Building a Competitive Nigeria: The Role of the National Competitiveness Council of Nigeria

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National Competitiveness Council of Nigeria
Lagos, Nigeria
March 21, 2013
Prosperity Performance
Sub-Saharan Africa

PPP-Adjusted GDP per Capita, 2011 ($USD)

Growth in Real GDP per Capita (PPP-adjusted), CAGR, 2001-2011

Source: EIU (2012); author's calculations
Prosperity Performance Trends
Nigeria and Selected Sub-Saharan African Countries

PPP-Adjusted GDP per Capita, 2011 ($USD)

Source: EIU (2012); author's calculations
Poverty Performance
Nigeria and Selected Sub-Saharan African Countries

Note: Country comparison based on the most recent data available as of March 2013.
What Determines Success of Competitiveness Organizations?

- Co-led by or heavily involving the **private sector** with the participation of all actors. Representation from the national government as well as the state level

- **Direct involvement** by the President to build consensus and integration into the process of government

- Institutionalized in a **formal structure**, with a world-class secretariat

- Common **conceptual framework**

- Focus on the **microeconomic aspects** of competitiveness, not just macro

- Develop a **strategy**, not just discrete policy improvements

- Prioritized and sequenced **action plan**

- A clear mandate to measure and report **progress** and create **accountability** for implementing entities
Agenda

• Defining Competitiveness and Prosperity

• Indicators and Enablers of Competitiveness

• Drivers of Competitiveness

• Benchmarking Nigerian Competitiveness

• Geographic Areas and Competitiveness

• Economic Strategy

• Organizing for Competitiveness
What is Competitiveness?

A country or region is competitive to the extent that firms operating there are able to compete successfully in the global economy while supporting high and rising wages and living standards for the average citizen.

- Competitiveness is the long-run productivity of a location as a place to do business
  - Productivity of existing firms and workers
  - Ability to achieve high participation of working age citizens in the workforce

- Competitiveness is not:
  - Low wages
  - A weak currency
  - Jobs per se
Two Sources of Prosperity

<table>
<thead>
<tr>
<th>Inherited Prosperity</th>
<th>Created Prosperity</th>
</tr>
</thead>
</table>
| • Prosperity derived from **inherited natural resources / endowments**  
  – Prosperity is **limited** |
| • **Dividing** the pie  
  • **Government** usually the central actor in the economy  
  • Revenue from resources allows **unproductive policies and practices to persist** and encourages corruption |
| • Prosperity arising 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 |
Labor Productivity Level and Growth
Sub-Saharan Africa

Real GDP per Employee (1990 GK$), 2011

Note: Several countries are omitted due to lack of labor data.
Source: Groningen Growth and Development Centre, Total Economy Database (January 2012). GDP calculated using Geary Khamis calculation methodology.
Workforce Participation
Sub-Saharan Africa

Labor Force Participation (2011)

-6.0% -4.0% -2.0% 0.0% 2.0% 4.0% 6.0%

Note: Several countries are omitted due to lack of labor data.
Source: EIU (2012), author’s calculations

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Indicators and Enablers of Competitiveness

Productivity Growth

Domestic investment
Exports
Imports
Domestic innovation
Inbound foreign direct investment
Outbound foreign direct investment

Country Competitive Environment
Domestic Investment Performance
Sub-Saharan Africa

Gross Fixed Investment (% of GDP), 2011

Change in Gross Fixed Investment (% of GDP), 2001-2011

Note: Includes inbound FDI
Source: EIU (2012)
Export Performance
Sub-Saharan Africa

Exports of Goods and Services (% of GDP), 2011

Change in Exports of Goods and Services (% of GDP), 2001-2011

Source: EIU (2012), authors calculations
Composition of Exports
Nigeria’s Exports By Type of Good

World Export Market Share (current USD)

- Processed Goods
- Semi-processed Goods
- Unprocessed Goods
- Services
- TOTAL

Underlying data drawn from the UN Commodity Trade Statistics Database and the IMF BOP statistics.
Inbound Foreign Investment Performance
Stocks and Flows, Sub-Saharan Africa

Outbound Foreign Investment Performance
Stock and Flows, Sub-Saharan Africa

Outward FDI Stocks as % of GDP, Average 2000-2010

Average Stocks: 16.68%

FDI Outflows as % of Gross Fixed Capital Formation, Average 2000-2010

Average Flows: 14.64%

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What Determines Competitiveness?

- Endowments, including natural resources, geographical location, population, and country size, create a foundation for prosperity, but true prosperity arises from productivity in the use of endowments.
What Determines Competitiveness?

- Macroeconomic competitiveness sets the *economy-wide* context for productivity to emerge, but is *not sufficient* to ensure productivity.
- Endowments, including *natural resources, geographical location, population, and country size*, create a *foundation* for prosperity, but true prosperity arises from *productivity in the use of endowments*.
What Determines Competitiveness?

- **Fiscal Policy:** Effective public spending aligned with revenues over time
- **Monetary Policy:** Low levels of inflation
- **Economic Stabilization:** Avoiding structural imbalances and cyclical overheating
What Determines Competitiveness?

- **Human Development**: Basic education, health care, equal opportunity
- **Rule of Law**: Property rights, personal security, and due process
- **Political Institutions**: Stable and effective political and governmental organizations and processes
• There is a strong connection between **economic** and **social** development

• Improving competitiveness requires improving the economic and social context **simultaneously**
Corruption Perception Index, 2010

Change in Rank, Global Corruption Report, 2011 versus 2006

Note: Ranks only countries available in both years (160 countries total)
Source: Global Corruption Report, 2010
# Human Development Performance

## Nigeria vs. Selected Sub-Saharan African Countries

### Education Indicators

<table>
<thead>
<tr>
<th>(indicators as of 2010)</th>
<th>Nigeria</th>
<th>South Africa</th>
<th>Kenya</th>
<th>Ethiopia</th>
<th>Rwanda</th>
<th>Botswana</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public spending on education, total (% of GDP)</td>
<td>NA</td>
<td>6.0%</td>
<td>6.7%</td>
<td>4.7%</td>
<td>5.0%</td>
<td>7.8%</td>
</tr>
<tr>
<td>School enrollment, primary (% gross)</td>
<td>83.3%</td>
<td>101.7%</td>
<td>113.3%</td>
<td>101.6%</td>
<td>142.6%</td>
<td>110.1%</td>
</tr>
<tr>
<td>School enrollment, secondary (% gross)</td>
<td>44.0%</td>
<td>93.8%</td>
<td>60.2%</td>
<td>35.7%</td>
<td>32.2%</td>
<td>81.7%</td>
</tr>
<tr>
<td>School enrollment, tertiary (% gross)</td>
<td>NA</td>
<td>NA</td>
<td>4.0%</td>
<td>7.3%</td>
<td>5.5%</td>
<td>7.4%</td>
</tr>
<tr>
<td>Literacy rate, adult total (% of people ages 15+)</td>
<td>61.3%</td>
<td>NA</td>
<td>87.4%</td>
<td>NA</td>
<td>71.1%</td>
<td>84.5%</td>
</tr>
</tbody>
</table>

### Health Indicators

<table>
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<th>Botswana</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health expenditure per capita (current US$)</td>
<td>$62.8</td>
<td>$648.7</td>
<td>$36.8</td>
<td>$15.7</td>
<td>$55.5</td>
<td>$614.6</td>
</tr>
<tr>
<td>Life expectancy at birth, total (years)</td>
<td>51.4</td>
<td>52.1</td>
<td>56.5</td>
<td>58.7</td>
<td>55.1</td>
<td>53.1</td>
</tr>
<tr>
<td>Mortality rate, infant (per 1,000 live births)</td>
<td>80.8</td>
<td>35.5</td>
<td>50.1</td>
<td>54</td>
<td>41.5</td>
<td>21.3</td>
</tr>
<tr>
<td>Prevalence of HIV, total (% of population ages 15-49)</td>
<td>3.7%</td>
<td>17.3%</td>
<td>6.2%</td>
<td>1.6%</td>
<td>3.0%</td>
<td>23.7%</td>
</tr>
</tbody>
</table>

Productivity ultimately depends on improving the **microeconomic capability** of the economy and the **sophistication of local competition** revealed at the level of firms, clusters, and regions.

Macroeconomic competitiveness sets the **economy-wide** context for productivity to emerge, but is **not sufficient** to ensure productivity.

Endowments, including **natural resources**, **geographical location**, **population**, and **country size**, create a **foundation** for prosperity, but true prosperity arises from **productivity in the use of endowments**.
The quality of the business environment in which companies compete, company productivity, innovation, and growth

What Determines Competitiveness?

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

Macroeconomic Competitiveness
- Sound Monetary and Fiscal Policies
- Human Development and Effective Political Institutions

Endowments
Quality of the Business Environment
The Diamond

Context for Firm Strategy and Rivalry

Factor (Input) Conditions

- Local rules and incentives that encourage investment and productivity
  - e.g., incentives for capital investments, IP protection, sound corporate governance standards
- Open and vigorous local competition
  - Openness to foreign competition
  - Strict competition laws

Demand Conditions

- Sophisticated and demanding local needs
  - e.g., Strict quality, safety, and environmental standards

Related and Supporting Industries

- Availability and quality of suppliers and supporting industries

- Many things matter for competitiveness
- Successful economic development is a process of successive upgrading, in which the business environment improves to enable increasingly sophisticated ways of competing

• Access to high quality business inputs
  - Qualified human resources
  - Capital availability
  - Physical infrastructure
  - Scientific and technological infrastructure
Quality of the Business Environment
Ease of Doing Business Indicators (Nigeria, 2013)

Ranking, 2013 (vs. 185 countries)

Favorable

Unfavorable

Nigeria’s GDP per capita rank: 109

Concentrations of firms in particular fields, including suppliers, supporting services and related institutions. Clusters enable productivity and new business formation.
What Is a Cluster?
Tourism Cluster in Cairns, Australia

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

Travel Agents
Tour Operators

Hotels
Attractions and Activities e.g., theme parks, casinos, sports
Restaurants

Airlines, Cruise Ships

Local Retail, Health Care, and Other Services
Local Transportation
Souvenirs, Duty Free
Banks, Foreign Exchange

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

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

**Plantstock**

**Greenhouse; Shading Structures**

**Irrigation Technology**

**Pre-Cooling Technology**

**Fertilizers, Pesticides, Herbicides**

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**Horticultural Agencies, NGOs & Industry Associations**

- Horticultural Crops Development Authority (HCDA)
  - Government Export Policies Targeting Horticulture

- Non-Government Organizations
  - (e.g., The Rural Enterprise Agri-Business Promotion Project)

- Trade & Industry Associations
  - (e.g., Kenya Flower Council)

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**Flower Farming**

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

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**Post-Harvest Cooling Technology**

**Grading / Packaging Sheds**

**Packaging & Labeling Materials**

**Refrigerated Trucks**

**Freight Forwarders**

**Clearing and Forwarding Agents**

**Air Carriers (Commercial / Charters)**

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**Education, Research & Quality Standards Organizations**

- Research Institutions
  - (e.g., Kenya Agricultural Research Institute)

- Public Universities with Post Graduate Degrees in Horticulture
  - (e.g., University of Nairobi)

- Quality & Standards
  - (e.g., EUREGAP Standard, Kenya Plant Health Inspectorate Services)

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**Tourism Cluster**

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Sources: MOC student team research by Kusi Hornberger, Nick Ndiritu, Lalo Ponce-Brito, Melesse Tashu, Tijan Watt, Harvard Business School, 2007
Why Clusters Matter?

• Clusters increase productivity and operational efficiency

• Clusters stimulate and enable innovations

• Clusters facilitate commercialization and new business formation

• Healthy clusters drive competitiveness and competitiveness improvement

• Clusters are regional and local in large countries
Evidence on the Impact of Clusters
Strong Clusters Drive Regional Performance

- Existence of strong clusters
- **Breadth** of industries within each cluster
- Strength in related clusters
- Presence of a region’s clusters in neighboring regions
- **Job** growth
- Higher wages
- Higher patenting rates
- Greater new business formation, growth and survival

Nigeria’s Film Cluster ("Nollywood")

Inputs
- Production Services (Make-up, Costumes, Catering)
- Advertising
- Post-Production Services

Support
- Electronics Industry (DVD production)
- Tourism & Hospitality Industry

Film Production
- Film Production Companies
- Self-Employed Producers

Film Distribution

Government Agencies:
- National Film and Video Censors Board
- Nigerian Film Corporation
- Nigerian Film Institute (Nigerian Film Corporation)
- Nigerian Intellectual Property Commission

Video Rentals
Video Sales
Video Parlors
Export: English Speaking Africa and Nigerian Diaspora
TV (NTA)

Nigeria’s National Cluster Export Portfolio
2000-2010

- Change in Nigeria’s Overall World Export Share: 0.13%
- Nigeria’s Overall World Export Share: 0.53%

- Change in World Export Market Share, 2000-2010

- $2.5 billion

- Oil and Gas Products (-.68%, 3.51%)
- Leather & Related Products (4.03%, 4.04%)
- Tobacco
- Footwear
- Fishing & Fishing Products
- Agricultural Products
- Chemical Products
- Heavy Machinery
- Metal Mining & Manufacturing
- Business Services
- Transportation & Logistics
- Plastics

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Clusters in an Economy Are Related

Note: Clusters with overlapping borders or identical shading have at least 20% overlap (by number of industries) in both directions.
Cluster Relatedness and Economic Diversification

Nigeria, 2000
Clusters as a Tool For Economic Policy

- A forum for **collaboration** between the private sector, trade associations, government, educational, and research institutions
- Brings together **firms of all sizes**, including SME’s
- Creates a **mechanism** for **constructive** business-government dialog
- A tool to identify **problems** and **action recommendations**
- A vehicle for investments that strengthen **multiple firms/institutions** simultaneously
- Fosters **greater competition** rather than distorting the market
- Enhances the efficiency and effectiveness of **traditional economic policy** areas, such as training, R&D, export promotion, FDI attraction, etc.

- Sound cluster policy addresses **all clusters**, and does not pick winners
Clusters provide a framework for organizing the implementation of many public policies and public investments directed at economic development.
What Determines Competitiveness?

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

Macroeconomic Competitiveness
- Sound Monetary and Fiscal Policies
- Human Development and Effective Political Institutions

Endowments

The capacity of firms, in terms of skills, capabilities and management practices
Sophistication of Firms
Sources of Competitive Advantage

- Differentiation (Higher Price)
- Competitive Advantage
- Lower Cost
The value chain is the **set of activities** involved in delivering value to customers.

All competitive advantage **resides** in the value chain. Strategy is manifested in **choices** about how activities in the value chain are configured and linked together.
Operational Effectiveness Versus Strategy

Operational Effectiveness

- Assimilating, attaining, and extending best practices

Doing things better and better

Strategic Positioning

- Creating a unique value proposition

Doing things differently to deliver superior value
What Creates a Successful Strategy?

<table>
<thead>
<tr>
<th>What Creates a Successful Strategy?</th>
</tr>
</thead>
<tbody>
<tr>
<td>• A <strong>unique value proposition</strong> compared to competitors</td>
</tr>
<tr>
<td>• A <strong>distinctive value chain</strong> embodying choices about how the organization will <strong>operate differently</strong> to deliver on its value proposition</td>
</tr>
<tr>
<td>• Making clear tradeoffs, and choosing what <strong>not to do</strong></td>
</tr>
<tr>
<td>• Integrating activities across the value chain to <strong>fit together</strong> and <strong>reinforce each other</strong></td>
</tr>
<tr>
<td>• <strong>Continuity</strong> of strategic direction</td>
</tr>
</tbody>
</table>
Levels of Strategy

- Competitive or Business Strategy
  - How to compete in each distinct business or industry

- Corporate Strategy
  - What set of businesses to compete in
  - Capturing synergies across business units
Corporate Strategy
The Walt Disney Company, 2010

- Shared characters
- Shared brand
- Shared family values
- Cross-promotions
Diversification in Emerging Economies

Typical Business Groups

- Financial Services
- Car Dealership
- Computer Wholesaler
- Fast Food Franchises
- Airline
- Real Estate Services
- Imports/Distribution
- Grocery Stores
- Food Processing
- Industrial Parts
- Tobacco
- Textiles
- Sugar
Improving Competitiveness
Themes

- **Many things matter** for competitiveness

- Progress must be made simultaneously on **multiple fronts**

- The **weakest links** will constrain productivity and retard development

- **Foreign investment** will depend on the relationship between competitiveness and prevailing wages and taxes

- As economies develop, they face **transition points** that require many dimensions of competition to be transformed
Stages of National Competitive Development
Shifting Policy Imperatives

Factor-Driven Economy

Investment-Driven Economy

Innovation-Driven Economy

Low Cost Inputs

- Monetary and fiscal, political, and legal stability
- Market opening
- Improving basic human capital
- Efficient basic infrastructure
- Lowering the regulatory costs of doing business
- Efficient access to endowments

Productivity in Standard Products and Services

- Increasing local rivalry
- Creating advanced infrastructure
- Setting incentives and rules encouraging productivity
- Cluster formation and activation

Unique Products, Services, and Production Methods

- Building advanced skills
- Creating world class scientific and technological institutions
- Setting incentives and rules encouraging innovation
- Cluster upgrading

Harvard Country Competitiveness Model
Subindex Impact Across Stages of Development

Notes: - Weights in a linear model across all economies: Micro: 0.31, SIPI: 0.41, Macro Policy: 0.28
- Middle-stage weights are an average of Low- and High-stage weights.
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• Indicators and Enablers of Competitiveness

• Drivers of Competitiveness

• **Benchmarking Nigerian Competitiveness**

• Geographic Areas and Competitiveness

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ISC Competitiveness Model
Nigeria’s Competitiveness Profile, 2012

Country Competitiveness
115

Macroeconomic Competitiveness
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- Political Institutions 112
- Rule of Law 127
- Human Development 115*

Microeconomic Competitiveness
91
- Fiscal and Monetary Policies 113
- National Business Environment 92
- Company Operations and Strategy 77

Factor Conditions (110)
- Context for Strategy and Rivalry (93)
- Related and Supporting Industries (74)
- Demand Conditions (95)

Significant advantage
Moderate advantage
Neutral
Moderate disadvantage
Significant disadvantage

Significant advantage
Nigeria’s GDP per capita rank is 109th versus 140 countries

Note: Rank versus 140 countries; Color coding based on comparison relative to income; *U.N. Gender Inequality Index data is unavailable for Nigeria. Nigeria’s Basic Health and Education rank is reported as an average of ranks in reported data.

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Geographic Influences on Competitiveness

- Regions are the **most important economic unit for competitiveness** in larger countries, especially countries beyond subsistence development.
Regions and Competitiveness

• Economic performance **varies significantly** across sub-national regions (e.g., provinces, states, metropolitan areas)
Regional Prosperity Performance in Nigeria

Percent of State Residents in Poverty

Note: Most recent data available is from 2009.
Regions and Competitiveness

• Economic performance **varies significantly** across sub-national regions (e.g., provinces, states, metropolitan areas)

• Many essential drivers of competitiveness reside at the **regional level**

• Regions **specialize** in different sets of clusters and **cluster strength** drives regional performance
Regions and Competitiveness

- Economic performance **varies significantly** across sub-national regions (e.g., provinces, states, metropolitan areas)

- Many essential drivers of competitiveness reside at the **regional level**

- Regions **specialize** in different sets of clusters and **cluster strength** drives regional performance

- Each region needs its own distinctive **competitiveness strategy and action agenda**
  - Business environment improvement
  - Cluster upgrading
  - Improving government effectiveness
Geographic Influences on Competitiveness

- Regions are the **most important economic unit for competitiveness** in larger countries, especially countries beyond subsistence development.
• Economic coordination among neighboring countries can significantly enhance competitiveness
• Integration offers greater opportunities than participation in broader economic forums
Regional Economic Integration and Competitiveness

- Integration opens **trade** and **investment** among neighbors
  - Expands the **available** market for each country
    - A nation’s **neighbors** are often its most natural trading and investment partners, especially in **non-resource** goods and services
  - The natural **path of internationalization** for local firms is the neighborhood
  - Open trade and investment make each **country** a more attractive location for investment

- Integration drives **improvements in the business environment**
  - Captures **synergies** in policy and infrastructure

- Integration harnesses improvements in **clusters** that cross borders

- Integration creates greater clout in **international negotiations**

- External commitments help **overcome domestic political and economic barriers** to reform
## Economic Integration Among Neighbors
### Capturing Synergies

<table>
<thead>
<tr>
<th>Factor (Input) Conditions</th>
<th>Context for Strategy and Rivalry</th>
<th>Demand Conditions</th>
<th>Related and Supporting Industries</th>
<th>Macroeconomic Competitiveness</th>
</tr>
</thead>
</table>
| Improving the efficiency of the regional transportation network | Eliminating **trade and investment barriers** within the region | Harmonizing environmental standards | Facilitating **cross-border cluster development**  
- e.g., Supplier networks  
- Efficient transport and logistics  
- Quality standards | Coordinating macroeconomic policies |
| Creating an efficient energy network | Simplifying and harmonizing **cross-border** regulations and paperwork | Harmonizing product **quality, safety and technical standards** | | Coordinating programs to improve **security** and **public safety** |
| Enhancing regional **communications** and **connectivity** | Coordinating **anti-monopoly and fair competition policies** | Establishing reciprocal **consumer protection laws** | | |
| Harmonizing **administrative requirements** for businesses | **Harmonizing IP protection** | Opening **government procurement** within the region | | |
| Linking **financial markets** | | | | |
| Facilitating the movement of students for **higher education** | | | | |
Integration and Competitiveness
Central American Logistical Corridor
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• Organizing for Competitiveness
What Is an Economic Strategy?

**Policy Improvement**

- Implementing **best practices** in each policy area
- There are a **huge number** of policy areas that matter
- No country can (or should try to) make **progress in all areas** simultaneously

**Economic Strategy**

- An overall agenda for creating a **distinctive and more competitive position** for a country or region, based on its **particular circumstances**
Creating a National (or Regional) Economic Strategy

National Value Proposition

- What is the **distinctive competitive position** of the nation or region given its location, legacy, existing strengths, and potential strengths?
  - What unique strengths as a business location?
  - What roles in the broader neighborhood?
  - What types of activities and clusters?

Developing Unique Strengths

- What **elements of the business environment** can be unique strengths relative to peers/neighbors?
- What **existing and emerging clusters** can be built upon?

Achieving and Maintaining Parity with Peers

- What **weaknesses** must be addressed to remove key constraints and achieve parity with peer locations?

**Priorities** and **sequencing** are essential to building competitiveness
Tests of an Economic Strategy

• Has the country or region articulated a distinctive position?
  – That will create a positive identity?
  – That will inspire citizens?

• Does the strategy build on existing or potential strengths?
  – Are the strengths realistic versus neighbors and other peer countries?

• Does the strategy fit with trends in the neighborhood and the world economy?

• Is the strategy realistic given the country’s or region’s weaknesses? Can weaknesses that retard the strategy be neutralized?

• Are social and political reforms integrated with economic reforms and pursued simultaneously?

• Do the policy priorities fit the strategy?
  – The choice of policies, and their design?
  – The sequence in which policies are implemented?
Tests of an Economic Strategy
Continued

• Is there the political will and the political consensus to implement the strategy?

• Has the strategy been communicated clearly to all stakeholders?

• Is the private sector engaged?

• Is government organized around the strategy?

• Is there an overall coordinating structure for economic development?

• Is the quality of governmental agencies and other institutions sufficient for effective implementation?

• Are there mechanisms to measure progress and review / modify the strategy as prosperity improves or conditions change?
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The Process of Economic Development
Shifting Roles and Responsibilities

**Old Model**

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

**New Model**

- Economic development is a **collaborative process** involving government at multiple levels, companies, educational and research institutions, and private sector organizations

- Competitiveness is the result of both **top-down** and **bottom-up processes** in which many companies and institutions take responsibility

- Translating policy into **action** is decisive in determining success
Government and the Process of Economic Development

- Competitiveness is affected by numerous government entities and levels of government
  - Multiple agencies and departments (e.g. finance, trade, science and technology, commerce, regional policy, energy, agriculture) have an influence on competitiveness
  - “Economic” agencies and “social” agencies
  - Multiple levels of government (nations, states, cities, etc.)
  - Intergovernmental relations with neighboring countries

- Competitiveness is rarely the sole agenda of a single government agency

- A coordinating structure is needed (e.g. “competitiveness policy council”) that brings together the ministers and department heads necessary to formulate and implement an economic strategy

- Competitiveness improvement requires sustained efforts across multiple years and presidential administrations
  - Mechanisms are needed to improve the continuity of policy over time
Failure of Traditional Economic Development Organizations

**PUBLIC SECTOR**

- **Separate** ministries with overlapping mandates
- Competition for **power** and **issue ownership**
- Ministries divided for **political reasons** which introduces ideology and single issue focus
- Organizations focus on a **single geographic level** (e.g., nation, state, or city)
- Lack of **coordination and integration** across different parts of government
- Rarely **strategic** but focus on discrete policy areas
- Rarely **prioritized** and **sequenced**
- No clear mechanisms and accountability for implementation

**PRIVATE SECTOR**

- **General**
  - Chambers of Commerce
  - Traditional focus on **lobbying** for government support rather than enhancing competitiveness
  - Limited effects on areas such as skills, infrastructure, exports, environmental improvement and quality certification where **collective action** is most value enhancing
  - **Poorly connected** to the government policy formulation process

- **Cluster-Specific**
  - Trade Associations

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**New organizational structures** for competitiveness are needed
Organizations for Competitiveness are Needed at Multiple Geographic Levels

Examples

- Groups of Neighboring Nations
  - e.g., Central America Alliance for Sustainable Development

- Nations
  - The National Competitiveness Council (Ireland)

- States, Provinces
  - South Carolina Council on Competitiveness

- Metropolitan and Rural Areas
  - Compete Columbus (Ohio)

- Clusters
  - Acoplasticos (Colombia)
Organizing for Economic Development
Presidential Council on National Competitiveness (Korea)

President of Korea

Chairman

Assistant Chairman and Head of Steering Group
Assistant Chairman for Regulatory Reform
Assistant Chairman for Legal System

Management Support Team

Investment Promotion
Financial Regulatory Reform
Public Sector Innovation
Regulatory Reform
Legal and Institutional Advancement

Task Forces
Agenda for the Nigerian Competitiveness Council

• Benchmarking
  – Nigeria’s competitiveness position
  – Nigerian states

• Identifying specific policy and implementation priorities

• Recommending a coherent and practical national strategy

• Fostering competitiveness improvement at the state level

• Integrating the Council’s work into the government policy process

• Coordinating broad private sector commitment and collaboration

• Creating mechanisms and urgency for action