required by law to verify that the building was built in accordance with the approved plans and regulations? (0-2)	Yes, external engineer submits report for final inspection.	2.0	Yes, final inspection is done by government agency.	2.0
Do legally mandated final inspections occur in practice? (0-1)	Final inspection always occurs in practice.	1.0	Final inspection does not always occur in practice.	0.0
Liability and insurance regimes index (0-2)		0.0		0.0
Which parties (if any) are held liable by law for structural flaws or problems in the building once it is in use (Latent Defect Liability or Decennial Liability)? (0-1)	No party is held liable under the law.	0.0	No party is held liable under the law.	0.0
Which parties (if any) are required by law to obtain an insurance policy to cover possible structural flaws or problems in the building once it is in use (Latent Defect Liability Insurance or Decennial Insurance)? (0-1)	No party is required by law to obtain insurance .	0.0	No party is required by law to obtain insurance .	0.0
Professional certifications index (0-4)		0.0		3.0
What are the qualification requirements for the professional responsible for verifying that the architectural plans or drawings are in compliance with existing building regulations? (0-2)	Being a registered architect or engineer.	0.0	Minimum number of years of experience; University degree in architecture or engineering; Being a registered architect or engineer.	2.0
What are the qualification requirements for the professional who supervises the construction on the ground? (0-2)	Being a registered architect or engineer.	0.0	University degree in engineering, construction or construction management; Being a registered	1.0

	Answer (Lagos)	Score (Lagos)	Answer (Kano)	Score (Kano)
			architect or engineer.	

Source: Doing Business database.

GETTING ELECTRICITY

Access to reliable and affordable electricity is vital for businesses. To counter weak electricity supply, many firms in developing economies have to rely on self-supply, often at a prohibitively high cost. Whether electricity is reliably available or not, the first step for a customer is always to gain access by obtaining a connection.

What do the indicators cover?

Doing Business records all procedures required for a local business to obtain a permanent electricity connection and supply for a standardized warehouse, as well as the time and cost to complete them. These procedures include applications and contracts with electricity utilities, clearances from other agencies and the external and final connection works. In addition, this year *Doing Business* adds two new measures: the reliability of supply and transparency of tariffs index (included in the aggregate distance to frontier score and ranking on the ease of doing business) and the price of electricity (omitted from these aggregate measures). The ranking of economies on the ease of getting electricity is determined by sorting their distance to frontier scores for getting electricity. These scores are the simple average of the distance to frontier scores for each of the component indicators. To make the data comparable across economies, several assumptions are used.

Assumptions about the warehouse

The warehouse:

- Is owned by a local entrepreneur.
- Is located in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Is located in an area where similar warehouses are typically located. In this area a new electricity connection is not eligible for a special investment promotion regime (offering special subsidization or faster service, for example).
- Is located in an area with no physical constraints. For example, the property is not near a railway.
- Is a new construction and is being connected to electricity for the first time.

The warehouse (*continued*):

WHAT THE GETTING ELECTRICITY INDICATORS MEASURE

Procedures to obtain an electricity connection (number)

- Submitting all relevant documents and obtaining all necessary clearances and permits
- Completing all required notifications and receiving all necessary inspections
- Obtaining external installation works and possibly purchasing material for these works
- Concluding any necessary supply contract and obtaining final supply

Time required to complete each procedure (calendar days)

- Is at least 1 calendar day
- Each procedure starts on a separate day
- Does not include time spent gathering information
- Reflects the time spent in practice, with little follow-up and no prior contact with officials

Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- Excludes value added tax

The reliability of supply and transparency of tariffs index

- Sum of the scores of six component indices:
 - Duration and frequency of outages
 - Tools to monitor power outages
 - Tools to restore power supply
 - Regulatory monitoring of utilities' performance
 - Financial deterrents aimed at limiting outages
 - Transparency and accessibility of tariffs

Price of electricity (cents per kilowatt-hour)*

- Price based on monthly bill for commercial warehouse in case study

***Price of electricity is not included in the calculation of distance to frontier nor ease of doing business ranking**

- Has two stories, both above ground, with a total surface area of approximately 1,300.6 square meters (14,000 square feet). The plot of land on which it is built is 929 square meters (10,000 square feet).
- Is used for storage of goods.

Assumptions about the electricity connection

The electricity connection:

- Is a permanent one.
- Is a three-phase, four-wire Y connection with a subscribed capacity of 140-kilo-volt-ampere (kVA) with a power factor of 1, when 1 kVA = 1 kilowatt (kW).
- Has a length of 150 meters. The connection is to either the low- or medium-voltage distribution network and is either overhead or underground, whichever is more common in the area where the warehouse is located. Requires works that involve the crossing of a 10-meter road (such as by excavation or overhead lines) but are all carried out on public land. There is no crossing of other owners' private property because the warehouse has access to a road.
- Includes only a negligible length in the customer's private domain.
- Does not require work to install the internal wiring of the warehouse. This has already been completed up to and including the customer's service panel or switchboard and the meter base

Assumptions about the monthly consumption

- It is assumed that the warehouse operates 30 days a month from 9:00 a.m. to 5:00 p.m. (8 hours a day), with equipment utilized at 80% of capacity on average and that there are no electricity cuts (assumed for simplicity reasons).
- The monthly energy consumption is 26,880 kilowatt-hours (kWh); hourly consumption is 112 kWh.
- If multiple electricity suppliers exist, the warehouse is served by the cheapest supplier.
- Tariffs effective in March of the current year are used for calculation of the price of electricity for the warehouse. Although March has 31 days, for calculation purposes only 30 days are used.

GETTING ELECTRICITY

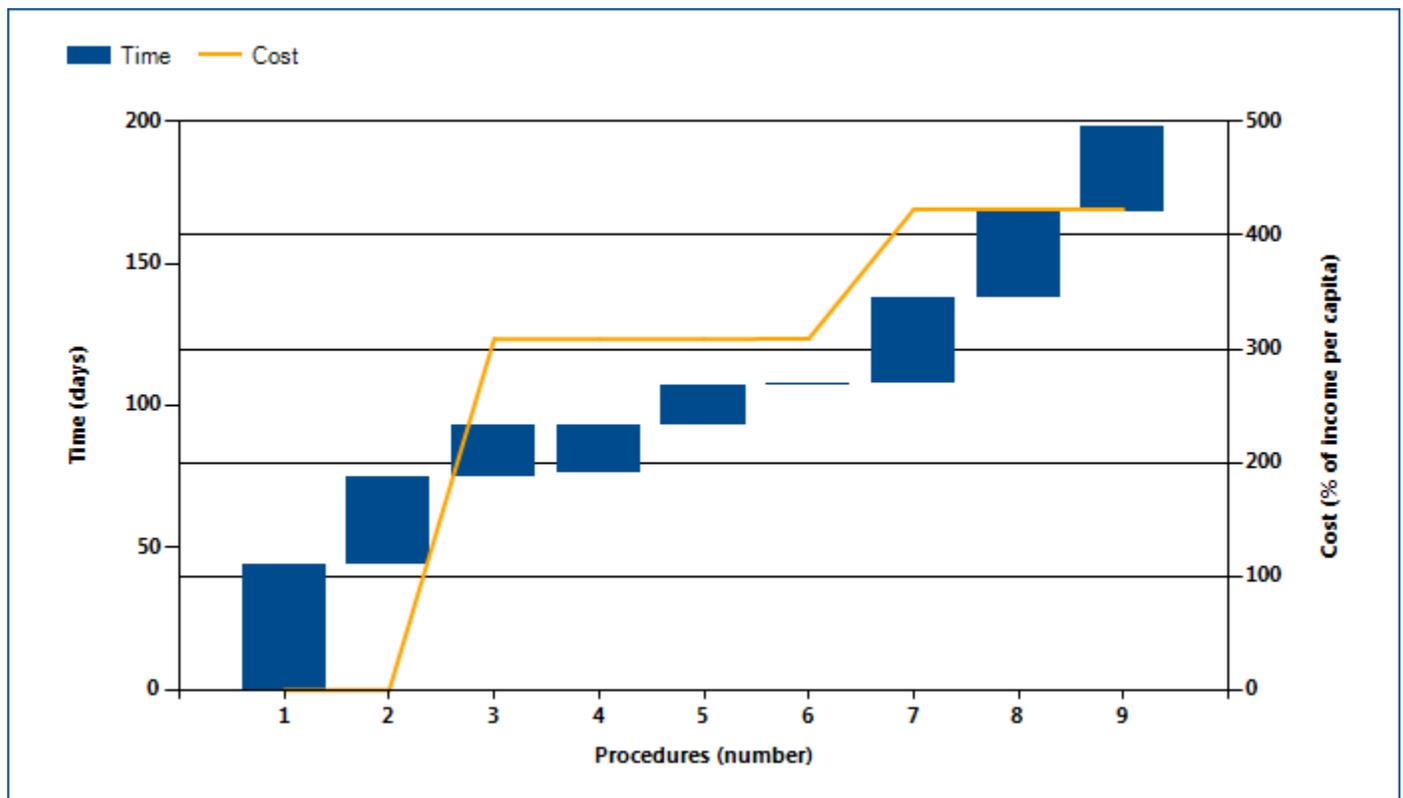
Where does the economy stand today?

What does it take to obtain a new electricity connection in Nigeria? According to data collected by *Doing Business*, getting electricity there requires 9.0 procedures, takes 195.2 days and costs 422.8% of income per capita (figure 4.1).

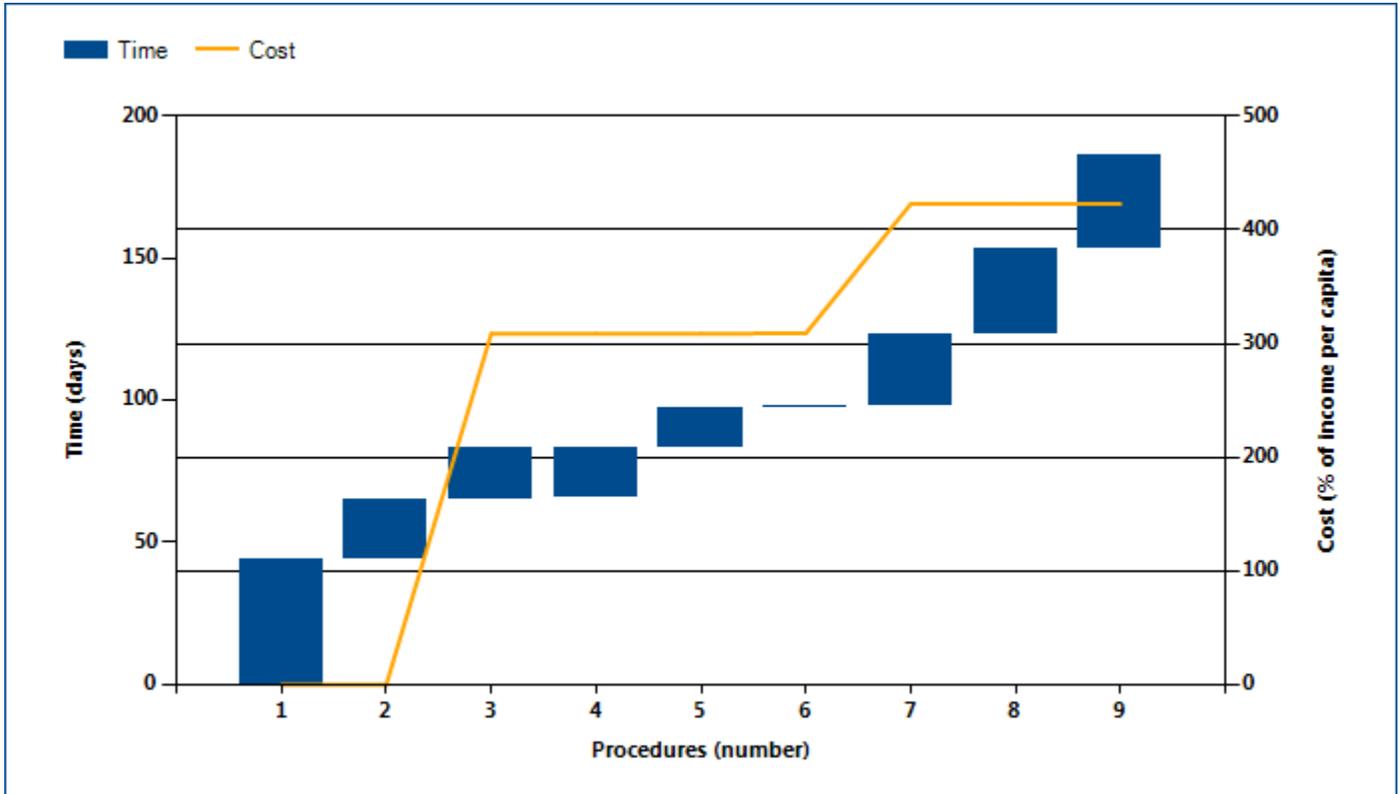
business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Most indicator sets refer to a case scenario in the largest

Figure 4.1 What it takes to obtain an electricity connection in Nigeria - Lagos



What it takes to obtain an electricity connection in Nigeria - Kano



Source: Doing Business database.

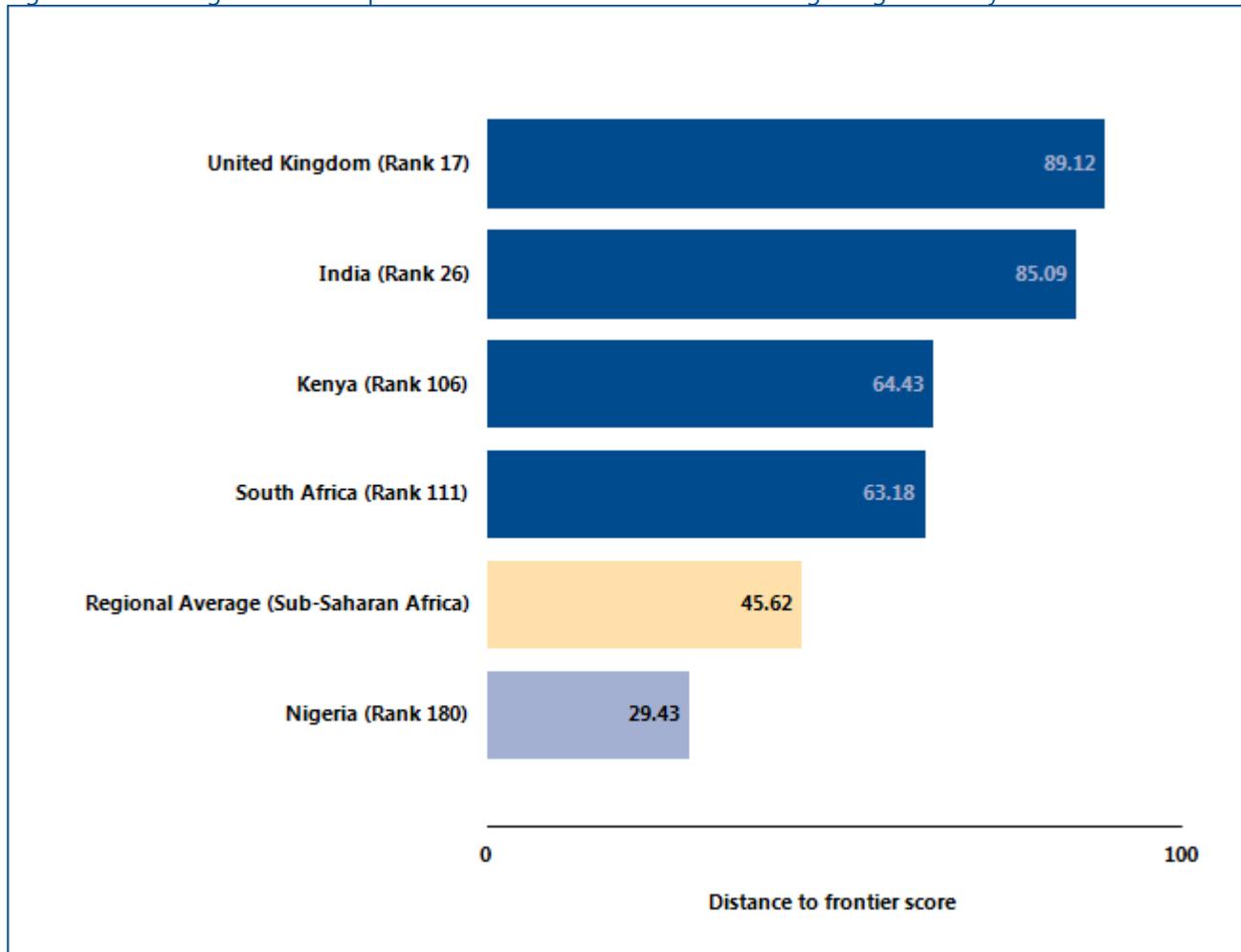
Note: Time shown in the figure above may not reflect simultaneity of procedures. For more information on the methodology of the getting electricity indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

GETTING ELECTRICITY

Globally, Nigeria stands at 180 in the ranking of 190 economies on the ease of getting electricity (figure 4.2). The rankings for comparator economies and the regional

average ranking provide another perspective in assessing how easy it is for an entrepreneur in Nigeria to connect a warehouse to electricity.

Figure 4.2 How Nigeria and comparator economies rank on the ease of getting electricity



Source: Doing Business database.

GETTING ELECTRICITY

What are the details?

The indicators reported here for Nigeria are based on a set of specific procedures—the steps that an entrepreneur must complete to get a warehouse connected to electricity by the local distribution utility—identified by *Doing Business*. Data are collected from the distribution utility, then completed and verified by electricity regulatory agencies and independent professionals such as electrical engineers, electrical contractors and construction companies. The electricity distribution utility surveyed is the one serving the area (or areas) in which warehouses are located. If there is a choice of distribution utilities, the one serving the largest number of customers is selected.

The procedures are those that apply to a warehouse and electricity connection matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). The procedures, along with the associated time and cost, are summarized below.

OBTAINING AN ELECTRICITY CONNECTION*

Name of utility - Kano:	Kano Electricity Distribution Company
Name of utility - Lagos:	Eko Distribution Company
Price of electricity (US cents per kWh) - Kano:	20.2
Price of electricity (US cents per kWh) - Lagos:	20.1
City:	Lagos, Kano

*Price is calculated as a monthly consumption of 26,880 kWh for business customers, based on a standardized case study adopted by the Getting Electricity methodology. *Doing Business* measures the price of electricity but does not include these data when calculating the distance to frontier score for getting electricity or the ranking on the ease of getting electricity.

Table 4.2 Summary of time, cost and procedures for getting electricity in Nigeria

No.	Procedure	Time to complete	Cost to complete
1	<p>Submit application to Eko Electricity Distribution Company and await clearance letter</p> <p>The client’s electrician must collect an application form at Eko Electricity Distribution Company, complete it and submit it to the utility’s office. The information requested include the electrician’s PIN (Personal Identification Number) and a letter stating that he will be in charge of the internal installation as well as the installation of the transformer. Since the required load is higher than 100 kVA, the request will be sent to EKO Headquarters for approval. This is part of an internal process. Upon approval, the clearance letter will be provided along with the list of materials to be bought by the customer.</p>	44 calendar days	NGN 0

No.	Procedure	Time to complete	Cost to complete
	<p>During the application process, a licensed electrical contractor acts on the customer's behalf. Contractors have to be licensed so that they can be responsible for the correspondence with the utility.</p> <p><i>Agency: Eko Electricity Distribution Company</i></p>		
2	<p>Receive tentative approval letter, submit payment and request and receive site visit</p> <p>Upon receipt of the application, the utility provides a clearance letter for purchase of distribution transformer and other external connection materials. The letter provides a description of the materials to be purchased: they must be new, purchased from an accredited distributor, and must include a test certificate of transformer from the manufacturer. Once the customer receives the letter, the person must call the utility to request a site visit. A survey fee for the site visit is charged by the utility.</p> <p><i>Agency: Eko Electricity Distribution Company</i></p>	31 calendar days	NGN 0
3	<p>Purchase and install external connection equipment</p> <p>The customer needs to purchase cables, a distribution transformer, and installation accessories from the local market, and then carry out the external connection works.</p> <p><i>Agency: Electrical contractor</i></p>	18 calendar days	NGN 1,559,250
* 4	<p>Obtain right-of-way permit</p> <p>The client's contractor obtains a right of way permit at the State Ministry of Works or State Roads Maintenance Agency. This permit can be obtained while the materials are acquired.</p> <p><i>Agency: The State Ministry of Works or State Roads Maintenance Agency</i></p>	14 calendar days	NGN 0
5	<p>Request and receive inspection by inspecting engineer</p> <p>NEPA's inspecting engineer must check all materials to ascertain their quality. The engineer will check if the installation has been properly done. If it is in compliance with all requirements, a Certificate of compliance will be issued.</p> <p><i>Agency: Nigerian Electricity Management Services Agency</i></p>	14 calendar days	NGN 0

No.	Procedure	Time to complete	Cost to complete
6	<p>Submit payment to Federal Ministry of Power, Works and Housing and pick up inspection certificate</p> <p>Once the inspection has been carried out, the client must submit a payment to the Ministry of Power and collect the Certificate of compliance.</p> <p><i>Agency: Ministry of Power, Works and Housing</i></p>	1 calendar day	NGN 2,000
7	<p>Submit inspection certificate to utility, request and receive estimate and make payment</p> <p>The customer must go to the utility to request an estimate letter, which is usually prepared on the spot upon request. The contractor then makes the payment mentioned in the letter, and also submits the inspection certificate from the Ministry to the utility.</p> <p><i>Agency: Eko Electricity Distribution Company</i></p>	30 calendar days	NGN 575,000
8	<p>Obtain internal wiring inspection and test of complete installation by utility</p> <p>Once the payment foreseen in the estimate letter is done, an internal wiring inspection and test of installation by the utility is required. This is needed in order for the warehouse to be connected to the electricity grid.</p> <p><i>Agency: Eko Electricity Distribution Company</i></p>	30 calendar days	NGN 0
9	<p>Obtain meter installation by utility and then electricity flow</p> <p>Once the internal wiring inspection is complete, the utility's connection team carries out the meter installation and turns on electricity flow.</p> <p><i>Agency: Eko Electricity Distribution Company</i></p>	30 calendar days	NGN 0

* Takes place simultaneously with previous procedure.

Source: Doing Business database.

Summary of time, cost and procedures for getting electricity in Nigeria - Kano

No.	Procedure	Time to complete	Cost to complete
1	<p>Submit application to Kano Electricity Distribution Company and await clearance letter</p> <p>The client's electrician must collect an application form at Kano Electricity Distribution Company, complete it and submit it to the utility's office. The information requested include the electrician's PIN (Personal Identification Number) and a letter stating that he will be in charge of the internal installation as well as the installation of the transformer. Upon approval, the clearance letter will be provided along with the list of materials to be bought by the customer.</p> <p>During the application process, a licensed electrical contractor acts on the customer's behalf. Contractors have to be licensed so that they can be responsible for the correspondence with the utility.</p> <p><i>Agency: Kano Electricity Distribution Company</i></p>	44 calendar days	NGN 0
2	<p>Receive tentative approval letter, submit payment and request and receive site visit</p> <p>Upon receipt of the application, the utility provides a clearance letter for purchase of distribution transformer and other external connection materials. The letter provides a description of the materials to be purchased: they must be new, purchased from an accredited distributor, and must include a test certificate of transformer from the manufacturer. Once the customer receives the letter, the person must call the utility to request a site visit. A survey fee for the site visit is charged by the utility.</p> <p><i>Agency: Kano Electricity Distribution Company</i></p>	21 calendar days	NGN 0
3	<p>Purchase and install external connection equipment</p> <p>The customer needs to purchase cables, a distribution transformer, and installation accessories from the local market, and then carry out the external connection works.</p> <p><i>Agency: Electrical contractor</i></p>	18 calendar days	NGN 1,559,250
* 4	<p>Obtain right-of-way clearance</p> <p>The client's contractor obtains a right of way permit at the State Urban Planning Authority. This permit can be obtained while the materials are acquired.</p> <p><i>Agency: State Urban Planning Authority</i></p>	10 calendar days	NGN 0

No.	Procedure	Time to complete	Cost to complete
5	<p>Request and receive inspection by inspecting engineer</p> <p>NEPA's inspecting engineer must check all materials to ascertain their quality. The engineer will check if the installation has been properly done. If it is in compliance with all requirements, a Certificate of compliance will be issued.</p> <p><i>Agency: Nigerian Electricity Management Services Agency</i></p>	14 calendar days	NGN 0
6	<p>Submit payment to Federal Ministry of Power, Works and Housing and pick up inspection certificate</p> <p>Once the inspection has been carried out, the client must submit a payment to the Ministry of Power and collect the Certificate of compliance.</p> <p><i>Agency: Ministry of Power, Works and Housing</i></p>	1 calendar day	NGN 2,000
7	<p>Submit inspection certificate to utility and request and receive estimate</p> <p>The customer must go to the utility to request an estimate letter, which is usually prepared on the spot upon request. The contractor then makes the payment mentioned in the letter, and also submits the inspection certificate from the Ministry to the utility.</p> <p><i>Agency: Kano Electricity Distribution Company</i></p>	25 calendar days	NGN 575,000
8	<p>Obtain internal wiring inspection and test of complete installation by utility</p> <p>Once the payment foreseen in the estimate letter is done, an internal wiring inspection and test of installation by the utility is required. This is needed in order for the warehouse to be connected to the electricity grid.</p> <p><i>Agency: Kano Electricity Distribution Company</i></p>	30 calendar days	NGN 0
9	<p>Obtain meter installation by utility and then electricity flow</p> <p>Once the internal wiring inspection is complete, the utility's connection team carries out the meter installation and turns on electricity flow.</p> <p><i>Agency: Kano Electricity Distribution Company</i></p>	33 calendar days	NGN 0

No.	Procedure	Time to complete	Cost to complete

* Takes place simultaneously with previous procedure.

Source: *Doing Business* database.

GETTING ELECTRICITY

Reliability of supply and transparency of tariffs index

The reliability of supply and transparency of tariffs index encompasses quantitative data on the duration and frequency of power outages as well as qualitative information on the mechanisms put in place by the utility for monitoring power outages and restoring power supply, the reporting relationship between the utility and the regulator for power outages, the transparency and accessibility of tariffs and whether the utility faces a financial deterrent aimed at limiting outages (such as a requirement to compensate customers or pay fines when outages exceed a certain cap).

The index ranges from 0 to 8, with higher values indicating greater reliability of electricity supply and greater transparency of tariffs.

Doing Business uses the system average interruption duration index (SAIDI) and the system average interruption frequency index (SAIFI) to measure the duration and frequency of power outages in the largest business city of each economy (for 11 economies the data are also collected for the second largest business city). SAIDI is the average total duration of outages over the course of a year for each customer served, while SAIFI is the average number of service interruptions experienced by a customer in a year. Annual data (covering the calendar year) are collected from distribution utility companies and national regulators on SAIDI and SAIFI. Both SAIDI and SAIFI estimates include load shedding.

Table 4.3 Reliability of Supply and Transparency of Tariff Index in Nigeria

	Answer (Lagos)	Score (Lagos)	Answer (Kano)	Score (Kano)
Reliability of supply and transparency of tariff index (0-8)		0.0		0.0
Total duration and frequency of outages per customer a year (0-3)		0.0		0.0
System average interruption duration index (SAIDI)	3100		1421	
System average interruption frequency index (SAIFI)	540		214	
Mechanisms for monitoring outages (0-1)		0.0		0.0
Does the distribution utility use automated tools to monitor outages?	No		No	
Mechanisms for restoring service (0-1)		0.0		0.0
Does the distribution utility use automated tools to restore service?	No		No	
Regulatory monitoring (0-1)		1.0		1.0
Does a regulator—that is, an entity separate from the utility—monitor the utility's performance on reliability of supply?	Yes		Yes	
Financial deterrents aimed at limiting outages (0-1)		0.0		0.0

	Answer (Lagos)	Score (Lagos)	Answer (Kano)	Score (Kano)
Does the utility either pay compensation to customers or face fines by the regulator (or both) if outages exceed a certain cap?	Yes		No	
Communication of tariffs and tariff changes (0-1)		1.0		1.0
Are effective tariffs available online?	Yes		Yes	
Link to the website, if available online	http://www.nercng.org/index.php/media-and-publicity/public-notices/326-notice-of-commencement-of-myto-2015		http://www.kedco.ng/press.aspx?publicusers=referable=&server1=1&target=&token=6783w56C2121235166755723100a308rsb24.rohost45i2b277117=45d2b249117=45d2b249117e150233e5ff16f66860b6-utf99-sha5	
Are customers notified of a change in tariff ahead of the billing cycle?	Yes		Yes	

	Answer (Lagos)	Answer (Kano)
Price of electricity (US cents per kWh)	20.1	20.2

Source: *Doing Business* database.

Note: If data on power outages is not collected or if the SAIFI index or SAIDI index are above the threshold of 100, the economy is not eligible to obtain a score in the Reliability of Supply and Transparency of Tariff Index. If SAIDI and SAIFI are 12 (equivalent to an outage of one hour each month) or below, a score of 1 is assigned. If SAIDI and SAIFI are 4 (equivalent to an outage of one hour each quarter) or below, 1 additional point is assigned. Finally, if SAIDI and SAIFI are 1 (equivalent to an outage of one hour per year) or below, 1 more point is assigned. *Doing Business* measures the price of electricity but does not include these data when calculating the distance to frontier score for getting electricity or the ranking on the ease of getting electricity. The price of electricity is measured in cents per kilowatt-hour. On the basis of the assumptions about monthly consumption, a monthly bill for a commercial warehouse in the largest business city of the economy is computed for the month of March (for 11 economies the data are also collected for the second largest business city). As noted, the

warehouse uses electricity 30 days a month, from 9:00 a.m. to 5:00 p.m., so different tariff schedules may apply if a time-of-use tariff is available.

REGISTERING PROPERTY

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. And where property is informal or poorly administered, it has little chance of being accepted as collateral for loans—limiting access to finance.

What do the indicators cover?

Doing Business records the full sequence of procedures necessary for a business to purchase property from another business and transfer the property title to the buyer's name. The transaction is considered complete when it is opposable to third parties and when the buyer can use the property, use it as collateral for a bank loan or resell it. In addition, this year *Doing Business* adds a new measure to the set of registering property indicators, an index of the quality of the land administration system in each economy. The ranking of economies on the ease of registering property is determined by sorting their distance to frontier scores for registering property. These scores are the simple average of the distance to frontier scores for each of the component indicators. To make the data comparable across economies, several assumptions about the parties to the transaction, the property and the procedures are used.

The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned and perform general commercial activities in the economy's largest business city.
- Have 50 employees each, all of whom are nationals.

The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value and entire property will be transferred.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.

WHAT THE REGISTERING PROPERTY INDICATORS MEASURE

Procedures to legally transfer title on immovable property (number)

Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)

Registration in the economy's largest business city²

Postregistration (for example, filing title with the municipality)

Time required to complete each procedure (calendar days)

Does not include time spent gathering information

Each procedure starts on a separate day. Procedures that can be fully completed online are recorded as ½ day.

Procedure considered completed once final document is received

No prior contact with officials

Cost required to complete each procedure (% of property value)

Official costs only, no bribes

No value added or capital gains taxes included

Quality of land administration index (0-30)

- Has no mortgages attached, has been under the same ownership for the past 10 years.
- Consists of 557.4 square meters (6,000 square feet) of land and a 10-year-old, 2-story warehouse of 929 square meters (10,000 square feet). The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. There is no heating system.

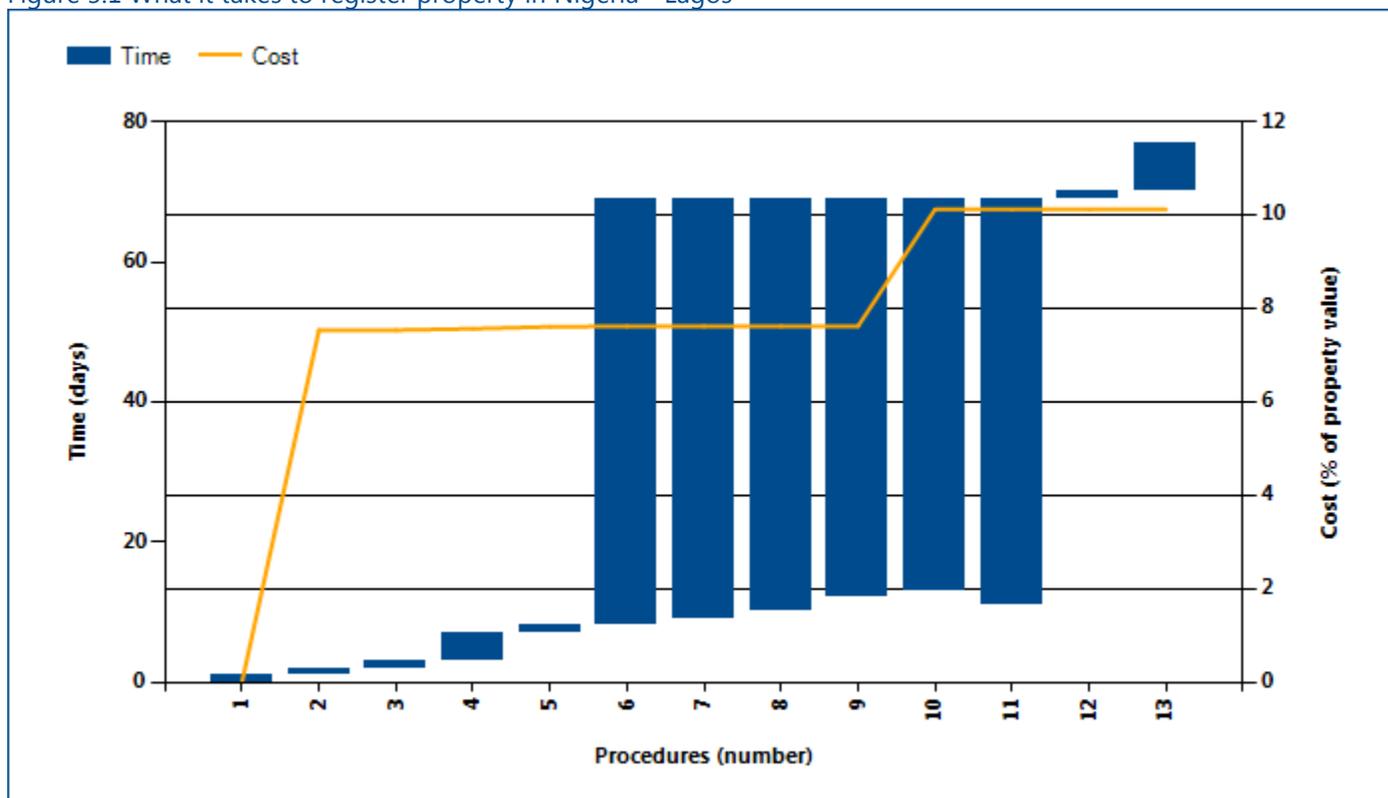
REGISTERING PROPERTY

Where does the economy stand today?

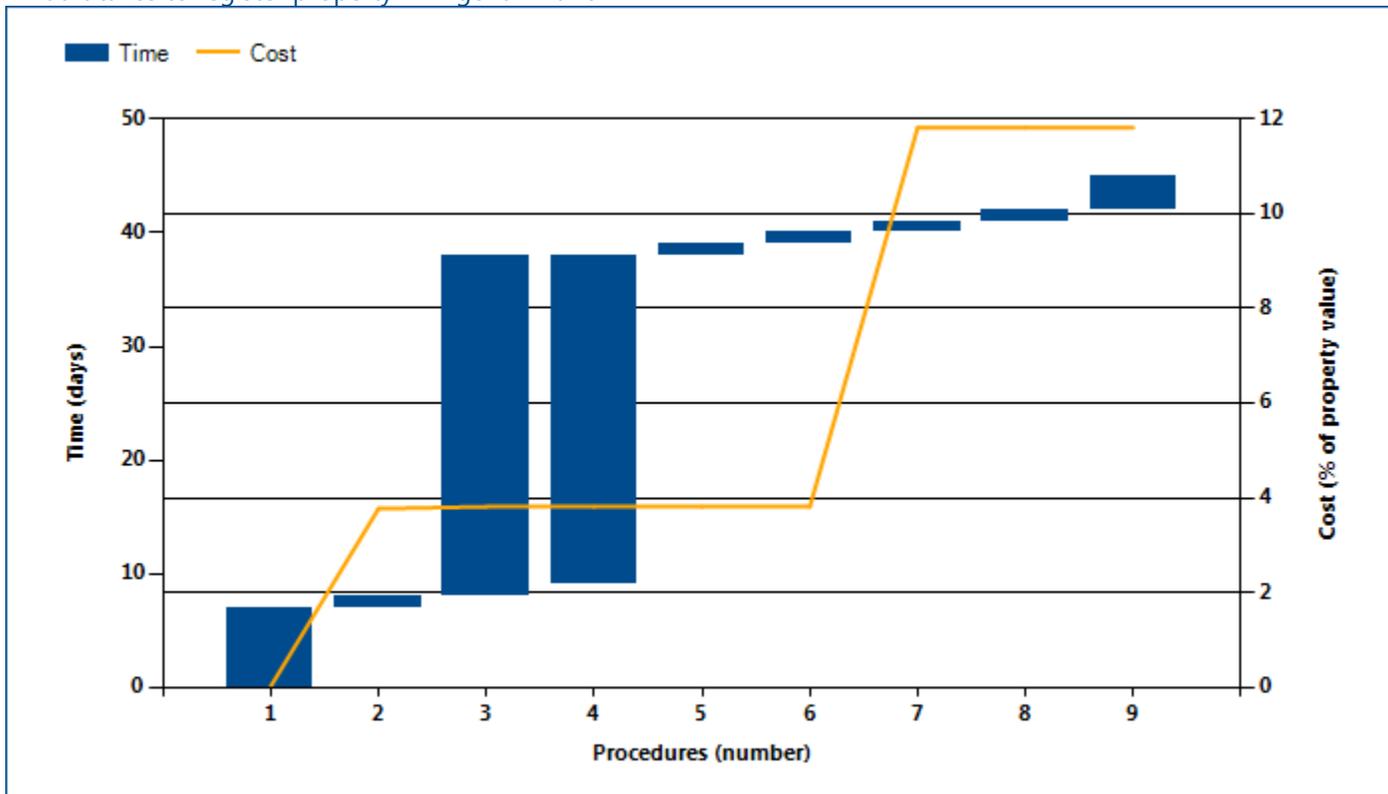
What does it take to complete a property transfer in Nigeria? According to data collected by *Doing Business*, registering property there requires 12.1 procedures, takes 69.6 days and costs 10.5% of the property value (figure 5.1). The score on the quality of land administration index is 6.3

Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 5.1 What it takes to register property in Nigeria - Lagos



What it takes to register property in Nigeria - Kano



Source: *Doing Business* database.

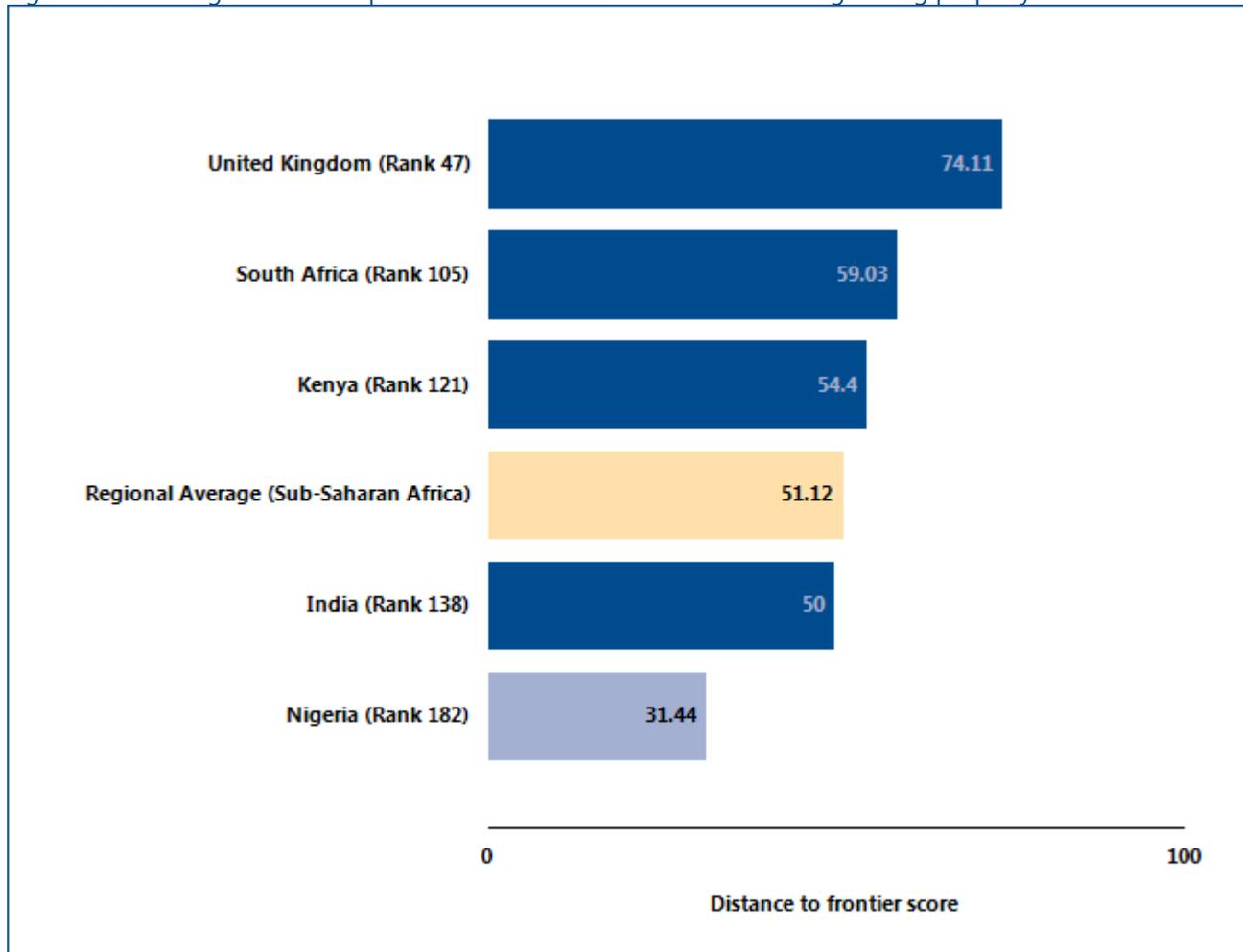
Note: Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the registering property indicators, see the *Doing Business* website (<http://www.doingbusiness.org>). For details on the procedures reflected here, see the summary at the end of this chapter.

REGISTERING PROPERTY

Globally, Nigeria stands at 182 in the ranking of 190 economies on the ease of registering property (figure 5.2). The rankings for comparator economies and the

regional average ranking provide other useful information for assessing how easy it is for an entrepreneur in Nigeria to transfer property.

Figure 5.2 How Nigeria and comparator economies rank on the ease of registering property



Source: Doing Business database.

REGISTERING PROPERTY

Economies worldwide have been making it easier for entrepreneurs to register and transfer property—such as by computerizing land registries, introducing time limits for procedures and setting low fixed fees. Many have cut

the time required substantially—enabling buyers to use or mortgage their property earlier. What property registration reforms has *Doing Business* recorded in Nigeria (table 5.1)?

Table 5.1 How has Nigeria made registering property easier—or not?

By *Doing Business* report year from DB2011 to DB2017

DB year	Reform
DB2016	Nigeria made transferring property in Lagos less costly by reducing fees for property transactions.

Source: *Doing Business* database.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

REGISTERING PROPERTY

What are the details?

The indicators reported here are based on a set of specific procedures—the steps that a buyer and seller must complete to transfer the property to the buyer’s name—identified by *Doing Business* through information collected from local property lawyers, notaries and property registries. These procedures are those that apply to a transaction matching the standard assumptions used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). The procedures, along with the associated time and cost, are summarized below.

STANDARD PROPERTY TRANSFER	
Property value:	NGN 25,261,790
City:	Lagos, Kano

Table 5.2 Summary of time, cost and procedures for registering property in Nigeria Lagos

No.	Procedure	Time to complete	Cost to complete
1	<p>Sworn affidavit for search at the Commissioner of Oaths</p> <p>Before someone can carry out a search at the Land Registry an Affidavit must be first sworn and filed at the High Court. If the affidavit is registered before 12, then the lawyer will be able to proceed with the search. Otherwise it will be on the next day.</p> <p><i>Agency: High Court of Justice, Ministry of Justice, Notary public</i></p>	1 day	NGN 250
2	<p>Conduct a Property title search at the Land Registry</p> <p>The application letter to conduct the search is accompanied by a sworn affidavit signed by the Commissioner for Oaths of the status of the party and purpose of search. A lawyer is generally used to perform the registration of property. Legal fees are charged based on the Scale of Fees for Conveyancing Matters [Legal Practitioners (Remuneration for Legal Documentation and Other Land Matters) Order 1991]. This is a sliding scale , and averages out at about 7.5% of the consideration. The fees include all the steps required until the new title is registered under the buyer’s name.</p> <p>The primary objective at this stage is to ascertain that the Vendor has a good root of title. A good root of title in this context means the following:</p> <ul style="list-style-type: none"> that the Vendor is the rightful owner of the land. that the land is free from any encumbrance or pending litigation. that the land is not the subject of any Government acquisition. that the land is not subject to any of the overriding interests in land (e.g. short leases, easements, licenses, road or right of way). 	1 day	NGN 3,750 (search at Registry) + Legal fees as follows: NGN 7,500–10,000 + 7.5% of values above NGN 20,000 if acting for the buyer (5% of values above NGN 20,000 if acting for the seller)

No.	Procedure	Time to complete	Cost to complete
	<p><i>Agency: Lagos State Lands Registry</i></p>		
<p>3</p>	<p>Execution of Deed of Assignment/Conveyance and Land Form 1C</p> <p>Representatives of the firms (assignor and assignee) complete and affix their seals on the Land Form 1C and four (4) copies of the Deed of Assignment.</p> <p>The Land Form 1c is a document obtained at the Land Registry to be completed by the parties and duly notarized by a Notary Public or signed by a Commissioner for oaths. Lawyers often have the Form in their office. The Deed of Assignment on the other hand is as legal instrument conveying the interest/tile in a property to another. This is prepared by a lawyer and is to be executed by both parties in the presence of a witness.</p> <p><i>Agency: Lands Bureau (Form 1c) and Lawyer's office (Deed of Assignment)</i></p>	<p>1 day</p>	<p>no cost</p>
<p>4</p>	<p>Obtain Certified True Copy (CTC) of title document and a Certified True Copy of the Survey plan</p> <p>The application letter to obtain a Certified True Copy of the title of ownership and a CTC of the land survey plan are accompanied by a sworn affidavit of purpose to support an application. Without these two documents the application for the Governor's consent would not be admitted.</p> <p>Parties obtain a copy of the survey Plan, as approved by the Office of the Surveyor General, which is required for the Governor's Consent. Under Nigerian law, a clear proof of the identity of the land plot is needed. The survey plan gives the coordinates of the plot and must fit in the official map of Lagos. It identifies the boundary of the property. If using a private surveyor, he must be a registered one.</p> <p><i>Agency: Land Registry</i></p>	<p>3-5 days</p>	<p>NGN 5,625 + NGN 1,875</p>
<p>5</p>	<p>Payment of the Charting Fee, Endorsement fee and Form 1C at a designated bank</p> <p>Payment advice to be obtained from the Revenue Office for the purpose of PID Number generation after which is affected in the Bank. Payment for the above can be made to any Government accredited bank either</p>	<p>1 day</p>	<p>Charting Fees (NGN 7,500) + Endorsement Fees (NGN 1,500) + NGN 1,500 for</p>

No.	Procedure	Time to complete	Cost to complete
	<p>by a bank draft, cheque or cash. The Bank then issues a Government Revenue receipt. The receipts is what is submitted together with the application for Governor's Consent.</p> <p><i>Agency: Government accredited bank</i></p>		Form 1C
6	<p>Submit application for processing Governor's Consent and obtain the Title</p> <p>By virtue of the Land Use Act, promulgated in 1978, all land in each State in the Federation became vested in the Governor of that State, who's prior Consent is mandatory for the legal validity of any transfers or alienation of interest in landed property. In August 2005, the Governor's Consent procedure underwent major reform, with the aim that Consent should be granted within 30 working days following submission of a duly completed application. Incomplete applications are not accepted. New procedures and documentation requirements have been widely published. The Land Services will also conduct their own checking for encumbrances on the property and whether the land has no government dispute.</p> <p>Obtaining the Governor's consent require the following documentation:</p> <ul style="list-style-type: none"> • Covering letter with Address and Telephone Nos. • Completed Form 1C • Certified True Copy (CTC) of Title Document of Assignor • Current Tax Clearance Certificates of the Assignor and Assignee • For Limited Liability Companies, the Internal Revenue Certificate of PAYE Directors • Four (4) copies of the Deed of which Consent is sought should be attached. • Copy of the Survey Plan, as approved by the surveyor General office and a picture of the Building • Evidence of payment for Charting fee, Endorsement fee, Form 1C • Evidence of payment of Land Use Charge • Where the Property is covered by a State Leasehold or Certificate of Occupancy, evidence of payment of Ground Rent, up to date. • A photograph of the property • A copy of the applicant and/or his agent/legal representative's identification <p>"</p> <p><i>Agency: Directorate of Land Services</i></p>	61 days (simultaneous with procedures 7, 8, 9, 10 and 11)	Administrative Fee of NGN 3,000

No.	Procedure	Time to complete	Cost to complete
* 7	<p>Charting of survey plans attached to the Deeds</p> <p>Upon submission of the application documents and payment of the administrative fee, the application is given a unique reference number, processes and delivered to the Surveyor General's office for charting to ensure that plans were prepared in accordance with survey rules and the property is free from the government acquisition. If there are no queries, the Deeds are returned to the Directorate of Lands service for issuance of the Assessment Notice. Where the survey plan is queried, a notice of the query is issued to the applicant.</p> <p><i>Agency: Surveyor General's office</i></p>	<p>5 - 14 days (simultaneous with procedures 6, 8, 9, 10 and 11)</p>	<p>no cost</p>
* 8	<p>Obtain Demand Notice for Registration fees, Consent fees, Neighborhood improvement charge at the Land Registry</p> <p>After investigation and assessment of the true value of the property, the applicant will be issued with an assessment letter. The Letter will contain the amount for the Registration fee, Consent fee, Neighborhood improvement charge and the Capital gains tax that should be paid to the Lagos State Government Account.</p> <p><i>Agency: Directorate of Land Services</i></p>	<p>3 days (simultaneous with procedures 6, 7, 9, 10 and 11)</p>	<p>no cost</p>
* 9	<p>Obtain Demand Notice for Stamp Duty</p> <p>After investigation and assessment of the true value of the property, the applicant will be issued with an assessment letter. The Letter will contain the amount for Stamp duty verified with Federal Internal Revenue Service. Payment of the Stamp duty should be paid to the Lagos State Government Account.</p> <p><i>Agency: Lagos State Inland Revenue Service or Federal Internal Revenue service (FIRS)</i></p>	<p>1 day (simultaneous with procedures 6, 7, 8, 10 and 11)</p>	<p>no cost</p>
* 10	<p>Payment of Stamp duty , Registration fees, Consent fees, Neighborhood improvement charge at a commercial bank</p> <p>The applicant pays the remaining fees at the designated bank by means of certified cheques: Consent Fee 1.5% + Registration fee 0.5% + Stamp duty 0.5% + capital gains tax of 0.5% is also paid. Receipts are provided to the applicant, who will make copies of those receipts before submitting the original</p>	<p>1 day (simultaneous with procedures 6, 7, 8, 9 and 11)</p>	<p>Consent Fee 1.5% + Registration fee 0.5% + Stamp duty 0.5% (Capital gains tax of 0.5% is also paid, but are not included in the</p>

No.	Procedure	Time to complete	Cost to complete
	<p>receipts to the Land Registry for verification.</p> <p>On January 5, 2015, the Government of the Lagos State of the Federal Republic of Nigeria adopted the Executive Bill No EO/BRF/001 of 2015. The Order, which takes immediate effect, reduces Consent Fees from 6 percent to 1.5 percent while Capital Gains tax, which was previously 2 percent, is reduced to 0.5 percent. Also cost of Stamp Duty has been reduced from 2 percent to 0.5 percent while Registration Fees has been reduced from 3 percent to 0.5 percent.</p> <p>However, the Executive Order provides, among others, that "unless otherwise indicated, the valuation of landed property for the determination of tax and other charges payable shall be by reference to the Statement of Fair market Value produced by relevant professionals, adopted by the State Government and published from time to time in the Official Government Gazette".</p> <p><i>Agency: Designated bank</i></p>		<p>calculation).</p>
<p>* 11</p>	<p>Submit the Receipts of the Registration fees, Consent fees, Neighborhood improvement charge, Stamp duty</p> <p>Receipts obtained from the bank are submitted as proof of payment to the Land Registry. These receipts are internally forwarded to the Account Department for reconciliation. The lawyer retains copies of the deposit/payment slip is retained for his/her record. The Land Registry manually confirms these payments to the relevant departments. Once payment is confirmed by the Accounts Department, the Land Services Department sends the file directly to one of the designated commissioners to grant the Consent on behalf of the Governor.</p> <p><i>Agency: Directorate of Land Services</i></p>	<p>1 day (simultaneous with procedures 6, 7, 8, 9 and 10)</p>	<p>no cost</p>
<p>12</p>	<p>Stamping of the deed of assignment</p> <p>Deeds are presented by assignee's lawyer for stamping at the Stamp Duties Registry (agency of Inland Revenue Services). Stamping takes place only after Registry receives confirmation of receipt of payment. The documentation shall include: receipts confirming payment of stamp duty.</p> <p><i>Agency: Stamping duties office</i></p>	<p>1 day</p>	<p>Already paid in Procedure 10</p>

No.	Procedure	Time to complete	Cost to complete
13	<p>Registration of Certificate of Occupancy or Deed and Title conferred</p> <p>The lawyer will then follow up on the deed to be filed to the Lands Registry. The receipt and paying-in slips evidencing payment are given to the cashier at the Lands Registry. With proof of payment, a lands officer is assigned to enter the Deed into the Registry records.</p> <p><i>Agency: Land Registry</i></p>	7 days	Already paid in Procedure 10

* Takes place simultaneously with another procedure.

Source: *Doing Business* database.

Note: Online procedures account for 0.5 days in the total time calculation.

Summary of time, cost and procedures for registering property in Nigeria Kano

No.	Procedure	Time to complete	Cost to complete
1	<p>Conduct search of property title and obtain consent application form at Lands Registry</p> <p>The lawyer representing the parties fills out and submits a letter, which states the purpose of the search. The search fee is paid in cash at the Lands Registry.</p> <p><i>Agency: Ministry of Lands and Physical Planning</i></p>	7 days	NGN 5,000 search fee + NGN 2,000 consent form fee
2	<p>Execute deed of assignment and consent application form</p> <p>Seller and buyer sign four (4) copies of the deed of assignment and the application for consent form. Legal fees are charged based on the Scale of Fees for Conveyancing Matters [Legal Practitioners (Remuneration for Legal Documentation and Other Land Matters) Order 1991]. This is a sliding scale based on slices of the consideration involved, and averages out at about 7.5% of the consideration. In practice, due to competition amongst lawyers, the fees charged for property assignment in Kano are lower than those prescribed and amount to approximately 3.75% of property value. The fees will include all the steps required until the new title is registered under the buyer's name</p> <p><i>Agency: Lawyer's Office</i></p>	1 day	3.75% of property value legal fee

No.	Procedure	Time to complete	Cost to complete
3	<p>Submit application for Governor's consent to the assignment at the Ministry of Lands and Physical Planning</p> <p>By virtue of the Land Use Act, promulgated in 1978, all land comprised in territory of each state in the federation became vested in the Governor of that state, whose prior consent is mandatory for the legal validity of any transfers or alienation of interest in landed property. In Kano, the authority to grant the consent has been delegated by the Governor to the Commissioner for Lands, who delegated it further to the Permanent Secretary for Lands. In order to obtain such consent, the following documents must be submitted: a. Copy of the deed for which consent is sought; b. Proof of settlement of outstanding ground rates; c. Letter of clearance of the title holder and board's resolution in case of a corporate body; d. Three years tax clearance certificates of the seller and buyer; e. Registration particulars and articles of association of the company.</p> <p><i>Agency: Ministry of Lands and Physical Planning</i></p>	30 days (simultaneous with procedure 4)	processing fee of NGN 10,000
* 4	<p>Receive inspection of the property from the Ministry of Lands and Physical Planning</p> <p>The valuation includes a physical inspection of the property to assess its market value. Upon completion of valuation, a valuation report is issued, based on which registration fees are assessed.</p> <p><i>Agency: Private licensed valuator</i></p>	7 days (simultaneous with procedure 3)	Included in cost of procedure 3,
5	<p>Collect letter of consent and demand order for payment of fees from the Ministry of Lands and Physical Planning</p> <p>The applicant receives a letter of consent, which is conditional on payment of the prescribed fees. Registration must be done within 4 months; failure to do so attracts a penalty of NGN 100 payable on each defaulting day including weekends.</p> <p><i>Agency: Ministry of Lands and Physical Planning</i></p>	1 day	no cost
6	<p>Assess the deed of assignment at the Stamp Duty Office (Federal Inland Revenue Services)</p> <p>The deed is presented by buyer's lawyer for assessment of stamp duty at the FIRS. The FIRS typically uses the figure as indicated by the Lands Registry in their assessment of the fees.</p> <p><i>Agency: Stamp Duty Office, Federal Board of Inland Revenue</i></p>	1 day	no cost

No.	Procedure	Time to complete	Cost to complete
7	<p>Pay prescribed fees and stamp duty at the designated bank</p> <p>The buyer or his/her agent pays the prescribed fees and stamp duty at the designated bank. Payment of stamp duty is by bank draft payable to any of the designated receiving banks. Stamp duty for property assignment between companies is assessed at 3% of the property value.</p> <p><i>Agency: Commercial bank</i></p>	1 day	5% of property value registration fee + 3% of property value stamp duty fee
8	<p>Stamp the deed of assignment at the Stamp Duty Office (Federal Inland Revenue Services)</p> <p>The deed is presented by buyer's lawyer for stamping at the FIRS. Stamping takes place only after the FIRS receives confirmation of receipt of payment.</p> <p><i>Agency: Stamp Duty Office, Federal Board of Inland Revenue</i></p>	1 day	no cost
9	<p>Register the deed of assignment at Lands Registry</p> <p>Buyer's lawyer submits payment receipts to the Schedule Officer at Lands Registry, who in turn enters the deed into the Lands Registry records.</p> <p><i>Agency: Ministry of Lands and Physical Planning</i></p>	3 days	no cost

* Takes place simultaneously with another procedure.

Note: Online procedures account for 0.5 days in the total time calculation.

Source: Doing Business database.

REGISTERING PROPERTY

Quality of land administration

The quality of land administration index is the sum of the scores on the reliability of infrastructure, transparency of information, geographic coverage and land dispute resolution indices.

The index ranges from 0 to 30, with higher values indicating better quality of the land administration system.

If private sector entities were unable to register property transfers in an economy between June 2014 and June 2015, the economy receives a “no practice” mark on the procedures, time and cost indicators. A “no practice” economy receives a score of 0 on the quality of land administration index even if its legal framework includes provisions related to land administration.

Table 5.3 Summary of quality of land administration in Nigeria

	Answer (Lagos)	Score (Lagos)	Answer (Kano)	Score (Kano)
Quality of the land administration index (0-30)		7.0		4.0
Reliability of infrastructure index (0-8)		2.0		0.0
What is the institution in charge of immovable property registration?	Lagos State Land Registry		Ministry of Lands and Physical Planning	
In what format are the majority of title or deed records kept in the largest business city—in a paper format or in a computerized format (scanned or fully digital)?	Computer/Scanned	1.0	Paper	0.0
Is there an electronic database for checking for encumbrances (liens, mortgages, restrictions and the like)?	Yes	1.0	No	0.0
In what format are the majority of maps of land plots kept in the largest business city—in a paper format or in a computerized format (scanned or fully digital)?	Paper	0.0	Paper	0.0
Is there an electronic database for recording boundaries, checking plans and providing cadastral information (geographic information system)?	No	0.0	No	0.0
Is the information recorded by the immovable property registration agency and the cadastral or mapping agency kept in a single database, in different but linked databases or in separate databases?	Separate databases	0.0	Separate databases	0.0
Do the immovable property registration agency and cadastral or mapping agency use the same identification number for properties?	No	0.0	No	0.0
Transparency of information index (0–6)		2.0		1.0

	Answer (Lagos)	Score (Lagos)	Answer (Kano)	Score (Kano)
Who is able to obtain information on land ownership at the agency in charge of immovable property registration in the largest business city?	Anyone who pays the official fee	1.0	Anyone who pays the official fee	1.0
Is the list of documents that are required to complete any type of property transaction made publicly available—and if so, how?	Yes, online	0.5	Yes, in person	0.0
Link for online access:	http://www.lagoslands.com/directorates/directorate-of-land-services/documents-required-for-governers-consent/			
Is the applicable fee schedule for any property transaction at the agency in charge of immovable property registration in the largest business city made publicly available—and if so, how?	Yes, online	0.5	Yes, in person	0.0
Link for online access:	http://www.lagoslands.com/directorates/land-registry-directorate/scale-of-charges/			
Does the agency in charge of immovable property registration commit to delivering a legally binding document that proves property ownership within a specific time frame—and if so, how does it communicate the service standard?	Yes, in person	0.0	No	0.0
Link for online access:				
Is there a specific and separate mechanism for filing complaints about a problem that occurred at the agency in charge of immovable property registration?	No	0.0	No	0.0
Are there publicly available official statistics tracking the number of transactions at the immovable property registration agency?	No	0.0	No	0.0

	Answer (Lagos)	Score (Lagos)	Answer (Kano)	Score (Kano)
Number of property transfers in the largest business city in 2015:				
Who is able to consult maps of land plots in the largest business city?	Only intermediaries and interested parties	0.0	Only intermediaries and interested parties	0.0
Is the applicable fee schedule for accessing maps of land plots made publicly available—and if so, how?	No	0.0	Yes, in person	0.0
Link for online access:				
Does the cadastral or mapping agency commit to delivering an updated map within a specific time frame—and if so, how does it communicate the service standard?	No	0.0	No	0.0
Link for online access:				
Is there a specific and separate mechanism for filing complaints about a problem that occurred at the cadastral or mapping agency?	No	0.0	No	0.0
Geographic coverage index (0–8)		0.0		0.0
Are all privately held land plots in the economy formally registered at the immovable property registry?	No	0.0	No	0.0
Are all privately held land plots in the largest business city formally registered at the immovable property registry?	No	0.0	No	0.0
Are all privately held land plots in the economy mapped?	No	0.0	No	0.0
Are all privately held land plots in the largest business city mapped?	No	0.0	No	0.0
Land dispute resolution index (0–8)		3.0		3.0
Does the law require that all property sale transactions be registered at the immovable property registry to make them opposable to third parties?	Yes	1.5	Yes	1.5
Is the system of immovable property registration subject to a state or private guarantee?	Yes	0.5	Yes	0.5
Is there a specific compensation mechanism to cover for losses incurred by parties who engaged in good faith in a property transaction based on erroneous	No	0.0	No	0.0

	Answer (Lagos)	Score (Lagos)	Answer (Kano)	Score (Kano)
information certified by the immovable property registry?				
Does the legal system require a control of legality of the documents necessary for a property transaction (e.g., checking the compliance of contracts with requirements of the law)?	Yes	0.5	Yes	0.5
If yes, who is responsible for checking the legality of the documents?	Lawyer; Interested Parties.		Registrar; Lawyer; Interested Parties.	
Does the legal system require verification of the identity of the parties to a property transaction?	Yes	0.5	Yes	0.5
If yes, who is responsible for verifying the identity of the parties?	Registrar; Lawyer.		Registrar; Lawyer; Interested Parties.	
Is there a national database to verify the accuracy of identity documents?	No	0.0	No	0.0
For a standard land dispute between two local businesses over tenure rights of a property worth 50 times gross national income (GNI) per capita and located in the largest business city, what court would be in charge of the case in the first instance?	Lagos State High Court		High Court of Kano State.	
How long does it take on average to obtain a decision from the first-instance court for such a case (without appeal)?	More than 3 years	0.0	More than 3 years	0.0
Are there any statistics on the number of land disputes in the first instance?	No	0.0	No	0.0
Number of land disputes in the largest business city in 2015:				
Equal access to property rights index (-2-0)		0.0		0.0
Do unmarried men and unmarried women have equal ownership rights to property?	Yes	0.0	Yes	0.0
Do married men and married women have equal ownership rights to property?	Yes	0.0	Yes	0.0

Source: Doing Business database.

GETTING CREDIT

Two types of frameworks can facilitate access to credit and improve its allocation: credit information systems and borrowers and lenders in collateral and bankruptcy laws. Credit information systems enable lenders to view and consider a potential borrower's financial history (positive or negative) when assessing risk and they allow borrowers to establish a good credit history that will facilitate their access to credit. Sound collateral laws enable businesses to use their assets, especially movable property, as security to generate capital—while strong creditors' rights have been associated with higher ratios of private sector credit to GDP.

What do the indicators cover?

Doing Business assesses the sharing of credit information and the legal rights of borrowers and lenders with respect to secured transactions through 2 sets of indicators. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through a credit registry or a credit bureau. The strength of legal rights index measures whether certain features that facilitate lending exist within the applicable collateral and bankruptcy laws. *Doing Business* uses two case scenarios, Case A and Case B, to determine the scope of the secured transactions system, involving a secured borrower and a secured lender and examining legal restrictions on the use of movable collateral (for more details on each case, see the Data Notes section of the *Doing Business 2017* report). These scenarios assume that the borrower:

- Is a domestic limited liability company.
- Has its headquarters and only base of operations in the largest business city. For the 11 economies with a population of more than 100 million, data for a second city have been added.

WHAT THE GETTING CREDIT INDICATORS MEASURE

Strength of legal rights index (0–12)

Rights of borrowers and lenders through collateral laws

Protection of secured creditors' rights through bankruptcy laws

Depth of credit information index (0–8)

Scope and accessibility of credit information distributed by credit bureaus and credit registries

Credit bureau coverage (% of adults)

Number of individuals and firms listed in largest credit bureau as percentage of adult population

Credit registry coverage (% of adults)

Number of individuals and firms listed in credit registry as percentage of adult population

- Has up to 50 employees.
- Is 100% domestically owned, as is the lender.

The ranking of economies on the ease of getting credit is determined by sorting their distance to frontier scores for getting credit. These scores are the distance to frontier score for the strength of legal rights index and the depth of credit information index.

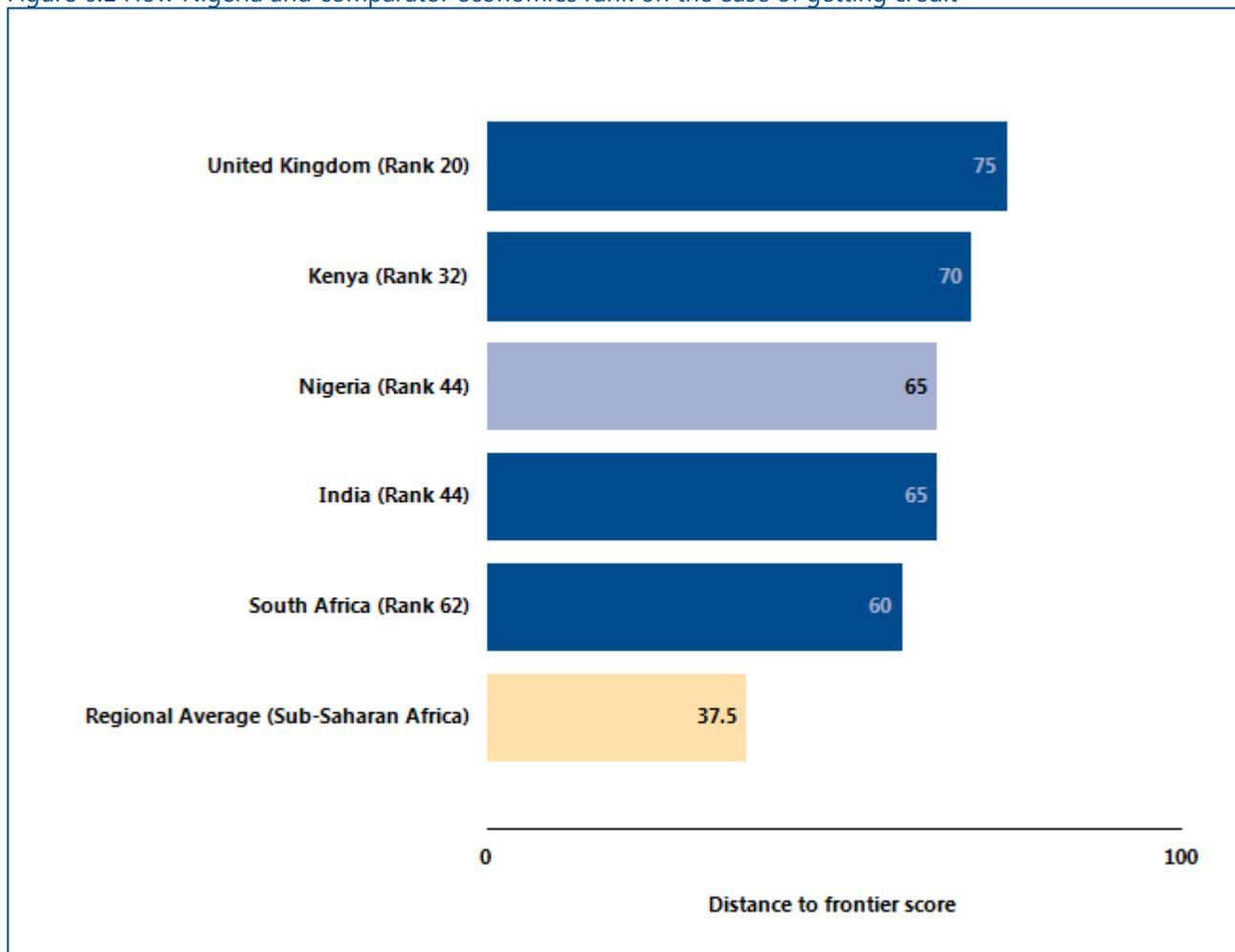
GETTING CREDIT

Where does the economy stand today?

How well do the credit information system and collateral and bankruptcy laws in Nigeria facilitate access to credit? The economy has a score of 6.0 on the depth of credit information index and a score of 7.0 on the strength of legal rights index (see the summary of scoring at the end of this chapter for details). Higher scores indicate more credit information and stronger legal rights for borrowers and lenders.

Globally, Nigeria stands at 44 in the ranking of 190 economies on the ease of getting credit (figure 6.1). The rankings for comparator economies provide useful information for assessing how well regulations and institutions in Nigeria support lending and borrowing.

Figure 6.1 How Nigeria and comparator economies rank on the ease of getting credit



Source: Doing Business database.

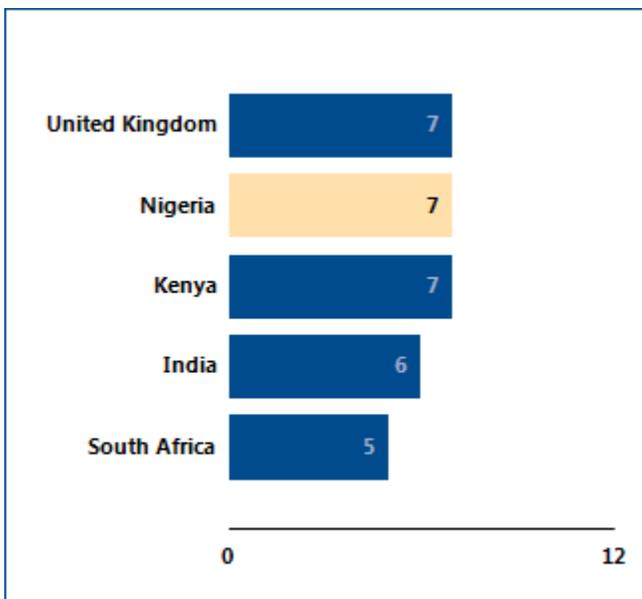
GETTING CREDIT

One way to put an economy’s score on the getting credit indicators into context is to see where the economy stands in the distribution of scores across economies. Figure 6.2 highlights the score on the strength of legal

rights index for Nigeria and shows the scores for comparator economies as well as the regional average score. Figure 6.3 shows the same for the depth of credit information index.

Figure 6.2 How strong are legal rights for borrowers and lenders?

Economy scores on strength of legal rights index

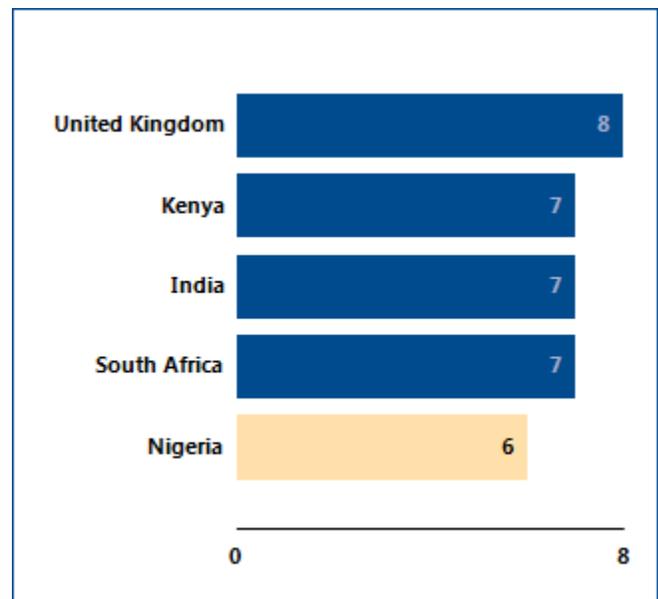


Source: Doing Business database.

Note: Higher scores indicate that collateral and bankruptcy laws are better designed to facilitate access to credit.

Figure 6.3 How much credit information is shared—and how widely?

Economy scores on depth of credit information index



Source: Doing Business database.

Note: Higher scores indicate the availability of more credit information, from either a credit registry or a credit bureau, to facilitate lending decisions. If the credit bureau or registry is not operational or covers less than 5% of the adult population, the total score on the depth of credit information index is 0.

GETTING CREDIT

When economies strengthen the legal rights of lenders and borrowers under collateral and bankruptcy laws, and increase the scope, coverage and accessibility of credit

information, they can increase entrepreneurs' access to credit. What credit reforms has *Doing Business* recorded in Nigeria (table 6.1)?

Table 6.1 How has Nigeria made getting credit easier—or not?
By *Doing Business* report year from DB2011 to DB2017

DB year	Reform
DB2013	Nigeria improved access to credit information by distributing credit information from retail companies.
DB2017	Nigeria strengthened access to credit by creating a centralized collateral registry. This reform applies to both Kano and Lagos.

Source: *Doing Business* database.

Note: For information on reforms in earlier years (back to DB2005), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

GETTING CREDIT

What are the details?

The getting credit indicators reported here for Nigeria are based on detailed information collected in that economy. The data on credit information sharing are collected through a survey of a credit registry and/or credit bureau (if one exists). To construct the depth of credit information index, a score of 1 is assigned for each of 8 features of the credit registry or credit bureau (see summary of scoring below).

The data on the legal rights of borrowers and lenders are gathered through a survey of financial lawyers and verified through analysis of laws and regulations as well as public sources of information on collateral and bankruptcy laws. For the strength of legal rights index, a score of 1 is assigned for each of 10 aspects related to legal rights in collateral law and 2 aspects in bankruptcy law.

Strength of legal rights index (0–12)	Lagos Index score: 7.0	Kano Index score: 7.0
Does an integrated or unified legal framework for secured transactions that extends to the creation, publicity and enforcement of functional equivalents to security interests in movable assets exist in the economy?	0	0
Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral?	1	1
Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral?	1	1
May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets?	1	1
Is a general description of debts and obligations permitted in collateral agreements; can all types of debts and obligations be secured between parties; and can the collateral agreement include a maximum amount for which the assets are encumbered?	1	1
Is a collateral registry in operation for both incorporated and non-incorporated entities, that is unified geographically and by asset type, with an electronic database indexed by debtor's name?	1	1
Does a notice-based collateral registry exist in which all functional equivalents can be registered?	0	0
Does a modern collateral registry exist in which registrations, amendments, cancellations and searches can be performed online by any interested third party?	0	0
Are secured creditors paid first (i.e. before tax claims and employee claims) when a debtor defaults outside an insolvency procedure?	1	1

Strength of legal rights index (0–12)	Lagos Index score: 7.0	Kano Index score: 7.0
Are secured creditors paid first (i.e. before tax claims and employee claims) when a business is liquidated?	0	0
Are secured creditors subject to an automatic stay on enforcement when a debtor enters a court-supervised reorganization procedure? Does the law protect secured creditors' rights by providing clear grounds for relief from the stay and/or sets a time limit for it?	0	0
Does the law allow parties to agree on out of court enforcement at the time a security interest is created? Does the law allow the secured creditor to sell the collateral through public auction and private tender, as well as, for the secured creditor to keep the asset in satisfaction of the debt?	1	1

Depth of credit information index (0–8)	Credit bureau	Credit registry	Index score: 6.0
Are data on both firms and individuals distributed?	Yes	No	1
Are both positive and negative credit data distributed?	Yes	No	1
Are data from retailers or utility companies - in addition to data from banks and financial institutions - distributed?	Yes	No	1
Are at least 2 years of historical data distributed? (Credit bureaus and registries that erase data on defaults as soon as they are repaid or distribute negative information more than 10 years after defaults are repaid receive a score of 0 for this component.)	Yes	No	1
Are data on loan amounts below 1% of income per capita distributed?	Yes	No	1
By law, do borrowers have the right to access their data in the credit bureau or credit registry?	No	No	0
Can banks and financial institutions access borrowers' credit information online (for example, through an online platform, a system-to-system connection or both)?	Yes	No	1
Are bureau or registry credit scores offered as a value-added service to help banks and financial institutions assess the creditworthiness of borrowers?	No	No	0

Note: An economy receives a score of 1 if there is a "yes" to either bureau or registry. If the credit bureau or registry is not operational or covers less than 5% of the adult population, the total score on the depth of credit information index is 0.

Coverage	Credit bureau	Credit registry
Number of individuals	6,498,344	0
Number of firms	996,294	0
Total	7,494,638	120,750
Total percentage of adult population	7.7	0.1

Source: *Doing Business* database.

PROTECTING MINORITY INVESTORS

Protecting minority investors matters for the ability of companies to raise the capital they need to grow, innovate, diversify and compete. Effective regulations define related-party transactions precisely, promote clear and efficient disclosure requirements, require shareholder participation in major decisions of the company and set detailed standards of accountability for company insiders.

What do the indicators cover?

Doing Business measures the protection of minority investors from conflicts of interest through one set of indicators and shareholders' rights in corporate governance through another. The ranking of economies on the strength of minority investor protections is determined by sorting their distance to frontier scores for protecting minority investors. These scores are the simple average of the distance to frontier scores for the extent of conflict of interest regulation index and the extent of shareholder governance index. To make the data comparable across economies, a case study uses several assumptions about the business and the transaction.

The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange. If the number of publicly traded companies listed on that exchange is less than 10, or if there is no stock exchange in the economy, it is assumed that Buyer is a large private company with multiple shareholders.
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.
- Has a supervisory board (applicable to economies with a two-tier board system) on which 60% of the shareholder-elected members have been appointed by Mr. James, who is Buyer's controlling shareholder and a member of Buyer's board of directors.
- Has not adopted any bylaws or articles of association that differ from default minimum standards and does not follow any nonmandatory codes, principles, recommendations or guidelines relating to corporate governance.

WHAT THE PROTECTING MINORITY INVESTORS INDICATORS MEASURE

Extent of disclosure index (0–10)

Review and approval requirements for related-party transactions; Disclosure requirements for related-party transactions

Extent of director liability index (0–10)

Ability of minority shareholders to sue and hold interested directors liable for prejudicial related-party transactions; Available legal remedies (damages, disgorgement of profits, fines, imprisonment, rescission of the transaction)

Ease of shareholder suits index (0–10)

Access to internal corporate documents; Evidence obtainable during trial and allocation of legal expenses

Extent of conflict of interest regulation index (0–10)

Simple average of the extent of disclosure, extent of director liability and ease of shareholder indices

Extent of shareholder rights index (0–10)

Shareholders' rights and role in major corporate decisions

Extent of ownership and control index (0–10)

Governance safeguards protecting shareholders from undue board control and entrenchment

Extent of corporate transparency index (0–10)

Corporate transparency on ownership stakes, compensation, audits and financial prospects

Extent of shareholder governance index (0–10)

Simple average of the extent of shareholders rights, extent of ownership and control and extent of corporate transparency indices

Strength of minority investor protection index (0–10)

Simple average of the extent of conflict of interest regulation and extent of shareholder governance indices

- Is a manufacturing company with its own distribution network.

The transaction involves the following details:

- Mr. James owns 60% of Buyer and elected two directors to Buyer's five-member board.
- Mr. James also owns 90% of Seller, a company that operates a chain of retail hardware stores. Seller recently closed a large number of its stores. Mr. James proposes that Buyer purchase Seller's unused fleet of trucks to expand Buyer's distribution of its food products, a proposal to which Buyer agrees. The price is equal to 10% of Buyer's assets and is higher than the market value.
- The proposed transaction is part of the company's ordinary course of business and is not outside the authority of the company.
- Buyer enters into the transaction. All required approvals are obtained, and all required disclosures made (that is, the transaction is not fraudulent).
- The transaction causes damages to Buyer. Shareholders sue Mr. James and the other parties that approved the transaction.

PROTECTING MINORITY INVESTORS

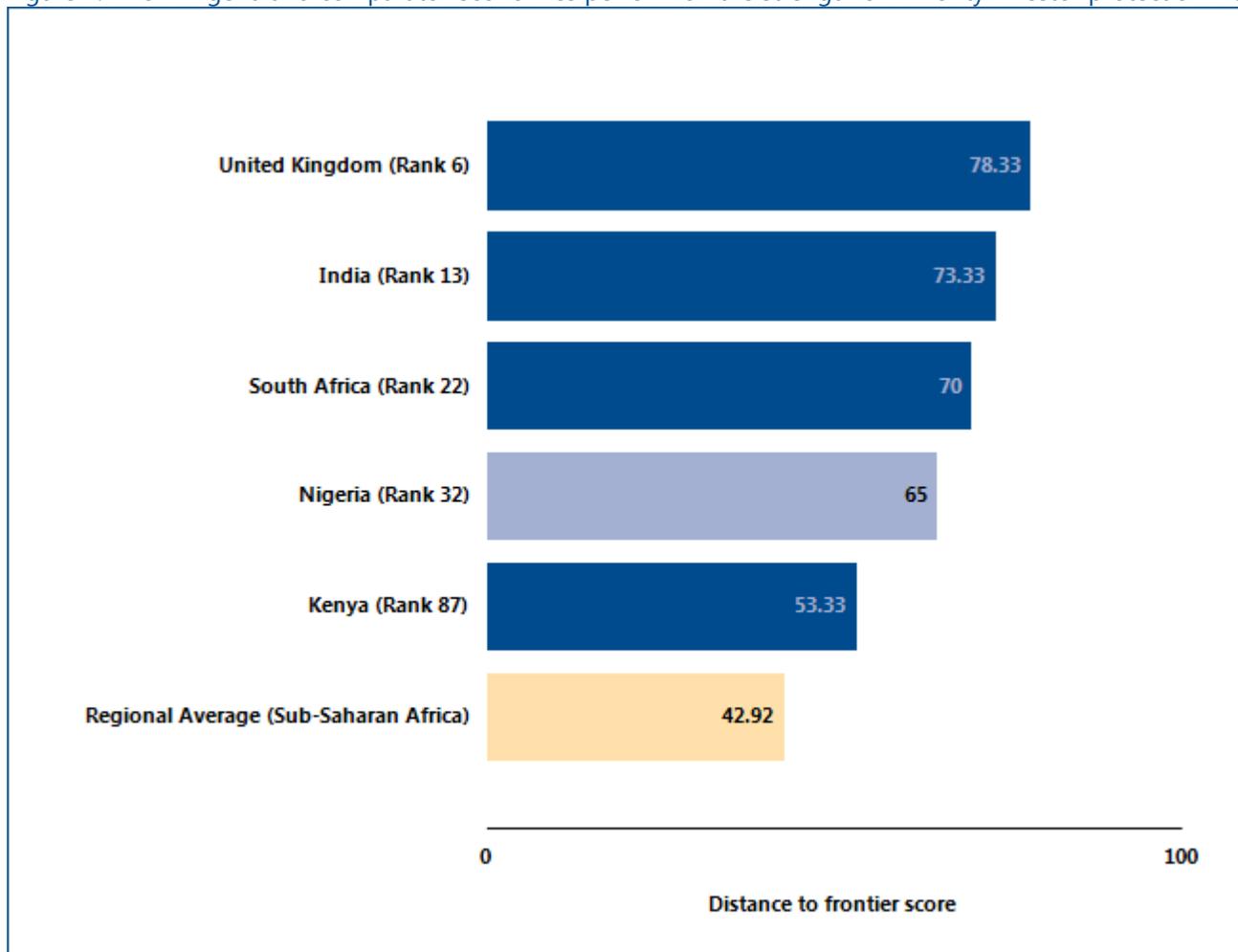
Where does the economy stand today?

How strong are minority investor protections against self-dealing in Nigeria? The economy has a score of 65 on the strength of minority investor protection index, with a higher score indicating stronger protections.

Globally, Nigeria stands at 32 in the ranking of 190 economies on the strength of minority investor

protection index (figure 7.1). While the indicator does not measure all aspects related to the protection of minority investors, a higher ranking does indicate that an economy's regulations offer stronger minority investor protections against self-dealing in the areas measured.

Figure 7.1 How Nigeria and comparator economies perform on the strength of minority investor protection index



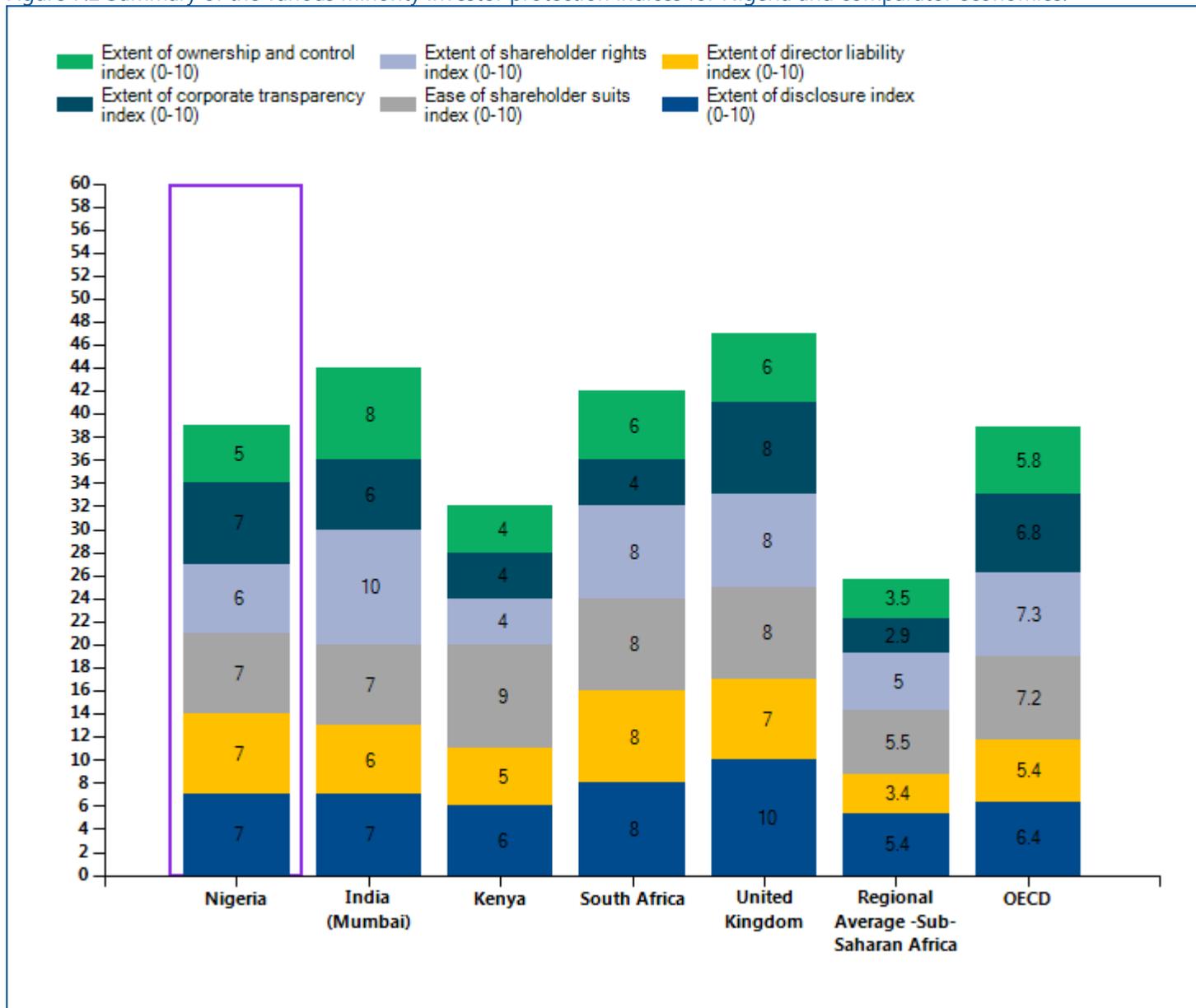
Source: Doing Business database.

PROTECTING MINORITY INVESTORS

One way to put an economy's scores on the protecting minority investors indicators into context is to see where the economy stands in the distribution of scores across comparator economies. Figure 7.2 highlights the scores on the various minority investor protection indices for Nigeria.

A summary of scoring for the protecting minority investors indicators at the end of this chapter provides details on how the indices were calculated.

Figure 7.2 Summary of the various minority investor protection indices for Nigeria and comparator economies.



Source: Doing Business database.

PROTECTING MINORITY INVESTORS

Economies with the strongest protections of minority investors from self-dealing require detailed disclosure and define clear duties for directors. They also have well-functioning courts and up-to-date procedural rules that give minority shareholders the means to prove their case and obtain a judgment within a reasonable time. As a

result, reforms to strengthen minority investor protections may move ahead on different fronts—such as through new or amended company laws, securities regulations or civil procedure rules. What minority investor protection reforms has *Doing Business* recorded in Nigeria (table 7.1)?

Table 7.1 How has Nigeria strengthened minority investor protections—or not?
By *Doing Business* report year from DB2011 to DB2017

DB year	Reform
DB2016	Nigeria strengthened minority investor protections by requiring that related-party transactions be subject to external review and to approval by disinterested shareholders. This reform applies to both Kano and Lagos.

Source: *Doing Business* database.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

PROTECTING MINORITY INVESTORS

What are the details?

The protecting minority investors indicators reported here for Nigeria are based on detailed information collected through a survey of corporate and securities lawyers about securities regulations, company laws and court rules of evidence and procedure. To construct the six indicators on minority investor protection, scores are assigned to each based on a range of conditions relating

to disclosure, director liability, shareholder suits, shareholder rights, ownership and control and corporate transparency in a standard case study (for more details, see the Data Notes section of the *Doing Business 2017* report). The summary below shows the details underlying the scores for Nigeria.

Table 7.2 Summary of scoring for the protecting minority investors indicators in Nigeria

	Answer (Lagos)	Score (Lagos)	Answer (Kano)	Score (Kano)
Strength of minority investor protection index (0-10)		6.5		6.5
Extent of conflict of interest regulation index (0-10)		7.0		7.0
Extent of disclosure index (0-10)		7.0		7.0
Which corporate body is legally sufficient to approve the Buyer-Seller transaction? (0-3)	Shareholders excluding interested parties	3.0	Shareholders excluding interested parties	3.0
Must Mr. James disclose his conflict of interest to the board of directors? (0-2)	Existence of a conflict without any specifics	1.0	Existence of a conflict without any specifics	1.0
Must Buyer disclose the transaction in published periodic filings (annual reports)? (0-2)	Disclosure on the transaction and on the conflict of interest	2.0	Disclosure on the transaction and on the conflict of interest	2.0
Must Buyer immediately disclose the transaction to the public and/or shareholders? (0-2)	No disclosure obligation	0.0	No disclosure obligation	0.0
Must an external body review the terms of the transaction before it takes place? (0-1)	Yes	1.0	Yes	1.0
Extent of director liability index (0-10)		7.0		7.0
Can shareholders representing 10% of Buyer's share capital sue directly or derivatively for the damage the transaction caused to Buyer? (0-1)	Yes	1.0	Yes	1.0
Can shareholders hold the interested director liable for the damage the transaction caused to Buyer? (0-2)	Liable if unfair or prejudicial	2.0	Liable if unfair or prejudicial	2.0
Can shareholders hold the other directors liable for the damage the transaction caused to Buyer (0-2)	Liable if negligent	1.0	Liable if negligent	1.0
Must Mr. James pay damages for the harm caused to Buyer upon a successful claim by shareholders? (0-1)	Yes	1.0	Yes	1.0
Must Mr. James repay profits made from the transaction upon a successful claim by shareholders? (0-1)	Yes	1.0	Yes	1.0
Is Mr. James disqualified or fined and imprisoned upon a successful claim by shareholders? (0-1)	No	0.0	No	0.0
Can a court void the transaction upon a successful claim by shareholders? (0-2)	Voidable if negligently	1.0	Voidable if negligently	1.0

	concluded		concluded	
Ease of shareholder suits index (0-10)		7.0		7.0
Before suing can shareholders representing 10% of Buyer's share capital inspect the transaction documents? (0-1)	Yes	1.0	Yes	1.0
Can the plaintiff obtain any documents from the defendant and witnesses at trial? (0-3)	Documents that the defendant relied on	1.0	Documents that the defendant relied on	1.0
Can the plaintiff request categories of documents from the defendant without identifying specific ones? (0-1)	No	0.0	No	0.0
Can the plaintiff directly question the defendant and witnesses at trial? (0-2)	Yes	2.0	Yes	2.0
Is the level of proof required for civil suits lower than that of criminal cases? (0-1)	Yes	1.0	Yes	1.0
Can shareholder plaintiffs recover their legal expenses from the company? (0-2)	Yes regardless of outcome	2.0	Yes regardless of outcome	2.0
Extent of shareholder governance index (0-10)		6.0		6.0
Extent of shareholder rights index (0-10)		6.0		6.0
Does the sale of 51% of Buyer's assets require shareholder approval?	No	0.0	No	0.0
Can shareholders representing 10% of Buyer's share capital call for an extraordinary meeting of shareholders?	Yes	1.0	Yes	1.0
Must Buyer obtain its shareholders' approval every time it issues new shares?	Yes	1.0	Yes	1.0
Do shareholders automatically receive preemption rights every time Buyer issues new shares?	No	0.0	No	0.0
Must shareholders approve the election and dismissal of the external auditor?	Yes	1.0	Yes	1.0
Are changes to the rights of a class of shares only possible if the holders of the affected shares approve?	Yes	1.0	Yes	1.0
Assuming that Buyer is a limited company, does the sale of 51% of its assets require member approval?	No	0.0	No	0.0
Assuming that Buyer is a limited company, can members representing 10% call for an extraordinary meeting of members?	Yes	1.0	Yes	1.0
Assuming that Buyer is a limited company, must all members consent to add a new member?	No	0.0	No	0.0
Assuming that Buyer is a limited company, must a member first offer to sell his interest to the existing members before selling to a non-member?	Yes	1.0	Yes	1.0
Extent of ownership and control index (0-10)		5.0		5.0
Is it forbidden to appoint the same individual as CEO and chair of the board of directors?	No	0.0	No	0.0
Must the board of directors include independent and nonexecutive board members?	No	0.0	No	0.0
Can shareholders remove members of the board of directors without cause before the end of their term?	Yes	1.0	Yes	1.0
Must the board of directors include a separate audit committee exclusively comprising board members?	Yes	1.0	Yes	1.0
Must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of Buyer?	Yes	1.0	Yes	1.0
Must Buyer pay dividends within a maximum period set by	Yes	1.0	Yes	1.0

law after the declaration date?				
Is a subsidiary prohibited from acquiring shares issued by its parent company?	Yes	1.0	Yes	1.0
Assuming that Buyer is a limited company, is there a management deadlock breaking mechanism?	No	0.0	No	0.0
Assuming that Buyer is a limited company, must a potential acquirer make a tender offer to all shareholders upon acquiring 50% of Buyer?	No	0.0	No	0.0
Assuming that Buyer is a limited company, must Buyer distribute profits within a maximum period set by law after the declaration date?	No	0.0	No	0.0
Extent of corporate transparency index (0-10)		7.0		7.0
Must Buyer disclose direct and indirect beneficial ownership stakes representing 5%?	Yes	1.0	Yes	1.0
Must Buyer disclose information about board members' other directorships as well as basic information on their primary employment?	Yes	1.0	Yes	1.0
Must Buyer disclose the compensation of individual managers?	No	0.0	No	0.0
Must a detailed notice of general meeting be sent 21 days before the meeting?	No	0.0	No	0.0
Can shareholders representing 5% of Buyer's share capital put items on the agenda for the general meeting?	Yes	1.0	Yes	1.0
Must Buyer's annual financial statements be audited by an external auditor?	Yes	1.0	Yes	1.0
Must Buyer disclose its audit reports to the public?	Yes	1.0	Yes	1.0
Assuming that Buyer is a limited company, must members meet at least once a year?	No	0.0	No	0.0
Assuming that Buyer is a limited company, can members representing 5% put items on the meeting agenda?	Yes	1.0	Yes	1.0
Assuming that Buyer is a limited company, must Buyer's annual financial statements be audited by an external auditor?	Yes	1.0	Yes	1.0

Source: Doing Business database.

PAYING TAXES

Taxes are essential. The level of tax rates needs to be carefully chosen—and needless complexity in tax rules avoided. Firms in economies that rank better on the ease of paying taxes in the *Doing Business* study tend to perceive both tax rates and tax administration as less of an obstacle to business according to the World Bank Enterprise Survey research.

What do the indicators cover?

Using a case scenario, *Doing Business* records the taxes and mandatory contributions that a medium-size company must pay in a given year as well as measures of the administrative burden of paying taxes and contributions and dealing with postfiling processes. This case scenario uses a set of financial statements and assumptions about transactions made over the year. Information is also compiled on the frequency of filing and payments, time taken to comply with tax laws, time taken to comply with the requirements of postfiling processes and time waiting for these processes to be completed. The ranking of economies on the ease of paying taxes is determined by sorting their distance to frontier scores on the ease of paying taxes. These scores are the simple average of the distance to frontier scores for each of the four component indicators – number of tax payments, time, total tax rate and postfiling index – with a threshold and a nonlinear transformation applied to one of the component indicators, the total tax rate¹. If both VAT (or GST) and corporate income tax apply, the postfiling index is the simple average of the distance to frontier scores for each of the four components: the time to comply with a VAT or GST refund, the time to obtain a VAT or GST refund, the time to comply with a corporate income tax audit and the time to complete a corporate income tax audit. If only VAT (or GST) or corporate income tax applies, the postfiling index is the simple average of the scores for only the two components pertaining to the applicable tax. If neither VAT (or GST) nor corporate income tax

WHAT THE PAYING TAXES INDICATORS MEASURE

Tax payments for a manufacturing company in 2015 (number per year adjusted for electronic and joint filing and payment)

Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)

Method and frequency of filing and payment

Time required to comply with 3 major taxes (hours per year)

Collecting information and computing the tax payable

Completing tax return forms, filing with proper agencies

Arranging payment or withholding

Preparing separate tax accounting books, if required

Total tax rate (% of profit before all taxes)

Profit or corporate income tax

Social contributions and labor taxes paid by the employer

Property and property transfer taxes

Dividend, capital gains and financial transactions taxes

Waste collection, vehicle, road and other taxes

Postfiling Index

The time to comply with a VAT or GST refund

The time to receive a VAT or GST refund

The time to comply with a corporate income tax audit

The time to complete a corporate income tax audit

¹ The nonlinear distance to frontier for the total tax rate is equal to the distance to frontier for the total tax rate to the power of 0.8. The threshold is defined as the total tax rate at the 15th percentile of the overall distribution for all years included in the analysis up to and including *Doing Business 2015*, which is 26.1%. All economies with a total tax rate below this threshold receive the same score as the economy at the threshold.

applies, the postfiling index is not included in the ranking of the ease of paying taxes.

Taxes and mandatory contributions include corporate income tax, turnover tax and all labor taxes and contributions paid by the company. A range of standard deductions and exemptions are also recorded.

All financial statement variables are proportional to 2012 income per capita. To make the data comparable across economies, several assumptions are used.

TaxpayerCo is a medium-size business that started operations on January 1, 2014.

The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.

Taxes and mandatory contributions are measured at all levels of government.

Assumptions about the VAT refund process:

- In June 2015, TaxpayerCo. makes a large capital purchase: one additional machine for manufacturing pots.
- The value of the machine is 65 times income per capita of the economy.
- Sales are equally spread per month (that is, 1,050 times income per capita divided by 12).
- Cost of goods sold are equally expensed per month (that is, 875 times income per capita divided by 12).
- The seller of the machinery is registered for VAT or general sales tax (GST).
- Excess input VAT incurred in June will be fully recovered after four consecutive months if the VAT or GST rate is the same for inputs, sales and the machine and the tax reporting period is every month.

Assumptions about the corporate income tax audit process:

- An error in the calculation of the income tax liability (for example, use of incorrect tax depreciation rates, or incorrectly treating an expense as tax deductible) leads to an incorrect income tax return and consequently an underpayment of corporate income tax.
- TaxpayerCo. discovered the error and voluntarily notified the tax authority of the error in the corporate income tax return.

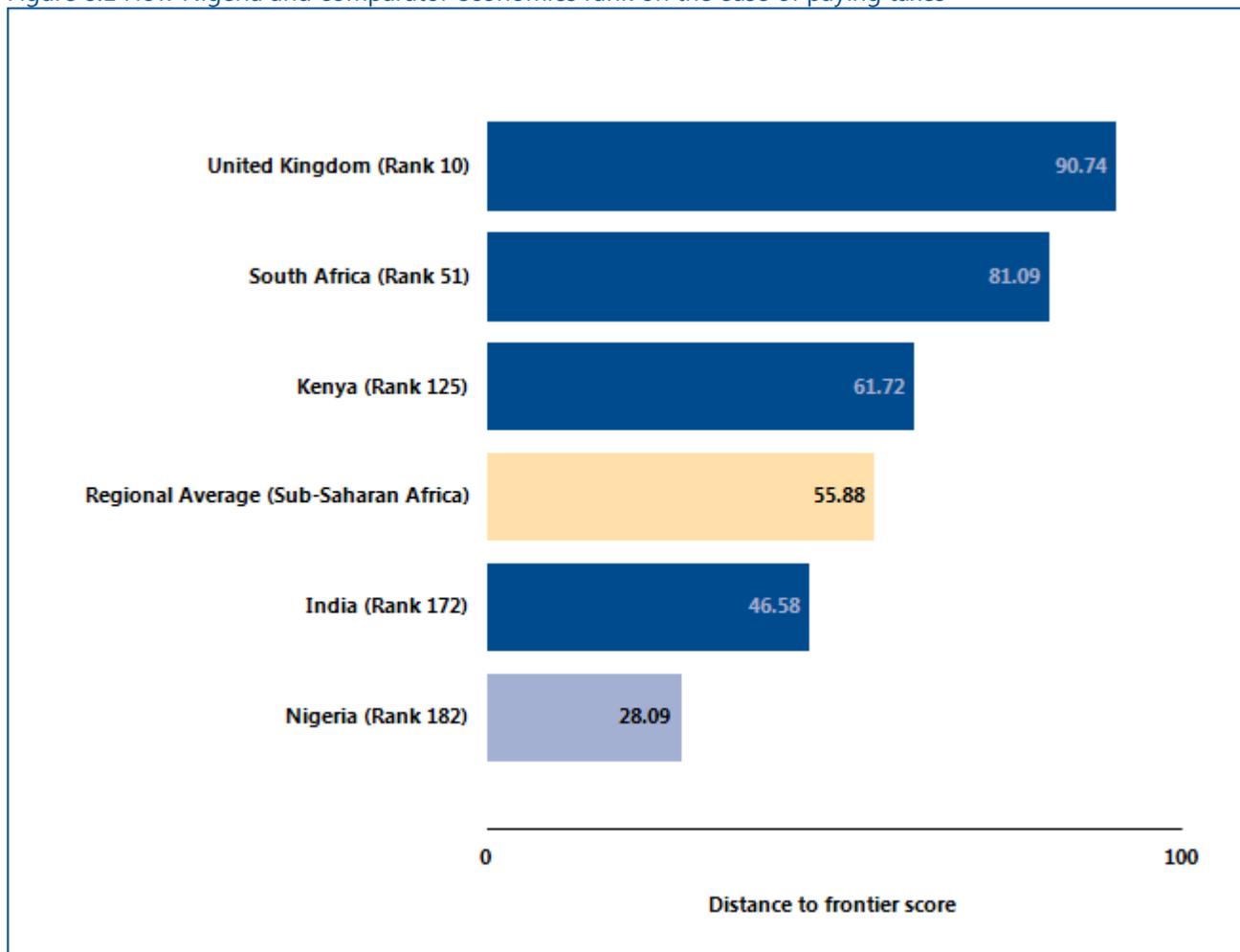
PAYING TAXES

Where does the economy stand today?

What is the administrative burden of complying with tax obligations and postfiling processes in Nigeria—and how much do firms pay in taxes? Globally, Nigeria stands at 182 in the ranking of 190 economies on the ease of paying taxes (figure 8.1). The rankings for comparator economies and the regional average ranking provide other useful information for assessing the tax compliance burden for businesses in (see table 8.2 and table 8.3 at

the end of this chapter for details). Most indicator sets refer to a case scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier and ease of doing business ranking at the end of this profile for more details.

Figure 8.1 How Nigeria and comparator economies rank on the ease of paying taxes



Source: *Doing Business* database.

PAYING TAXES

Economies around the world have made paying taxes faster, easier and less costly for businesses—such as by consolidating payments and filings of taxes, offering electronic systems for filing and payment, establishing taxpayer service centers or allowing for more deductions

and exemptions. Many have lowered tax rates. Changes have brought concrete results. Some economies simplifying tax payment and reducing rates have seen tax revenue rise. What tax reforms has *Doing Business* recorded in Nigeria (table 8.1)?

Table 8.1 How has Nigeria made paying taxes easier—or not?
By *Doing Business* report year from DB2011 to DB2017

DB year	Reform
DB2013	Nigeria introduced a new compulsory labor contribution paid by the employer.

Source: *Doing Business* database.

Note: For information on reforms in earlier years (back to DB2006), see the *Doing Business* reports for these years, available at <http://www.doingbusiness.org>.

PAYING TAXES

What are the details?

The indicators reported here for Nigeria are based on the taxes and contributions that would be paid by a standardized case study company used by *Doing Business* in collecting the data (see the section in this chapter on what the indicators cover). Tax practitioners are asked to review a set of financial statements as well as a standardized list of assumptions and transactions that the company completed during its 2nd year of operation. Respondents are asked how much taxes and mandatory contributions the business must pay how these taxes are filed and paid, how much time taxpayers spend preparing, filing and paying three major taxes (profit taxes, labor taxes including mandatory contributions and consumption taxes) and how much time taxpayers spend complying with postfiling processes and waiting for these processes to be completed.

LOCATION OF STANDARDIZED COMPANY

City: Lagos, Kano

The taxes and contributions paid are listed in table 8.2 below, along with the associated number of payments, time and tax rate.

The postfiling index is based on four components—the time to comply with a VAT or GST refund, the time to obtain a VAT or GST refund, the time to comply with a corporate income tax audit and the time to complete a corporate income tax audit (table 8.3). These components are based on expanded case study assumptions. If only VAT (or GST) or corporate income tax applies for an economy, the postfiling index is the simple average of the scores for only the two components pertaining to the applicable tax. If neither VAT (or GST) nor corporate income tax applies, the postfiling index is not included in the ranking of the ease of paying taxes.

Table 8.2 Summary of tax rates and administration

Lagos: Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Tertiary education trust fund contribution	0	jointly		2%	taxable profit	2.41	
Corporate income tax	1		398	30%	taxable profit	17.46	
Social Security Contributions	12		396	10%	gross salaries	11.28	
Employee Compensation Contribution paid by the employer	12			1%	gross salaries	1.13	
Training Tax	1			1%	gross salaries	1.13	

Lagos: Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Capital gains tax	1			10%	capital gains	0.47	
Tax on money market interest	0	withheld		10%	interest income	0.26	not included
Land Use Charge	1			0.132%	property value	0.20	
Stamp duty on checks	1			5%	5/1000 of value of check	0.18	
Road license	1			NGN 5,000 per vehicle	fixed fee depending on type of vehicle	0.04	
State business levy	1			NGN 5,000	fixed fee	0.02	
Value added tax (VAT)	12		162	5%	value added	0.00	not included
Infrastructure Development Tax	1			NGN 100 per employee	fixed fee	0.00	withheld
Fuel tax	1				included in fuel price	0.00	
Employee labor tax	0	jointly		8%		0.00	withheld
National Housing Fund	12			2.5%	gross salaries	0.00	withheld
Advertising tax	1			various rates		0.00	small amount
Stamp duty on contracts	1					0.00	small amount
Totals	59.0		956.0			34.3	

Kano: Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Tertiary education trust fund contribution	0	jointly		2%	taxable profit	2.41	
Corporate income tax	1		310	30%	taxable profit	17.46	

Kano: Tax or mandatory contribution	Payments (number)	Notes on payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% of profit)	Notes on total tax rate
Social Security Contributions	12		320	10%	gross salaries	11.28	
Employee Compensation Contribution paid by the employer	12			1%	gross salaries	1.13	
Training Tax	1			1%	gross salaries	1.13	
Capital gains tax	1			10%	capital gains	0.47	
Tax on money market interest	0	withheld		10%	interest income	0.26	not included
Land Use Charge	1			0.125%	property value	0.19	
Stamp duty on checks	1			5%	5/1000 of value of check	0.18	
Road license	1			NGN 5,000 per vehicle	fixed fee depending on type of vehicle	0.04	
State business levy	1			NGN 5,000	fixed fee	0.02	
Value added tax (VAT)	12		117	5%	value added	0.00	not included
Infrastructure Development Tax	1			NGN 100 per employee	fixed fee	0.00	withheld
Fuel tax	1				included in fuel price	0.00	
Employee labor tax	0	jointly		8%		0.00	withheld
National Housing Fund	12			2.5%	gross salaries	0.00	withheld
Advertising tax	1			various rates		0.00	small amount
Stamp duty on contracts	1					0.00	small amount
Totals	59.0		747.0			34.3	

Source: Doing Business database.

Table 8.3 Summary of details of postfiling index in Nigeria

	Answer (Lagos)	Score (Lagos)	Answer (Kano)	Score (Kano)
Postfiling index (0-100)		17.2		17.2
VAT refunds				
Does VAT/GST exist?	Yes		Yes	
Frequency of VAT/GST refund submission	monthly		monthly	
Does a VAT/GST refund process exist per the case study?	No		No	
Restrictions on VAT refund process	Input tax on capital purchase is irrecoverable		Input tax on capital purchase is irrecoverable	
Likelihood of VAT audit	N/A		N/A	
Time to comply with VAT refund (hours)	N/A	0.0	N/A	0.0
Time to obtain a VAT refund (weeks)	N/A	0.0	N/A	0.0
Corporate income tax audits				
Does corporate income tax exist?	Yes		Yes	
Likelihood of corporate income tax audit	Likely		Likely	
Time to comply with a corporate income tax audit (hours)	65.0	0.0	65.0	0.0
Time to complete a corporate income tax audit (weeks)	10.0	68.8	10.0	68.8
Administrative appeal process				
First level administrative appeal authority	Tax Appeal Commissioners		Tax Appeal Commissioners	
Is the appeal authority independent?	Different auditor		Different auditor	
Are appeal guidelines accessible to the public?	Yes		Yes	
Source of appeal guidelines	online/in printed publication/in person at tax office		online/in printed publication/in person at tax office	
Is there a legal time limit for the appeal authority to issue a decision on the tax appeal?	No		No	

	Answer (Lagos)	Score (Lagos)	Answer (Kano)	Score (Kano)
Legal time limit				

Source: *Doing Business*

Note:

The postfiling index is the average of the scores on time to comply with VAT refund, time to obtain a VAT refund, time to comply with a corporate income tax audit and time to complete a corporate income tax audit.

N/A = Not applicable.

TRADING ACROSS BORDERS

In today's globalized world, making trade between economies easier is increasingly important for business. Excessive use of paper documents, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential.

What do the indicators cover?

Doing Business records the time and cost associated with the logistical process of exporting and importing goods. Under the new methodology introduced this year, *Doing Business* measures the time and cost (excluding tariffs) associated with three sets of procedures—documentary compliance, border compliance and domestic transport—within the overall process of exporting or importing a shipment of goods. The ranking of economies on the ease of trading across borders is determined by sorting their distance to frontier scores for trading across borders. These scores are the simple average of the distance to frontier scores for the time and cost for documentary compliance and border compliance to export and import (domestic transport is not used for calculating the ranking).

To make the data comparable across economies, a few assumptions are made about the traded goods and the transactions:

Time

- Time is measured in hours, and 1 day is 24 hours (for example, 22 days are recorded as $22 \times 24 = 528$ hours). If customs clearance takes 7.5 hours, the data are recorded as is. Alternatively, suppose that documents are submitted to a customs agency at 8:00 a.m., are processed overnight and can be picked up at 8:00 a.m. the next day. In this case the time for customs clearance would be recorded as 24 hours because the actual procedure took 24 hours.

WHAT THE TRADING ACROSS BORDERS

INDICATORS MEASURE FOR IMPORT & EXPORT

Documentary compliance – cost & time

Obtain, prepare and submit documents:

-During transport, clearance, inspections and port or border handling in origin economy

-Required by origin, destination and transit economies

Covers all documents by law and in practice

Border compliance – cost & time

Customs clearance and inspections

Inspections by other agencies if applied to more than 10% of shipments)

Port or border handling

Processing documents during clearance, inspections and port or border handling

Domestic transport*

Loading and unloading of shipment

Transport between warehouse and terminal/port

Transport between terminal/port and border

Traffic delays and road police checks while shipment is en route

* Although *Doing Business* collects and publishes data on the time and cost for domestic transport, it does not use these data in calculating the distance to frontier score for trading across borders or the ranking on the ease of trading across borders.

Cost

- Insurance cost and informal payments for which no receipt is issued are excluded from the costs recorded. Costs are reported in U.S. dollars. Contributors are asked to convert local currency into U.S. dollars based on the exchange rate prevailing on the day they answer the questionnaire.

Assumptions of the case study

- For each of the 190 economies covered by *Doing Business*, it is assumed that a shipment travels from a warehouse in the largest business city of the exporting economy to a warehouse in the largest business city of the importing economy. For 11 economies the data are also collected, under the same case study assumptions, for the second largest business city.
- The import and export case studies assume different traded products. It is assumed that each economy imports a standardized shipment of 15 metric tons of containerized auto parts (HS 8708) from its natural import partner—the economy from which it imports the largest value (price times quantity) of auto parts. It is assumed that each economy exports the product of its comparative advantage (defined by the largest export value) to its natural export partner—the economy that is the largest purchaser of this product. Special products such as precious metal and gems, live animals and pharmaceuticals are excluded from the list of possible export products. However, the second largest product category is considered as needed.
- A shipment is a unit of trade. Export shipments do not necessarily need to be containerized, while import shipments of auto parts are assumed to be containerized.
- If government fees are determined by the value of the shipment, the value is assumed to be \$50,000.
- The product is new, not secondhand or used merchandise.
- The exporting firm is responsible for hiring and paying for a freight forwarder or customs broker (or both) and pays for all costs related to international shipping, domestic transport, clearance and mandatory inspections by customs and other government agencies, port or border handling, documentary compliance fees and the like for exports. The importing firm is responsible for the above costs for imports.
- The mode of transport is the one most widely used for the chosen export or import product and the trading partner, as is the seaport, airport or land border crossing.
- All electronic submissions of information requested by any government agency in connection with the shipment are considered to be documents obtained, prepared and submitted during the export or import process.
- A port or border is defined as a place (seaport, airport or land border crossing) where merchandise can enter or leave an economy.
- Government agencies considered relevant are agencies such as customs, port authorities, road police, border guards, standardization agencies, ministries or departments of agriculture or industry, national security agencies and any other government authorities.

TRADING ACROSS BORDERS

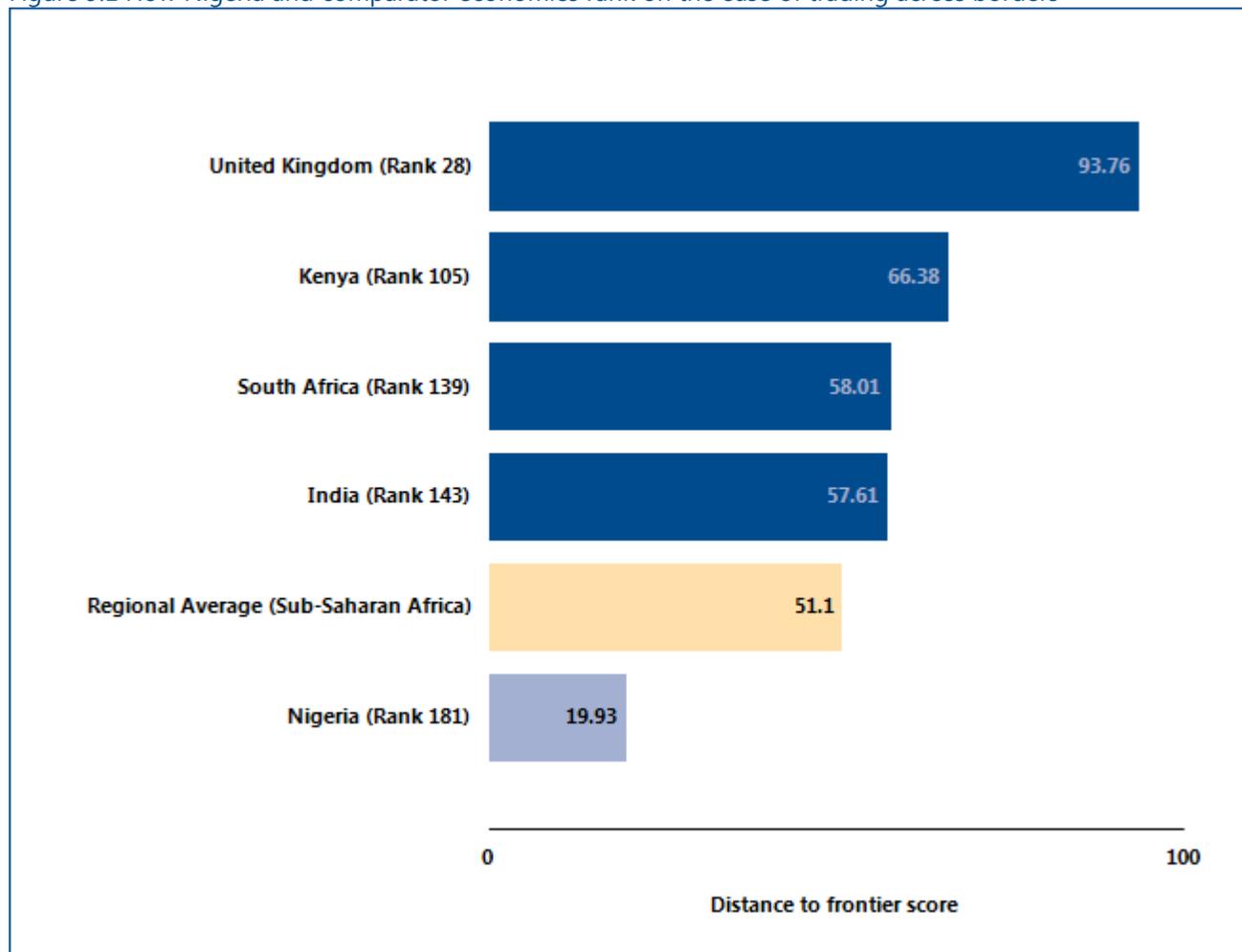
Where does the economy stand today?

The Trading across Borders indicator refers to a case study scenario of a warehouse in the largest business city of an economy (except for 11 economies for which the data are a population-weighted average of the 2 largest business cities) trading with the main import and export partner through the economy’s main border crossing.

Globally, Nigeria stands at 181 in the ranking of 190 economies on the ease of trading across borders (figure 9.1).

While not included in the distance to frontier or ease of doing business ranking, data on domestic transportation is also recorded for all economies and provided in Table 9.3.

Figure 9.1 How Nigeria and comparator economies rank on the ease of trading across borders



Source: Doing Business database.

TRADING ACROSS BORDERS

What are the details?

The indicators reported here for Nigeria are based on a set of specific predefined procedures for trading a shipment of goods by the most widely used mode of transport (whether sea or land). The information on the time and cost to complete export and import is collected from local freight forwarders, customs brokers and traders.

LOCATION OF STANDARDIZED COMPANY

City: Lagos, Kano

The details on the predefined set of procedures, and the associated time and cost, for exporting and importing a shipment of goods are listed in the summary below, along with the required documents.

Table 9.2 Summary of export and import time and cost for trading across borders in Nigeria

	Lagos	Kano	Sub-Saharan Africa
Time to export: Border compliance (hours)	135	135	101
Cost to export: Border compliance (USD)	786	786	571
Time to export: Documentary compliance (hours)	131	131	91
Cost to export: Documentary compliance (USD)	250	250	225
Time to import: Border compliance (hours)	284	284	141
Cost to import: Border compliance (USD)	1077	1077	662
Time to import: Documentary compliance (hours)	173	173	105
Cost to import: Documentary compliance (USD)	564	564	313

Source: Doing Business database.

Table 9.3 Summary of trading details, transport time and documents for trading across borders in Nigeria

	Lagos		Kano	
	Export	Import	Export	Import
Product	HS 40: Rubber and articles thereof	HS 8708: Parts and accessories of motor vehicles	HS 40: Rubber and articles thereof	HS 8708: Parts and accessories of motor vehicles

	Lagos		Kano	
	Export	Import	Export	Import
Trade partner	United Kingdom	Japan	United Kingdom	Japan
Border	Apapa port	Apapa port	Apapa port	Apapa port
Distance (km)	11	11	1002	1002
Domestic transport time (hours)	5	5	100	100
Domestic transport cost (USD)	436	436	1650	1650

Source: Doing Business database.

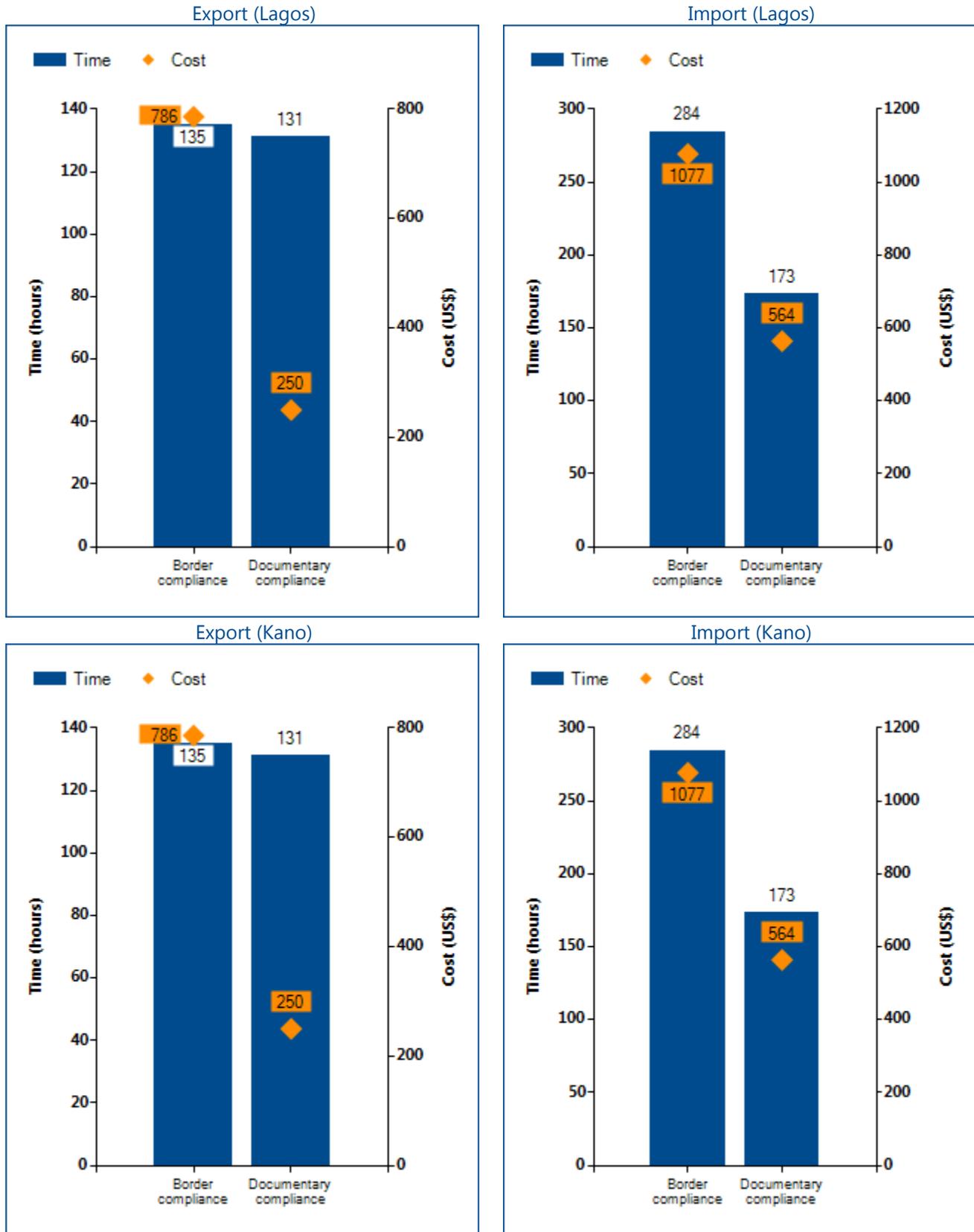
Documents used to export
Bill of lading
Cargo Release order
EUR 1 - Certificate of origin
Commercial invoice
Single Goods Declaration (SGD) Form C 2010
Nigerian Export Proceeds Form (NXP Form)
Clean Certificate of Inspection (CCI)
Packing list
Terminal handling receipt
Request for information (RFI)
Documents used to import
Bill of lading
Cargo Release Order
Combined Certificate of Value and Origin (CCVO)

Commercial invoice
Exit Gate
e-Form "M" (valid for foreign exchange)
Letter of Credit
Manufacturer's certificate of production or SONCAP
Packing list
Payment receipt of customs fees and duties
Pre-Arrival Assessment Report (PAAR)
Single Goods Declaration (SGD)
Terminal handling receipts
Product Certificate 1 (Unregistered Status)

Source: *Doing Business* database.

Note: *Doing Business* continues to collect data on the number of documents needed to trade internationally. Unlike in previous years, however, these data are excluded from the calculation of the distance to frontier score and ranking. The time and cost for documentary compliance serve as better measures of the overall cost and complexity of compliance with documentary requirements than does the number of documents required.

Figure 9.2 Summary of Nigeria on the ease of trading across borders



Source: Doing Business database.

ENFORCING CONTRACTS

Effective commercial dispute resolution has many benefits. Courts are essential for entrepreneurs because they interpret the rules of the market and protect economic rights. Efficient and transparent courts encourage new business relationships because businesses know they can rely on the courts if a new customer fails to pay. Speedy trials are essential for small enterprises, which may lack the resources to stay in business while awaiting the outcome of a long court dispute.

What do the indicators cover?

Doing Business measures the time and cost for resolving a standardized commercial dispute through a local first-instance court. In addition, this year it introduces a new measure, the quality of judicial processes index, evaluating whether each economy has adopted a series of good practices that promote quality and efficiency in the court system. This new index replaces the indicator on procedures, which was eliminated this year. The ranking of economies on the ease of enforcing contracts is determined by sorting their distance to frontier scores. These scores are the simple average of the distance to frontier scores for each of the component indicators.

The dispute in the case study involves the breach of a sales contract between 2 domestic businesses. The case study assumes that the court hears an expert on the quality of the goods in dispute. This distinguishes the case from simple debt enforcement. To make the data comparable across economies, *Doing Business* uses several assumptions about the case:

- The dispute concerns a lawful transaction between two businesses (Seller and Buyer), both located in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- The buyer orders custom-made goods, then fails to pay.
- The value of the dispute is 200% of the income per capita or the equivalent in local currency of USD 5,000, whichever is greater.
- The seller sues the buyer before the court with jurisdiction over commercial cases worth 200% of income per capita or \$5,000.

WHAT THE ENFORCING CONTRACTS

INDICATORS MEASURE

Time required to enforce a contract through the courts (calendar days)

- Time to file and serve the case
- Time for trial and to obtain the judgment
- Time to enforce the judgment

Cost required to enforce a contract through the courts (% of claim)

- Attorney fees
- Court fees
- Enforcement fees

Quality of judicial processes index (0-18)

- Court structure and proceedings (0-6)
- Case management (0-6)
- Court automation (0-4)
- Alternative dispute resolution (0-3)

- The seller requests a pretrial attachment to secure the claim.
- The dispute on the quality of the goods requires an expert opinion.
- The judge decides in favor of the seller; there is no appeal.
- The seller enforces the judgment through a public sale of the buyer's movable assets.

ENFORCING CONTRACTS

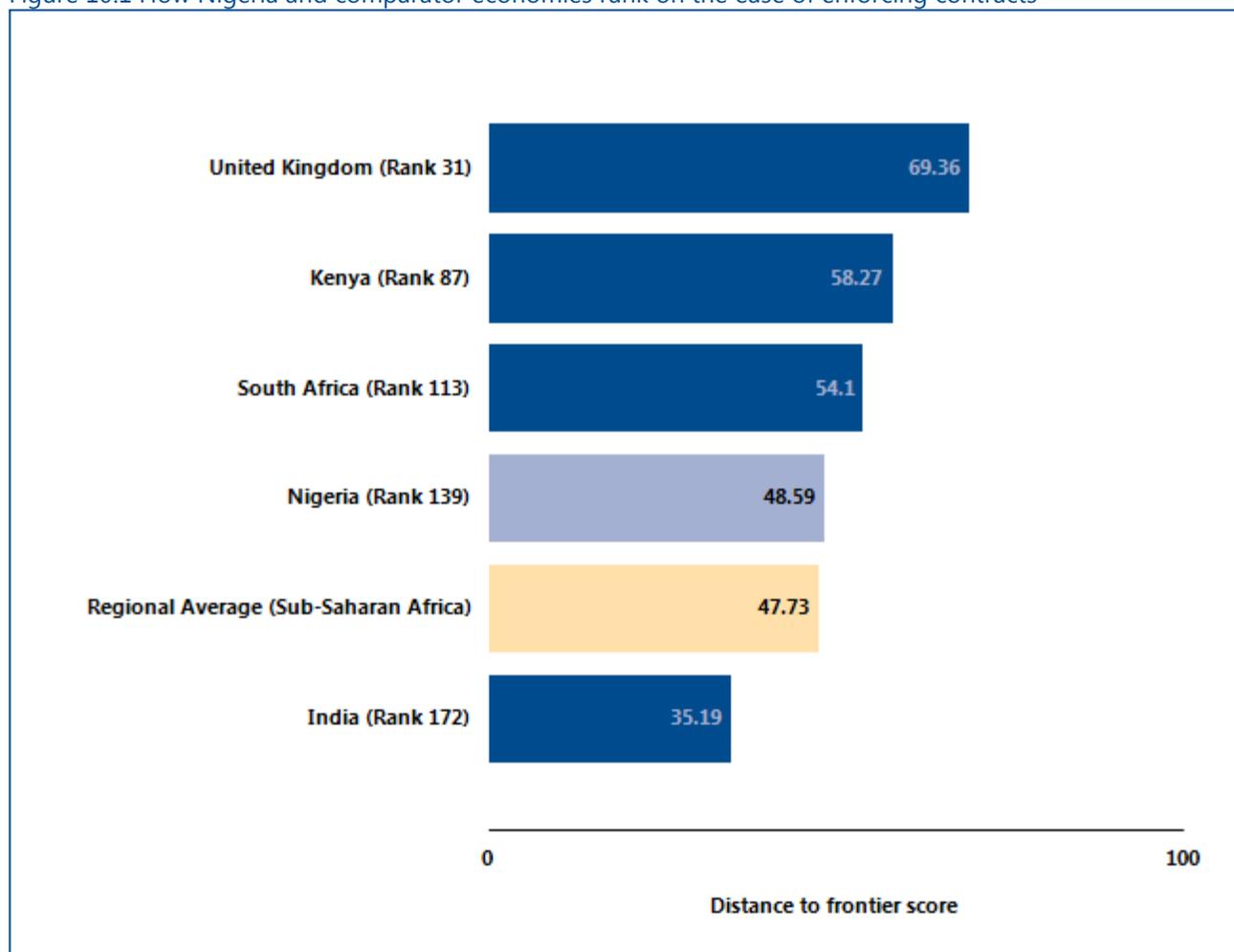
Where does the economy stand today?

How efficient is the process of resolving a commercial dispute through the courts in Nigeria? According to data collected by *Doing Business*, contract enforcement takes 509.8 days and costs 57.7% of the value of the claim. Most indicator sets refer to the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities. See the chapter on distance to frontier

and ease of doing business ranking at the end of this profile for more details.

Globally, Nigeria stands at 139 in the ranking of 190 economies on the ease of enforcing contracts (figure 10.1). The rankings for comparator economies and the regional average ranking provide other useful benchmarks for assessing the efficiency of contract enforcement in Nigeria.

Figure 10.1 How Nigeria and comparator economies rank on the ease of enforcing contracts



Source: *Doing Business* database.

ENFORCING CONTRACTS

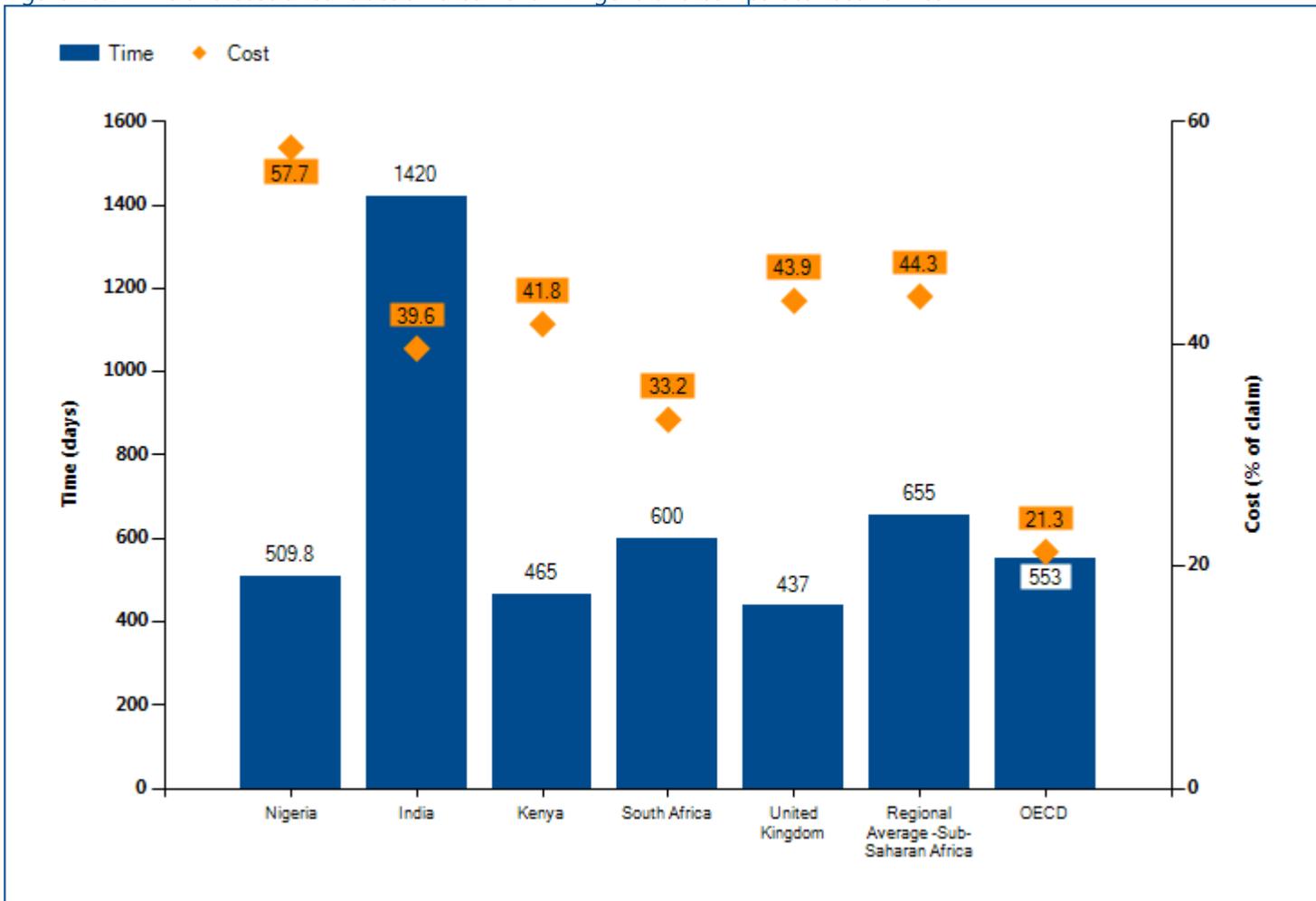
What are the details?

The data on time and cost reported here for Nigeria are built by following the step-by-step evolution of a commercial sale dispute within the court, under the assumptions about the case described above (figure 10.2). The time and cost of resolving the standardized dispute are identified through study of the codes of civil procedure and other court regulations, as well as through questionnaires completed by local litigation lawyers (and, in a quarter of the economies covered by *Doing Business*, by judges as well).

ECONOMY DETAILS

Claim value - Kano:	NGN 976,090
Claim value - Lagos:	NGN 976,090
Court name - Kano:	Kano Magistrates Court
Court name - Lagos:	Lagos Magistrates Court
City:	Lagos, Kano

Figure 10.2 Time and cost of contract enforcement in Nigeria and comparator economies



Source: Doing Business database.

Table 10.2 Details on time and cost for enforcing contracts in Nigeria

Indicator	Lagos	Kano	Sub-Saharan Africa average
Time (days)	447.0	720.0	655
Filing and service	40	21	
Trial and judgment	265	661	
Enforcement of judgment	142	38	
Cost (% of claim)	62.0	43.4	44.3
Attorney fees	45.0	25.0	
Court fees	12.0	11.3	
Enforcement fees	5.0	7.1	

Source: Doing Business database.

ENFORCING CONTRACTS

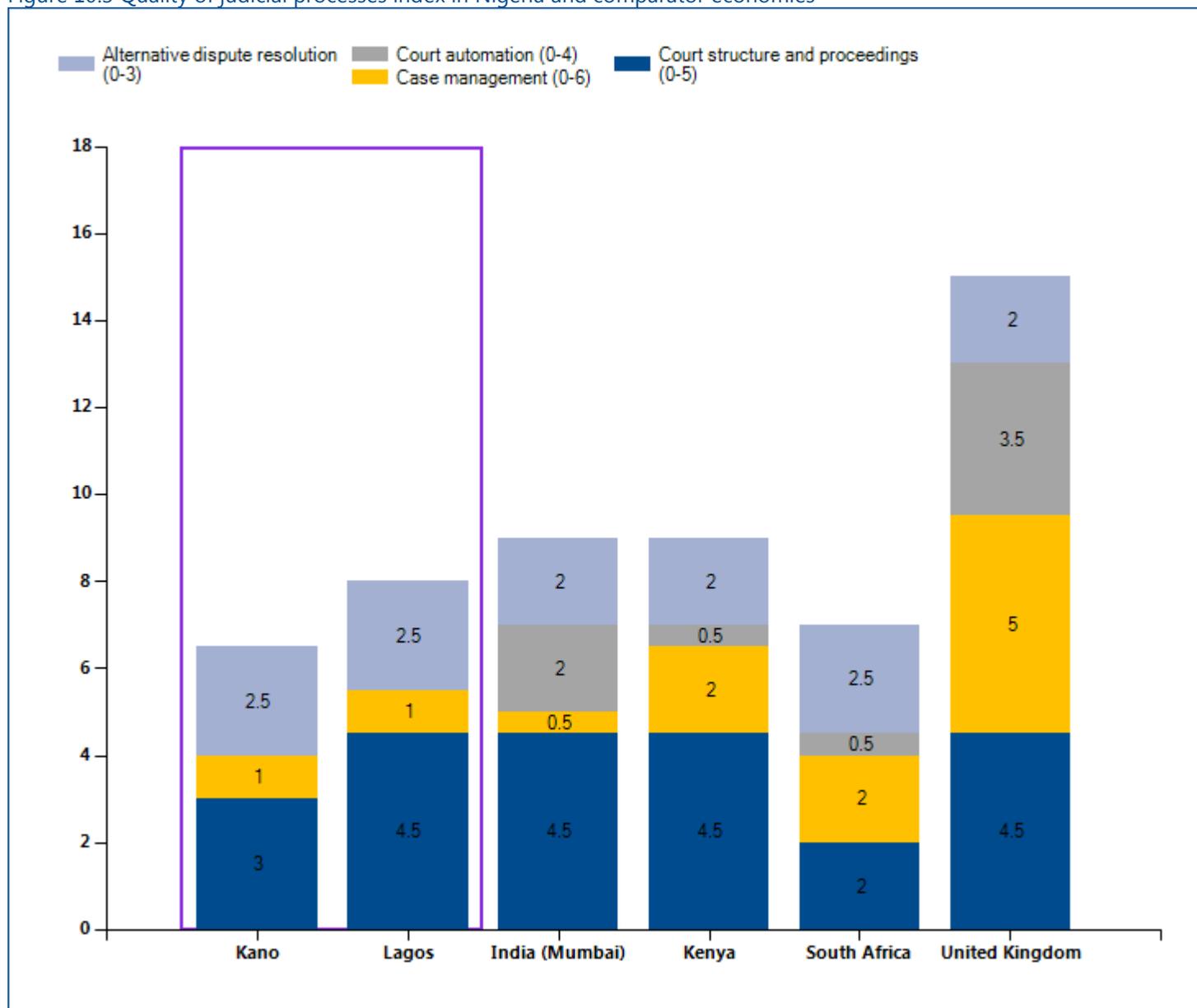
Quality of judicial processes index

The quality of judicial processes index measures whether each economy has adopted a series of good practices in its court system in four areas: court structure and proceedings, case management, court automation and alternative dispute resolution. The score on the quality of judicial processes index is the sum of the scores on these 4 sub-components. The index ranges from 0 to 18, with higher values indicating better, more efficient judicial processes.

The scores reported here show which of these good practices are available in Nigeria (figure 10.3).

This methodology was initially developed by Djankov and others (2003) and is adopted here with several changes. The quality of judicial processes index was introduced in *Doing Business 2016*. The good practices tested in this index were developed on the basis of internationally recognized good practices promoting judicial efficiency.

Figure 10.3 Quality of judicial processes index in Nigeria and comparator economies



Source: Doing Business database.

Table 10.3 Details of the quality of judicial processes index in Nigeria

	Answer (Lagos)	Score (Lagos)	Answer (Kano)	Score (Kano)
Quality of judicial processes index (0-18)		8.0		6.5
Court structure and proceedings (0-5)		4.5		3.0
1. Is there a court or division of a court dedicated solely to hearing commercial cases?	Yes	1.5	No	0.0
2. Small claims court		1.5		1.5
2.a. Is there a small claims court or a fast-track procedure for small claims?	Yes		Yes	
2.b. If yes, is self-representation allowed?	Yes		Yes	
3. Is pretrial attachment available?	Yes	1.0	Yes	1.0
4. Are new cases assigned randomly to judges?	Yes, but manual	0.5	Yes, but manual	0.5
5. Does a woman's testimony carry the same evidentiary weight in court as a man's?	Yes	0.0	Yes	0.0
Case management (0-6)		1.0		1.0
1. Time standards		1.0		1.0
1.a. Are there laws setting overall time standards for key court events in a civil case?	Yes		Yes	
1.b. If yes, are the time standards set for at least three court events?	Yes		Yes	
1.c. Are these time standards respected in more than 50% of cases?	Yes		Yes	
2. Adjournments		0.0		0.0
2.a. Does the law regulate the maximum number of adjournments that can be granted?	Yes		Yes	
2.b. Are adjournments limited to unforeseen and exceptional circumstances?	No		No	
2.c. If rules on adjournments exist, are they respected in more than 50% of cases?	No		No	
3. Can two of the following four reports be generated about the competent court: (i) time to disposition report; (ii) clearance rate report; (iii) age of pending cases report; and (iv) single case progress report?	No	0.0	No	0.0
4. Is a pretrial conference among the case management techniques used before the competent	No	0.0	No	0.0

	Answer (Lagos)	Score (Lagos)	Answer (Kano)	Score (Kano)
court?				
5. Are there any electronic case management tools in place within the competent court for use by judges?	No	0.0	No	0.0
6. Are there any electronic case management tools in place within the competent court for use by lawyers?	No	0.0	No	0.0
Court automation (0-4)		0.0		0.0
1. Can the initial complaint be filed electronically through a dedicated platform within the competent court?	No	0.0	No	0.0
2. Is it possible to carry out service of process electronically for claims filed before the competent court?	No	0.0	No	0.0
3. Can court fees be paid electronically within the competent court?	No	0.0	No	0.0
4. Publication of judgments		0.0		0.0
4.a Are judgments rendered in commercial cases at all levels made available to the general public through publication in official gazettes, in newspapers or on the internet or court website?	No		No	
4.b. Are judgments rendered in commercial cases at the appellate and supreme court level made available to the general public through publication in official gazettes, in newspapers or on the internet or court website?	No		No	
Alternative dispute resolution (0-3)		2.5		2.5
1. Arbitration		1.5		1.5
1.a. Is domestic commercial arbitration governed by a consolidated law or consolidated chapter or section of the applicable code of civil procedure encompassing substantially all its aspects?	Yes		Yes	
1.b. Are there any commercial disputes—aside from those that deal with public order or public policy—that cannot be submitted to arbitration?	No		No	
1.c. Are valid arbitration clauses or agreements usually enforced by the courts?	Yes		Yes	
2. Mediation/Conciliation		1.0		1.0
2.a. Is voluntary mediation or conciliation available?	Yes		Yes	

	Answer (Lagos)	Score (Lagos)	Answer (Kano)	Score (Kano)
2.b. Are mediation, conciliation or both governed by a consolidated law or consolidated chapter or section of the applicable code of civil procedure encompassing substantially all their aspects?	Yes		Yes	
2.c. Are there financial incentives for parties to attempt mediation or conciliation (i.e., if mediation or conciliation is successful, a refund of court filing fees, income tax credits or the like)?	No		No	

Source: *Doing Business* database.

RESOLVING INSOLVENCY

A robust bankruptcy system functions as a filter, ensuring the survival of economically efficient companies and reallocating the resources of inefficient ones. Fast and cheap insolvency proceedings result in the speedy return of businesses to normal operation and increase returns to creditors. By clarifying the expectations of creditors and debtors about the outcome of insolvency proceedings, well-functioning insolvency systems can facilitate access to finance, save more viable businesses and sustainably grow the economy.

What do the indicators cover?

Doing Business studies the time, cost and outcome of insolvency proceedings involving domestic legal entities. These variables are used to calculate the recovery rate, which is recorded as cents on the dollar recovered by secured creditors through reorganization, liquidation or debt enforcement (foreclosure or receivership) proceedings. To determine the present value of the amount recovered by creditors, *Doing Business* uses the lending rates from the International Monetary Fund, supplemented with data from central banks and the Economist Intelligence Unit.

To make the data on the time, cost and outcome comparable across economies, several assumptions about the business and the case are used:

- A hotel located in the largest city (or cities) has 201 employees and 50 suppliers. The hotel experiences financial difficulties.
- The value of the hotel is 100% of the income per capita or the equivalent in local currency of USD 200,000, whichever is greater.
- The hotel has a loan from a domestic bank, secured by a mortgage over the hotel's real estate. The hotel cannot pay back the loan, but makes enough money to operate otherwise.

In addition, *Doing Business* evaluates the adequacy and integrity of the existing legal framework applicable to liquidation and reorganization proceedings through the strength of insolvency framework index. The index tests whether economies adopted internationally accepted good practices in four areas: commencement of proceedings, management of debtor's assets, reorganization proceedings and creditor participation.

WHAT THE RESOLVING INSOLVENCY INDICATORS MEASURE

Time required to recover debt (years)

Measured in calendar years

Appeals and requests for extension are included

Cost required to recover debt (% of debtor's estate)

Measured as percentage of estate value

Court fees

Fees of insolvency administrators

Lawyers' fees

Assessors' and auctioneers' fees

Other related fees

Outcome

Whether business continues operating as a going concern or business assets are sold piecemeal

Recovery rate for creditors

Measures the cents on the dollar recovered by secured creditors

Outcome for the business (survival or not) determines the maximum value that can be recovered

Official costs of the insolvency proceedings are deducted

Depreciation of furniture is taken into account

Present value of debt recovered

Strength of insolvency framework index (0-16)

Sum of the scores of four component indices:

Commencement of proceedings index (0-3)

Management of debtor's assets index (0-6)

Reorganization proceedings index (0-3)

Creditor participation index (0-4)

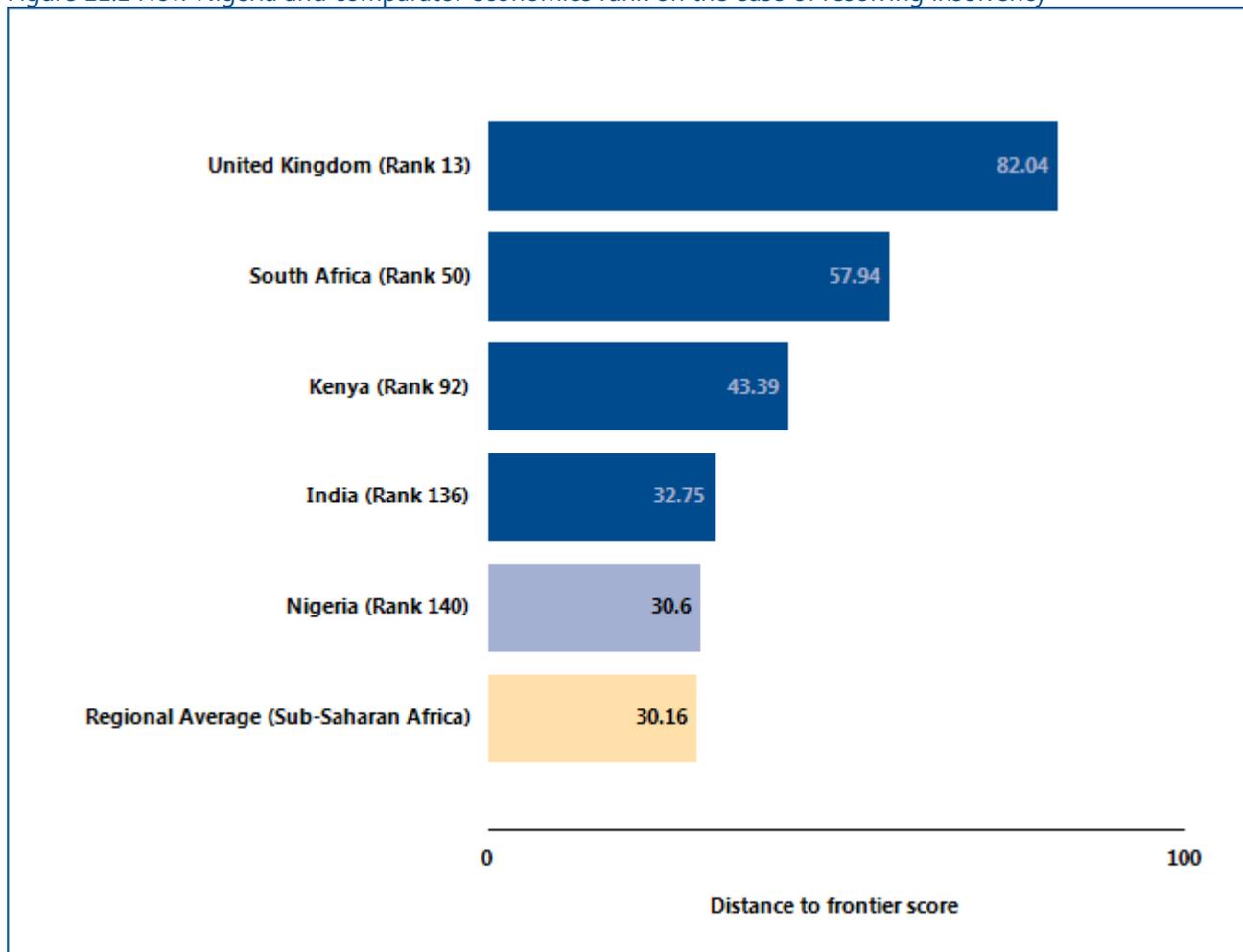
RESOLVING INSOLVENCY

Where does the economy stand today?

Globally, Nigeria stands at 140 in the ranking of 190 economies on the ease of resolving insolvency (figure 11.1). The ranking of economies on the ease of resolving insolvency is determined by sorting their distance to frontier scores for resolving insolvency. These scores are the simple average of the distance to frontier scores for the recovery rate and the strength of insolvency

framework index. The Resolving Insolvency indicator does not measure insolvency proceedings of individuals and financial institutions. The data are derived from questionnaire responses by local insolvency practitioners and verified through a study of laws and regulations as well as public information on bankruptcy systems.

Figure 11.1 How Nigeria and comparator economies rank on the ease of resolving insolvency



Source: Doing Business database.

RESOLVING INSOLVENCY

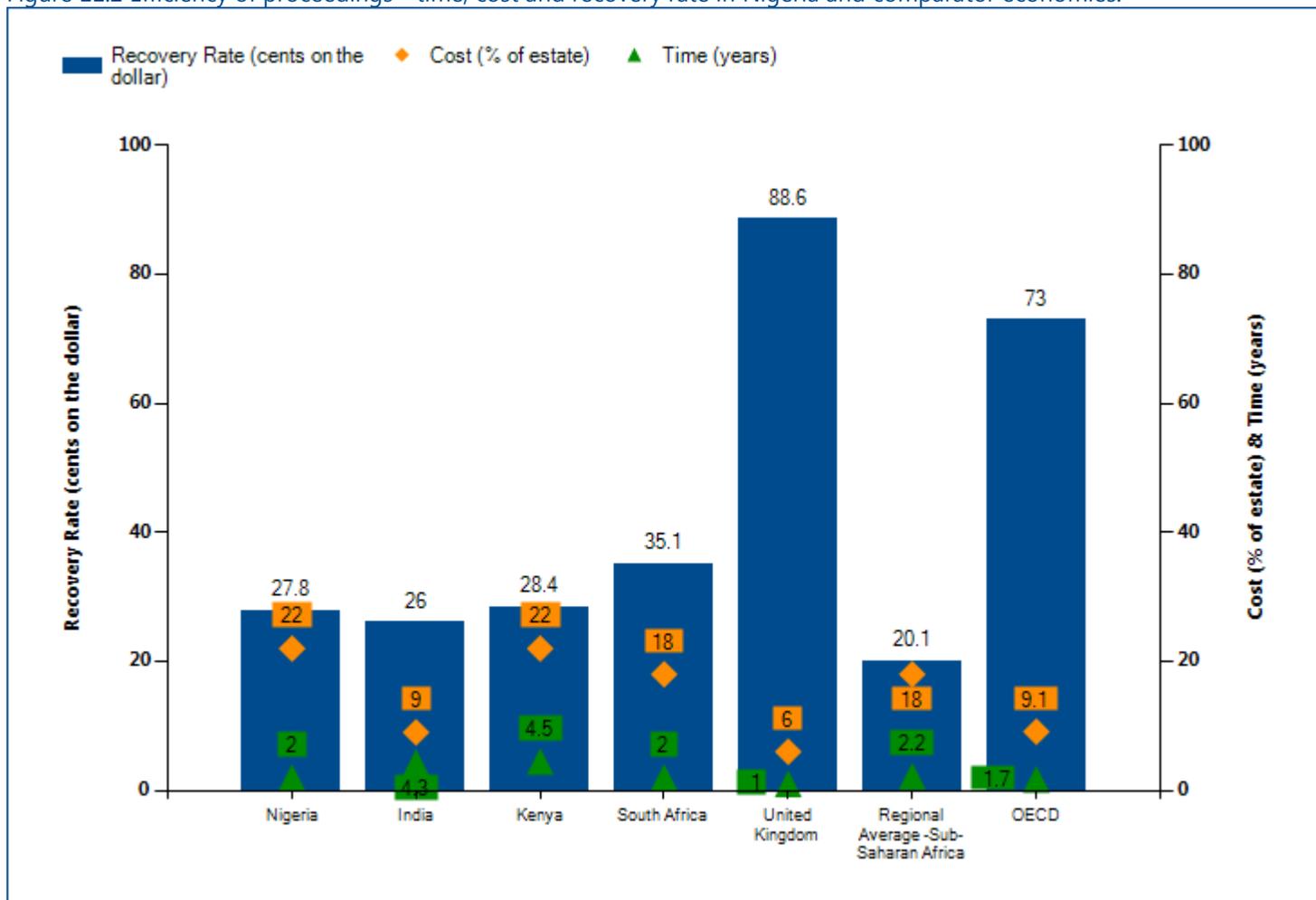
Recovery of debt in insolvency

Data on the time, cost and outcome refer to the most likely in-court insolvency procedure applicable under specific case study assumptions.

According to data collected by *Doing Business*, resolving insolvency takes 2.0 years on average and costs 22.0% of the debtor’s estate. The average recovery rate is 27.8 cents on the dollar. Most indicator sets refer to a case

scenario in the largest business city of an economy, except for 11 economies for which the data are a population-weighted average of the 2 largest business cities.

Figure 11.2 Efficiency of proceedings - time, cost and recovery rate in Nigeria and comparator economies.



Source: *Doing Business* database.

Note: The recovery rate is calculated based on the time, cost and outcome of insolvency proceedings involving domestic legal entities and is recorded as cents on the dollar recovered by secured creditors. The calculation takes into account the outcome: whether the business emerges from the proceedings as a going concern or the assets are sold piecemeal. Then the costs of the proceedings are deducted. Finally, the value lost as a result of the time the money remains tied up in insolvency proceedings is taken into account. The recovery rate is the present value of the remaining proceeds, based on end-2015 lending rates.

Table 11.1 Summary of data for the strength of insolvency framework index Nigeria

		Answer	Explanation
Proceeding	Lagos, Kano	liquidation (after an attempt at foreclosure)	After Mirage's default on payment, BizBank will initiate foreclosure by exercising the security interest; however other unsecured creditors can seek to initiate a collective proceeding thus converting the procedure into liquidation.
Outcome	Lagos, Kano	piecemeal sale	Upon the completion of liquidation proceeding, the hotel will stop operating and Mirage assets will be sold piecemeal usually through private sale.
Time (in years)	Lagos, Kano	2.0	The liquidation proceeding converted from foreclosure attempt will take approximate 2 years in total. After BizBank's application for foreclosure, the court will grant an order which would last for 6 months within which period Mirage may redeem its equity of redemption or repay. Either BizBank may not be willing to wait for that long period, or other unsecured creditors file for collective liquidation proceeding, the foreclosure procedure gets converted to liquidation. It then takes half a year for the Court to review the case, notify relevant parties, hold hearing and have a liquidation order issued. The court will appoint a liquidator who will finalize creditors' claims usually within 6 months. Then the preparation and execution of the sale will take an additional half year until BizBank is repaid some or all of the money owed to it.
Cost (% of estate)	Lagos, Kano	22.0	The costs associated with the case would amount to approximately 22% of the value of the debtor's estate. Cost incurred during the entire insolvency process mainly include attorney fees (8%), insolvency representative or receiver fees(7%), fees of accountants, assessors, inspectors and other professionals (1-3%), fees of auctioneers (2-3%), and cost of notification and publication (2-4%).
Recovery rate: 27.8			

Source: Doing Business database.

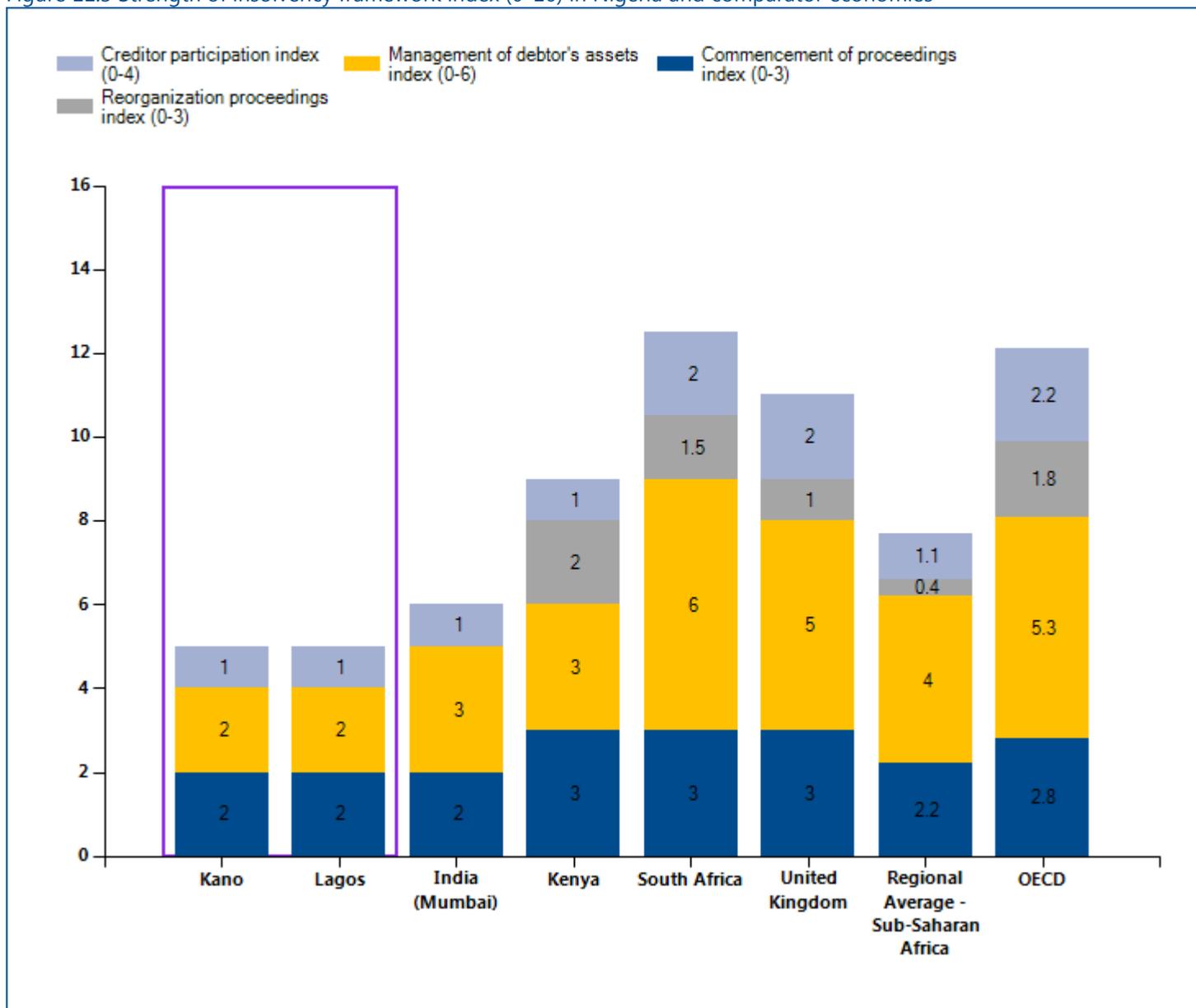
RESOLVING INSOLVENCY

Strength of resolving insolvency index

The strength of insolvency framework index is the sum of the scores on the commencement of proceedings index, management of debtor's assets index, reorganization proceedings index and creditor participation index. The index ranges from 0 to 16,

with higher values indicating insolvency legislation that is better designed for rehabilitating viable firms and liquidating nonviable ones. Nigeria scores 5.0 out of 16 on the strength of resolving insolvency index.

Figure 11.3 Strength of insolvency framework index (0-16) in Nigeria and comparator economies



Source: Doing Business database.

Note: Even if the economy's legal framework includes provisions related to insolvency proceedings (liquidation or reorganization), the economy receives 0 points for the strength of insolvency framework index, if time, cost and outcome indicators are recorded as "no practice".

Table 11.2 Summary of data for the strength of insolvency framework index Nigeria

	Answer (Lagos)	Score (Lagos)	Answer (Kano)	Score (Kano)
Strength of insolvency framework index (0-16)		5.0		5.0
Commencement of proceedings index (0-3)		2.0		2.0
What procedures are available to a DEBTOR when commencing insolvency proceedings?	(b) Debtor may file for liquidation only	0.5	(b) Debtor may file for liquidation only	0.5
Does the insolvency framework allow a CREDITOR to file for insolvency of the debtor?	(b) Yes, but a creditor may file for liquidation only	0.5	(b) Yes, but a creditor may file for liquidation only	0.5
What basis for commencement of the insolvency proceedings is allowed under the insolvency framework?	(a) Debtor is generally unable to pay its debts as they mature	1.0	(a) Debtor is generally unable to pay its debts as they mature	1.0
Management of debtor's assets index (0-6)		2.0		2.0
Does the insolvency framework allow the continuation of contracts supplying essential goods and services to the debtor?	No	0.0	No	0.0
Does the insolvency framework allow the rejection by the debtor of overly burdensome contracts?	Yes	1.0	Yes	1.0
Does the insolvency framework allow avoidance of preferential transactions?	Yes	1.0	Yes	1.0
Does the insolvency framework allow avoidance of undervalued transactions?	No	0.0	No	0.0
Does the insolvency framework provide for the possibility of the debtor obtaining credit after commencement of insolvency proceedings?	No	0.0	No	0.0
Does the insolvency framework assign priority to post-commencement credit?	(c) No priority is assigned to post-commencement creditors	0.0	(c) No priority is assigned to post-commencement	0.0

	Answer (Lagos)	Score (Lagos)	Answer (Kano)	Score (Kano)
			creditors	
Reorganization proceedings index (0-3)		0.0		0.0
Which creditors vote on the proposed reorganization plan?	N/A	0.0	N/A	0.0
Does the insolvency framework require that dissenting creditors in reorganization receive at least as much as what they would obtain in a liquidation?	No	0.0	No	0.0
Are the creditors divided into classes for the purposes of voting on the reorganization plan, does each class vote separately and are creditors in the same class treated equally?	No	0.0	No	0.0
Creditor participation index (0-4)		1.0		1.0
Does the insolvency framework require approval by the creditors for selection or appointment of the insolvency representative?	Yes	1.0	Yes	1.0
Does the insolvency framework require approval by the creditors for sale of substantial assets of the debtor?	No	0.0	No	0.0
Does the insolvency framework provide that a creditor has the right to request information from the insolvency representative?	No	0.0	No	0.0
Does the insolvency framework provide that a creditor has the right to object to decisions accepting or rejecting creditors' claims?	No	0.0	No	0.0

Source: Doing Business database.

LABOR MARKET REGULATION

Doing Business studies the flexibility of regulation of employment, specifically as it relates to the areas of hiring, working hours and redundancy. *Doing Business* also measures several aspects of job quality such as the availability of maternity leave, paid sick leave and the equal treatment of men and women at the workplace.

Doing Business 2017 presents the data for the labor market regulation indicators in an annex. The report does not present rankings of economies on these indicators or include the topic in the aggregate distance to frontier score or ranking on the ease of doing business. Detailed data collected on labor market regulation are available on the *Doing Business* website (<http://www.doingbusiness.org>). The data on labor market regulation are based on a detailed questionnaire on employment regulations that is completed by local lawyers and public officials. Employment laws and regulations as well as secondary sources are reviewed to ensure accuracy.

To make the data comparable across economies, several assumptions about the worker and the business are used.

The worker:

- Is a cashier in a supermarket or grocery store, age 19, with one year of work experience.
- Is a full-time employee.
- Is not a member of the labor union, unless membership is mandatory.

The business:

- Is a limited liability company (or the equivalent in the economy).

- Operates a supermarket or grocery store in the economy's largest business city. For 11 economies the data are also collected for the second largest business city.
- Has 60 employees.
- Is subject to collective bargaining agreements if such agreements cover more than 50% of the food retail sector and they apply even to firms that are not party to them.
- Abides by every law and regulation but does not grant workers more benefits than those mandated by law, regulation or (if applicable) collective bargaining agreements.

LABOR MARKET REGULATION

What are the details?

The data reported here for Nigeria are based on a detailed survey of labor market regulation that is completed by local lawyers and public officials.

Employment laws and regulations as well as secondary sources are reviewed to ensure accuracy.

Hiring

Data on hiring cover five areas: (i) whether fixed-term contracts are prohibited for permanent tasks; (ii) the maximum cumulative duration of fixed-term contracts; (iii) the minimum wage for a cashier, age 19, with one year of work experience; and (iv) the ratio of the

minimum wage to the average value added per worker (the ratio of an economy's GNI per capita to the working-age population as a percentage of the total population).

Hiring	Lagos Data	Kano Data
Fixed-term contracts prohibited for permanent tasks?	No	No
Maximum length of a single fixed-term contract (months)	No limit	No limit
Maximum length of fixed-term contracts, including renewals (months)	No limit	No limit
Minimum wage applicable to the worker assumed in the case study (US\$/month)	100.5	100.5
Ratio of minimum wage to value added per worker	0.2	0.2

Source: *Doing Business* database.

LABOR MARKET REGULATION

Working hours

Data on working hours cover nine areas: i) the maximum number of working days allowed per week; (ii) the premium for night work (as a percentage of hourly pay); (iii) the premium for work on a weekly rest day (as a percentage of hourly pay); (iv) the premium for overtime work (as a percentage of hourly pay); (v) whether there are restrictions on night work; (vi) whether nonpregnant

and nonnursing women can work the same night hours as men; (vii) whether there are restrictions on weekly holiday work; (viii) whether there are restrictions on overtime work; and (ix) the average paid annual leave for workers with 1 year of tenure, 5 years of tenure, and 10 years of tenure.

Working Hours	Lagos Data	Kano Data
Maximum number of working days per week	6.0	6.0
Premium for night work (% of hourly pay)	0.0	0.0
Premium for work on weekly rest day (% of hourly pay)	0.0	0.0
Premium for overtime work (% of hourly pay)	0.0	0.0
Restrictions on night work?	No	No
Whether nonpregnant and nonnursing women can work the same night hours as men	Yes	Yes
Restrictions on weekly holiday?	No	No
Restrictions on overtime work?	No	No
Paid annual leave for a worker with 1 year of tenure (working days)	6.0	6.0
Paid annual leave for a worker with 5 years of tenure (working days)	6.0	6.0
Paid annual leave for a worker with 10 years of tenure (working days)	6.0	6.0
Paid annual leave (average for workers with 1, 5 and 10 years of tenure, in working days)	6.0	6.0

Source: Doing Business database.

LABOR MARKET REGULATION

Redundancy rules

Data on redundancy cover nine areas: (i) the length of the maximum probationary period (in months) for permanent employees; (ii) whether redundancy is allowed as a basis for terminating workers; (iii) whether the employer needs to notify a third party (such as a government agency) to terminate one redundant worker; (iv) whether the employer needs to notify a third party to terminate a group of nine redundant workers; (v)

whether the employer needs approval from a third party to terminate one redundant worker; (vi) whether the employer needs approval from a third party to terminate a group of nine redundant workers; (vii) whether the law requires the employer to reassign or retrain a worker before making the worker redundant; (viii) whether priority rules apply for redundancies; and (ix) whether priority rules apply for reemployment.

Difficulty of redundancy index	Lagos Data	Kano Data
Maximum length of probationary period (months)	3.0	3.0
Dismissal due to redundancy allowed by law?	Yes	Yes
Third-party notification if one worker is dismissed?	No	No
Third-party approval if one worker is dismissed?	No	No
Third-party notification if nine workers are dismissed?	Yes	Yes
Third-party approval if nine workers are dismissed?	No	No
Retraining or reassignment obligation before redundancy?	No	No
Priority rules for redundancies?	Yes	Yes
Priority rules for reemployment?	No	No

Source: Doing Business database.

LABOR MARKET REGULATION

Redundancy cost

Redundancy cost measures the cost of advance notice requirements and severance payments due when terminating a redundant worker, expressed in weeks of salary. The average value of notice requirements and

severance payments applicable to a worker with 1 year of tenure, a worker with 5 years and a worker with 10 years is considered. One month is recorded as 4 and 1/3 weeks.

Redundancy cost indicator (in salary weeks)	Lagos Data	Kano Data
Notice period for redundancy dismissal for a worker with 1 year of tenure	1.0	1.0
Notice period for redundancy dismissal for a worker with 5 years of tenure	4.3	4.3
Notice period for redundancy dismissal for a worker with 10 years of tenure	4.3	4.3
Notice period for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	3.2	3.2
Severance pay for redundancy dismissal for a worker with 1 year of tenure	0.0	0.0
Severance pay for redundancy dismissal for a worker with 5 years of tenure	0.0	0.0
Severance pay for redundancy dismissal for a worker with 10 years of tenure	0.0	0.0
Severance pay for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	0.0	0.0

Source: Doing Business database.

LABOR MARKET REGULATION

Job quality

Doing Business introduced new data on job quality in 2015. Doing Business 2017 covers eight questions on job quality (i) whether the law mandates equal remuneration for work of equal value; (ii) whether the law mandates nondiscrimination based on gender in hiring; (iii) whether the law mandates paid or unpaid maternity leave; (iv) the minimum length of paid maternity leave (in calendar days); (v) whether employees on maternity leave receive 100% of wages; (vi) the availability of five fully paid days of sick leave a year; (vii) whether a worker is eligible for an unemployment protection scheme after one year of service; and (viii) the minimum duration of the contribution period (in months) required for unemployment.

Job Quality	Lagos Data	Kano Data
Equal remuneration for work of equal value?	No	No
Gender nondiscrimination in hiring?	No	No
Paid or unpaid maternity leave mandated by law?	Yes	Yes
Minimum length of maternity leave (calendar days)?	84.0	84.0
Receive 100% of wages on maternity leave?	No	No
Five fully paid days of sick leave a year?	Yes	Yes
Unemployment protection after one year of employment?	No	No
Minimum contribution period for unemployment protection (months)?	n.a.	n.a.

Source: Doing Business database.

DISTANCE TO FRONTIER AND EASE OF DOING BUSINESS RANKING

Doing Business presents results for two aggregate measures: the distance to frontier score and the ease of doing business ranking, which is based on the distance to frontier score. 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 can show only how much the regulatory environment has changed relative to that in other economies.

Distance to Frontier

The distance to frontier score captures the gap between an economy's performance and a measure of best practice across the entire sample of 36 indicators for 10 *Doing Business* topics (the labor market regulation indicators are excluded). For starting a business, for example, the former Yugoslav Republic of Macedonia and New Zealand have the smallest number of procedures required (1), and New Zealand the shortest time to fulfill them (0.5 days). Slovenia has the lowest cost (0.0), and Australia, Colombia and 103 other economies have no paid-in minimum capital requirement (table 14.1 in the *Doing Business 2016* report).

Calculation of the distance to frontier score

Calculating the distance to frontier score for each economy involves two main steps. In the first step individual component indicators are normalized to a common unit where each of the 36 component indicators y (except for the total tax rate) is rescaled using the linear transformation $(\text{worst} - y)/(\text{worst} - \text{frontier})$. In this formulation the frontier represents the best performance on the indicator across all economies since 2005 or the third year in which data for the indicator were collected. Both the best performance and the worst performance are established every five years based on the *Doing Business* data for the year in which they are established, and remain at that level for the five years regardless of any changes in data in interim years. Thus an economy may set the frontier for an indicator

even though it is no longer at the frontier in a subsequent year.

For scores such as those on the strength of legal rights index or the quality of land administration index, the frontier is set at the highest possible value. For the total tax rate, consistent with the use of a threshold in calculating the rankings on this indicator, the frontier is defined as the total tax rate at the 15th percentile of the overall distribution for all years included in the analysis up to and including *Doing Business 2015*. For the time to pay taxes the frontier is defined as the lowest time recorded among all economies that levy the three major taxes: profit tax, labor taxes and mandatory contributions, and value added tax (VAT) or sales tax. For the different times to trade across borders, the frontier is defined as 1 hour even though in many economies the time is less than that.

In the same formulation, to mitigate the effects of extreme outliers in the distributions of the rescaled data for most component indicators (very few economies need 700 days to complete the procedures to start a business, but many need 9 days), the worst performance is calculated after the removal of outliers. The definition of outliers is based on the distribution for each component indicator. To simplify the process two rules were defined: the 95th percentile is used for the indicators with the most dispersed distributions (including minimum capital, number of payments to pay taxes, and the time and cost indicators), and the 99th percentile is used for number of procedures. No outlier is removed for component indicators bound by definition or construction, including legal index scores (such as the depth of credit information index, extent of conflict of interest regulation index and strength of insolvency framework index) and the recovery rate.

In the second step for calculating the distance to frontier score, the scores obtained for individual indicators for each economy are aggregated through simple averaging into one distance to frontier score, first for each topic and then across all 10 topics: 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. More complex aggregation methods—such as principal components and unobserved components—yield a ranking nearly

identical to the simple average used by *Doing Business*². Thus *Doing Business* uses the simplest method: weighting all topics equally and, within each topic, giving equal weight to each of the topic components³.

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. All distance to frontier calculations are based on a maximum of five decimals. However, indicator ranking calculations and the ease of doing business ranking calculations are based on two decimals.

The difference between an economy's distance to frontier score in any previous year and its score in 2015 illustrates the extent to which the economy has closed the gap to the regulatory frontier over time. And in any given year the score measures how far an economy is from the best performance at that time.

Treatment of the total tax rate

The total tax rate component of the paying taxes indicator set enters the distance to frontier calculation in a different way than any other indicator. The distance to frontier score obtained for the total tax rate is transformed in a nonlinear fashion before it enters the distance to frontier score for paying taxes. As a result of the nonlinear transformation, an increase in the total tax rate has a smaller impact on the distance to frontier score for the total tax rate—and therefore on the distance to frontier score for paying taxes—for economies with a below-average total tax rate than it would have had before this approach was adopted in *Doing Business 2015* (line B is smaller than line A in figure 14.2 in the *Doing Business 2016* report). And for economies with an extreme total tax rate (a rate that is very high relative to the average), an increase has a greater impact on both these distance to frontier scores than it would have had before (line D is bigger than line C in figure 14.2 in the *Doing Business 2016* report).

² See Djankov, Manraj and others (2005). Principal components and unobserved components methods yield a ranking nearly identical to that from the simple average method because both these methods assign roughly equal weights to the topics, since the pairwise correlations among indicators do not differ much. An alternative to the simple average method is to give different weights to the topics, depending on which are considered of more or less importance in the context of a specific economy.

³ For getting credit, indicators are weighted proportionally, according to their contribution to the total score, with a weight of 60% assigned to the strength of legal rights index and 40% to the depth of credit information index. Indicators for all other topics are assigned equal weights

The nonlinear transformation is not based on any economic theory of an "optimal tax rate" that minimizes distortions or maximizes efficiency in an economy's overall tax system. Instead, it is mainly empirical in nature. The nonlinear transformation along with the threshold reduces the bias in the indicator toward economies that do not need to levy significant taxes on companies like the *Doing Business* standardized case study company because they raise public revenue in other ways—for example, through taxes on foreign companies, through taxes on sectors other than manufacturing or from natural resources (all of which are outside the scope of the methodology). In addition, it acknowledges the need of economies to collect taxes from firms.

Calculation of scores for economies with 2 cities covered

For each of the 11 economies in which *Doing Business* collects data for the second largest business city as well as the largest one, the distance to frontier score is calculated as the population-weighted average of the distance to frontier scores for these two cities (table 13.1). This is done for the aggregate score, the scores for each topic and the scores for all the component indicators for each topic.

Table 13.1 Weights used in calculating the distance to frontier scores for economies with 2 cities covered

Economy	City	Weight (%)
Bangladesh	Dhaka	78
	Chittagong	22
Brazil	São Paulo	61
	Rio de Janeiro	39
China	Shanghai	55
	Beijing	45
India	Mumbai	47
	Delhi	53
Indonesia	Jakarta	78
	Surabaya	22
Japan	Tokyo	65
	Osaka	35
Mexico	Mexico City	83
	Monterrey	17
Nigeria	Lagos	77
	Kano	23
Pakistan	Karachi	65
	Lahore	35
Russian Federation	Moscow	70
	St. Petersburg	30
United States	New York	60
	Los Angeles	40

Source: United Nations, Department of Economic and Social Affairs, Population Division, World Urbanization Prospects, 2014 Revision. <http://esa.un.org/unpd/wup/CD-ROM/Default.aspx>.

Economies that improved the most across 3 or more *Doing Business* topics in 2014/15

Doing Business 2016 uses a simple method to calculate which economies improved the ease of doing business the most. First, it selects the economies that in 2014/15

implemented regulatory reforms making it easier to do business in 3 or more of the 10 topics included in this year's aggregate distance to frontier score. Changes making it more difficult to do business are subtracted from the total number of those making it easier to do business. Twenty-four economies meet this criterion: Armenia; Azerbaijan; Benin; Costa Rica; Côte d'Ivoire; Cyprus; Hong Kong SAR, China; Indonesia; Jamaica; Kazakhstan; Kenya; Lithuania; Madagascar; Mauritania; Morocco; Romania; the Russian Federation; Rwanda; Senegal; Togo; Uganda; the United Arab Emirates; Uzbekistan; and Vietnam. Second, *Doing Business* sorts these economies on the increase in their distance to frontier score from the previous year using comparable data.

Selecting the economies that implemented regulatory reforms in at least three topics and had the biggest improvements in their distance to frontier scores is intended to highlight economies with ongoing, broad-based reform programs. The improvement in the distance to frontier score is used to identify the top improvers because this allows a focus on the absolute improvement—in contrast with the relative improvement shown by a change in rankings—that economies have made in their regulatory environment for business.

Ease of *Doing Business* ranking

The ease of doing business ranking ranges from 1 to 190. The ranking of economies is determined by sorting the aggregate distance to frontier scores, rounded to 2 decimals.

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All the data for 190 economies—topic rankings, indicator values, lists of regulatory procedures and details underlying indicators
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Contributors

More than 11,400 specialists in 190 economies who participate in *Doing Business*
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Data on business density (number of newly registered companies per 1,000 working-age people) for 136 economies
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Data benchmarking 190 economies to the frontier in regulatory practice and a distance to frontier calculator
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<http://www.doingbusiness.org/data/good-practice>

Doing Business 2017 is the 14th in a series of annual reports investigating the regulations that enhance business activity and those that constrain it. The report provides quantitative indicators covering 11 areas of the business environment in 190 economies. The goal of the *Doing Business* series is to provide objective data for use by governments in designing sound business regulatory policies and to encourage research on the important dimensions of the regulatory environment for firms.



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