Creating a Competitive Nigeria: Towards a Shared Economic Vision

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What is Competitiveness?

• Competitiveness depends on the **productivity** with which a nation uses its human, capital, and natural resources.
  
  – Productivity *sets the sustainable standard of living* (wages, returns on capital, returns on natural resources)
  
  – It is not **what** industries a nation competes in that drives prosperity, but **how it competes**
  
  – Productivity in a national economy depends on a **combination of domestic and foreign firms**
  
  – “**Local**” or **domestic industries** are fundamental to competitiveness, not just export industries

• Nations compete to offer the **most productive environment for business**

• The public and private sectors play **different but interrelated roles** in creating a productive economy
Growth of real GDP per employee (PPP-adjusted), 2004 to 2008

Source: authors calculation Groningen Growth and Development Centre (2009), EIU (2009)

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Determinants of Competitiveness

- Microeconomic Competitiveness
  - Quality of the National Business Environment
  - State of Cluster Development
  - Sophistication of Company Operations and Strategy

- Macroeconomic Competitiveness
  - Social Infrastructure and Political Institutions
  - Macroeconomic Policies

- Natural Endowments

• Productivity ultimately depends on improving the microeconomic capability of the economy and the sophistication of local competition
Sources of Prosperity

Inherited Prosperity

- Prosperity is derived from **inherited natural resources**
  - Prosperity is **limited**

  - **Dividing** the pie
  - **Government** is the central actor in the economy
  - Resource revenues fuel corruption and allow **unproductive policies and practices to persist**

Created Prosperity

- Prosperity results from **productivity** in producing goods and services
  - Prosperity is **unlimited**

  - **Expanding** the pie
  - **Companies** are the central actors in the economy
  - **Government’s role** is to create the **enabling conditions for productivity** and foster private sector development
Nigerian Macroeconomic Competitiveness

Macroeconomic Policy

• Nigeria has made **significant progress** on macroeconomic policy
• These gains must be **sustained** against short-term temptations
• **Tax complexity** remains a weakness

Political Institutions

• **Political institutions** remain weak
• The data shows some progress on reducing **corruption** and **rule of law** but Nigeria remains among the worst affected countries globally
• Nigeria remains in the bottom group of sub-Saharan countries in terms of **governance**
• **Government entities** are often inefficient and uncoordinated
• The States and the Federal government suffer from rivalry and poor collaboration

Social Infrastructure

• **Education** and **health care** remain major weaknesses
Nigerian Microeconomic Competitiveness

Business Environment

**Strengths**

- Home market
- Favorable location
- Abundant resources and agricultural potential

**Weaknesses**

- Electricity
- Land transport
- Air transport
- Land use
- Workforce skills
- Access to finance
- ICT capacity
- Business regulation / red tape
- Tariff and non-tariff barriers
- Monopoly / lack of open competition
- IP protection
### Nigerian Microeconomic Competitiveness

**Selected Rankings from the Global Competitiveness Report**

<table>
<thead>
<tr>
<th>Rank versus 134 Countries</th>
<th></th>
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<tbody>
<tr>
<td>Patents per million population</td>
<td>134</td>
</tr>
<tr>
<td>Quality of electricity supply</td>
<td>133</td>
</tr>
<tr>
<td>Ease of access to loans</td>
<td>124</td>
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<tr>
<td>Burden of customs procedures</td>
<td>122</td>
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<tr>
<td>Regulatory quality</td>
<td>122</td>
</tr>
<tr>
<td>Quality of railroad infrastructure</td>
<td>121</td>
</tr>
<tr>
<td>Personal computers per 100 population</td>
<td>117</td>
</tr>
<tr>
<td>Quality of port infrastructure</td>
<td>115</td>
</tr>
<tr>
<td>Domestic credit to private sector</td>
<td>114</td>
</tr>
<tr>
<td>Mobile telephone subscribers per 100 population</td>
<td>111</td>
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<tr>
<td>Internet access in schools</td>
<td>105</td>
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<tr>
<td>Quality of roads</td>
<td>104</td>
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<tr>
<td>Tertiary enrollment</td>
<td>103</td>
</tr>
<tr>
<td>Low tariff rate</td>
<td>100</td>
</tr>
<tr>
<td>Internet users per 100 population</td>
<td>99</td>
</tr>
<tr>
<td>Intellectual property protection</td>
<td>96</td>
</tr>
<tr>
<td>Pay and productivity</td>
<td>93</td>
</tr>
<tr>
<td>Ease of starting a new business</td>
<td>93</td>
</tr>
</tbody>
</table>

**Note:** Rank versus 134 countries; overall, Nigeria ranks 106th in 2008 PPP adjusted GDP per capita and 93rd in Global Competitiveness

**Source:** Institute for Strategy and Competitiveness, Harvard University (2009)
Microeconomic Competitiveness
Ease of Doing Business

Nigeria per capita GDP rank: 117

Ranking, 2008 (of 181 countries)

Favorable

Unfavorable

**Competitiveness and Cluster Development**

**Tourism Cluster in Cairns, Australia**

- **Government agencies**
  - e.g. Australian Tourism Commission, Great Barrier Reef Authority

- **Educational Institutions**
  - e.g. James Cook University, Cairns College of TAFE

- **Industry Groups**
  - e.g. Queensland Tourism Industry Council

- **Public Relations & Market Research Services**
- **Food Suppliers**
- **Property Services**
- **Maintenance Services**

- **Travel agents**
- **Tour operators**

- **Restaurants**
- **Hotels**
- **Attractions and Activities**
  - e.g., theme parks, casinos, sports
- **Airlines, Cruise Ships**

- **Local retail, health care, and other services**
- **Local Transportation**
- **Souvenirs, Duty Free**
- **Banks, Foreign Exchange**

Sources: HBS student team research (2003) - Peter Tynan, Chai McConnell, Alexandra West, Jean Hayden
Cluster in Developing Countries
Kenya’s Cut Flower Cluster

**Government Agencies, NGOs & Industry Associations**
- Horticultural Crops Development Authority (HCDA)
- Government Export Policies targeting Horticulture
  - Government Policy for Revitalizing Agriculture; National Export Strategy; Export Promotion Council (EPC)
- Non-Governmental Organizations
  - The Rural Enterprise Agri-Business Promotion Project (USAID, CARE, IFAD)
  - Horticultural Produce Handling Facilities Project (JBIC)
- Trade & Industry Associations
  - Kenya Flower Council (KFC)
  - Fresh Produce Exporters Association of Kenya (FPEAK)
  - Regional Growers Associations e.g., North & South Kinangop; Lake Naivasha, etc.

**Education, Research & Quality Standards Organizations**
- Research Institutions:
  - Kenya Agricultural Research Institute (KARI)
  - International Center for Insect Physiology and Ecology (ICIPE)
- Public universities with post graduate degrees in horticulture:
  - University of Nairobi; Jomo Kenyatta University of Agriculture & Technology
- Quality & Standards:
  - EUREGAP Standard (UK & Dutch Supermarkets)
  - Kenya Plant Health Inspectorate Services (KEPHIS)

**Plantstock**
- Greenhouse; Shading Structures
- Irrigation technology
- Pre-Cooling Technology
- Fertilizers, pesticides, herbicides

**Flower Farming**

**Post-Harvest Handling; Transport to Market**

**Post-Harvest Cooling Technology**

**Grading / Packaging Sheds**

**Packaging & Labeling Materials**

**Refrigerated Trucks**

**Freight Forwarders**

**Clearing and Forwarding Agents**

**Air Carriers (Commercial / Charters)**

**Tourism Cluster**

Sources: Student team research by Kusi Hornberger, Nick Ndiritu, Lalo Ponce-Brito, Melesse Tashu, and Tijan Watt,
Microeconomics of Competitiveness Course, 2007
Nigeria’s Cluster Export Portfolio
1997 to 2007

- Nigeria has not yet embraced cluster development at the federal or state level

Source: Institute for Strategy and Competitiveness; Richard Bryden, Project Director. UN Commodity Trade Statistics Database and IMF BOP statistics.
• Many of the essential levers of competitiveness reside at the state level
• Competitiveness requires effective policy collaboration between states and the national government
• Every state (and city) needs its own distinctive competitiveness plan
Economic integration in ECWAS remains **limited**
- Nigeria would be the greatest beneficiary
Nigerian Competitiveness Agenda

- Maintain sound macroeconomic policy
- Improve the tax system
- Implement truly effective anti-corruption policies and strengthen the rule of law
- Modernize government
- Improve education and health care
- Address bottlenecks in physical infrastructure and land use
- Catch up in ICT
- Modernize and simplify business rules and regulations
- Continue reform of the financial sector
- Open up local and international competition
- Protect intellectual property (IP)
- Develop a concrete economic diversification strategy based on cluster development
- Align the interests of the states and the national government around competitiveness
- Create effective economic strategies at the state level
- Assume a leadership role in West African economic integration
Clusters and Economic Diversification

- Develop Related Clusters
- Turn Niche Products Into Clusters
- Build Clusters Around Strong MNCs
- Deepen Existing Clusters
Recent Nigerian Economic Plans

- President Yar’Adua’s priorities
  - Electricity
  - Agriculture
  - Transport system
  - Jobs
  - Land
  - Education
  - Security

- Nigeria 2020
  - Stable democracy
  - Globally competitive economy
  - Good infrastructure
  - Sound education system
  - Quality health care
  - Modern agricultural sector
  - Competitive manufacturing

- National Economic Empowerment Development Strategy (NEEDS)
  - Public sector reforms
  - Privatization and liberalization
  - Governance
  - Transparency and anticorruption
  - Service delivery by government agencies

- Economic reform has been a central focus of recent Nigerian governments
Defining a Nigerian Economic Strategy

National Economic Strategy

- What is the unique competitive position of the nation given its location, legacy, endowments, and potential strengths?
- What is the national value proposition?
- In what clusters can the nation excel?
- What role can the nation play in its region?

Developing Unique Strengths

- What are the key strengths that the nation must build upon?

Addressing Crucial Constraints

- What weaknesses must be addressed to achieve parity with peer countries?

- Nigeria needs an overall strategic framework, not just lists of aspirations and weaknesses
- The strategy requires more rigorous prioritization and sequencing
- Competitiveness improvement demands a coordinating structure within government and a disciplined process of monitoring implementation
The Process of Economic Development
New Roles and Responsibilities

Old Model

- **Government** drives economic development through policy decisions and incentives

New Model

- Economic development is a **collaborative process** involving the private sector, government at multiple levels, universities, labor, and civil society

- Competitiveness needs to become a **bottoms-up process**
- A **shared economic vision** across all stakeholders in society is needed
- A national campaign to **communicate competitiveness** principles and challenges to the broader population is a necessity, not just to the elites
- The **private sector** must take responsibility for driving competitiveness improvement and ensuring continuity