INVESTMENT CLIMATE REFORMS IN A MEGACITY: EXPERIENCES FROM LAGOS, NIGERIA

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Investment Climate Reform: Experiences from Lagos

OUTLINE

- Overview of the Lagos Socio-Economic environment
- The Lagos Reform Agenda
- Key Reform Initiatives
- Conclusion
Lagos Socio-Econ. Environment

- Population Growth Rate - 3.2% (Nigeria – 2.9%)
- Population Spatial Distribution – 75:25 (Urban: Rural)
- Share of Nigeria’s Urban Population – 27.4%

Source: Lagos Bureau of Statistics
Lagos Socio-Econ. Environment

- Daily Human Traffic (Lagos Mainland - Island) - 7 million
- Vehicular population - about 1.5m
- High Vehicular Density - over 222 per km (national:11/km)
- Household Occupancy - 5 persons
- Road Network - over 16,000 km
Lagos Socio-Econ. Environment..Cont’d

- Solid Waste Generation – 10,000 metric tons/day
- Public Transportation – about 1,000/70,000 high/low capacity buses
- Power Demand – 10,000 MW (Supply – 2000mw)
- Water Demand – 600mgpd (Supply – 210mgpd)
Lagos Socio-econo. Environment ...Cont’d

- 50% of national electricity consumption;
- 50% of petroleum products consumption
- Generates over 60% of Country’s VAT earnings
- Over 70% of total National cargo freight
- 80% of Nation’s sea-freight through Lagos ports
Lagos Socio-Econo. Environment.... Cont’d

- Telecoms/Media Hub – 40% of 100million subscribers
- Hub of Aviation activities - (International - 82%; Domestic - 50%)
- Unemployment rate – 8% (Nigeria – 21%)
- Hosts 70% of Country’s total non-oil & gas E&P investments
- Accounts for over 65% of Country’s Commercial activities (about 40% of Banks’ branch networks)
Lagos Socio-Econ. Environment

- GDP of Lagos equivalent to that of about 15 states combined; accounts for 26% of Nigeria’s GDP
- GDP of Lagos (c.$80bn) larger than that of most African countries
- Lagos posts impressive Risk Ratings for a sub-national entity in an imperfect Federal system, viz:
  - Fitch (International): BB-
  - Fitch (Domestic): AA-
  - Agusto A+
The Lagos reform Agenda

**Vision**

*Africa’s model Megacity and Global Economic and Financial Hub that is safe, secure, functional and productive.*

**Mission**

*Poverty Eradication and Sustainable Economic Growth Through Infrastructure Renewal and Development.*
The Lagos Reform Agenda

- The State Government, being a sub-national, is limited in its scope for reform of the investment Climate, given Nigeria’s current Constitutional arrangement.

- Efforts however ongoing to play advocacy role for reform and engage Federal Agencies to promote reforms.

- Lagos often used as proxy by researchers in evaluating Nigeria’s investment Climate.

- A 2006 survey revealed that the key investment Climate issues that lay mainly with the State government to tackle were: Infrastructure development, Land Administration, Physical Planning, and Tax Administration.
The Most Problematic Factors For Doing Business

- Access to Financing: 24.6%
- Inadequate Supply of Infrastructure: 21.2%
- Corruption: 15.0%
- Political Instability: 9.8%
- Inefficient Government: 5.5%
- Crime and Theft: 2.8%
- Inflation: 3.4%
- Foreign Currency Regulation: 1.7%
- Poor Work Ethic in National: 2.5%
- Inadequately Educated Workforce: 2.8%
- Tax Rates: 1.1%
- Restrictive Labour Regulations: 1.4%
- Tax Regulations: 1.1%
- Poor Public Health: 1.4%
- Government Instability/coups: 5.7%

Source: WEF Global Competitiveness Report 2010-2011
INFRASTRUCTURE DEVELOPMENT IN LAGOS STATE

• Infrastructure remains biggest challenge as well as biggest opportunity area for investors.

• Opportunity for private investment in infrastructure in Lagos aggregate up to $30bn; practically all sectors are open to private investment.

• Government is continually working at improving the policy, legal/regulatory & physical environment for investors.
Lagos Infrastructure Development Programme (2007 – 2016)

- Potable Water & Sanitation - $3 billion
- Road & Drainage - $20 billion
- Power - $10 billion
- ICT - $2 billion
- Transportation (inter-modal) - $9.3 billion
- Others (waste, sewage, etc) - $5.7 billion

= $50 billion
Infrastructure Development in Lagos

- Lagos has embraced Public-Private Partnership (PPP) as an option for delivering the required Infrastructure in the State.
- A PPP Office, reporting directly to the Governor, headed by a Director-General, recruited from the private sector, is now functional.
- LASG is focused on creating an enabling environment for private sector-led growth as well as increasing the attractiveness and viability of different projects.
Infrastructure Development in Lagos

- PPP and Public Procurement Laws which have been passed;
  - Provide a legal framework;
  - Ensure an orderly and uniform application of approaches and standards in PPPs in the State

- Strengthened extant laws to achieve more effective regulation
  - Lagos State Water Sector Law, 2004;
  - Lagos State Urban and Regional Planning Law, 2005;
  - Lagos Metropolitan Area Transport Authority (LAMATA) Law, 2007;
  - Lagos Court of Arbitration Law, 2009; etc
LAND ADMINISTRATION/PHYSICAL PLANNING REFORMS

• Issuance of Land Title:
  ◦ Fully automate Certificate of Occupancy C of O (ongoing)
  ◦ Increase number of people who can give consent on behalf of Governor; 30-day Consent rule.
  ◦ Establish an Electronic Land Registry to enable on-line title searches.
  ◦ Establish special Mortgage Registry
  ◦ Review downward fees associated with searches, etc.
  ◦ Harmonise process of assessing and issuing demand for all land charges
- Issuance of Development Permit.
- Full implementation of the pre-screening process of application documents for grant of development permit.
- Development and establishment of a platform allowing for online submission of applications and plans for review (ongoing)
- Increase access to information on process, costs and relevant agencies regarding development approval
LAND & ADMINISTRATION/PHYSICAL REFORMS

◦ Processing Construction Permit.

◦ Establish a one-stop shop for construction permit, bringing agencies involved in the process in one room (ongoing).

◦ Streaming inspection processes with emphasis on safety issue.

◦ Speed up issuance of certificate of completion & fitness for habitation and issue them simultaneously.
TAX ADMINISTRATION REFORM

- Generally enthrone a regime of efficient and effective taxation.
- Clarify the tax powers of each tier of Government.
- Publish the list of taxes levied by the State and Local Governments.
- Reduce the number of effective taxes (ongoing)
- Institute annual Tax Payers Forum as platform for policy clarification, feedback from tax payers and recognition of exemplary tax payers.
Judiciary Reforms

- Improved Commercial Justice Process: Introduce specialised judges focusing on Commercial cases only.
- Establish special Mortgage division of the High Court (ongoing).
- Introducing computerisation to the process of filing and enforcing judgements (ongoing)
- Reduce or eliminate instances of “Trial De Novo”
Lagos State Government is strongly committed to Investment Climate reforms.

The DFID, World Bank, AFD and other development partners have been supportive in this process; DFID, eg, through the State & Local Gov’t Governance Programme (SLGP) and the Growth & Employment in States Programme (GEMS)

The Federal Ministry of Trade & Investment has also demonstrated a strong desire to improve Nigeria’s Investment Climate and Doing Business rankings; Lagos State is actively collaborating with the Ministry in this regard.

Media reports about the challenges of doing business in Lagos/Nigeria are exaggerated; Despite existing challenges, Lagos remains an investor’s delight as returns far outweigh the challenges.
Thank you

Welcome to Lagos