

# Creating a Competitive Nigeria: Towards a Shared Economic Vision

Professor Michael E. Porter  
Harvard Business School

*Presentation to Federal Ministers  
Lagos, Nigeria  
July 23, 2009*

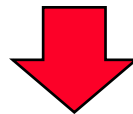
---

This presentation draws on ideas from Professor Porter's books and articles, in particular, *Competitive Strategy* (The Free Press, 1980); *Competitive Advantage* (The Free Press, 1985); "What is Strategy?" (*Harvard Business Review*, Nov/Dec 1996); "Strategy and the Internet" (*Harvard Business Review*, March 2001); and a forthcoming book. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means—electronic, mechanical, photocopying, recording, or otherwise—without the permission of Michael E. Porter. Additional information may be found at the website of the Institute for Strategy and Competitiveness, [www.isc.hbs.edu](http://www.isc.hbs.edu). Version: July 17, 6pm

---

# 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

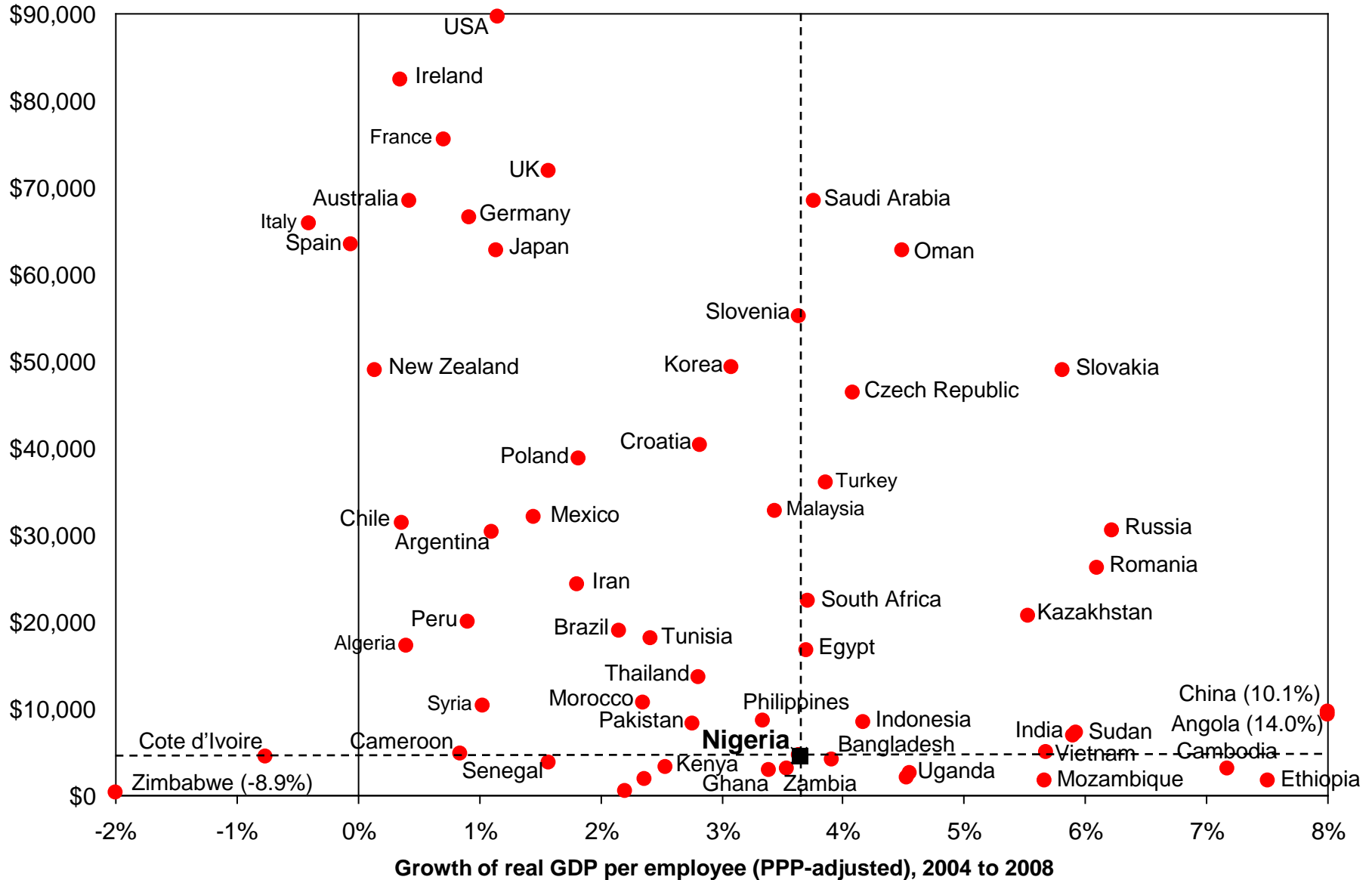


- Nations compete to offer the **most productive environment for business**
- The public and private sectors play **different but interrelated roles** in creating a productive economy

# Labor Productivity

## Selected Countries

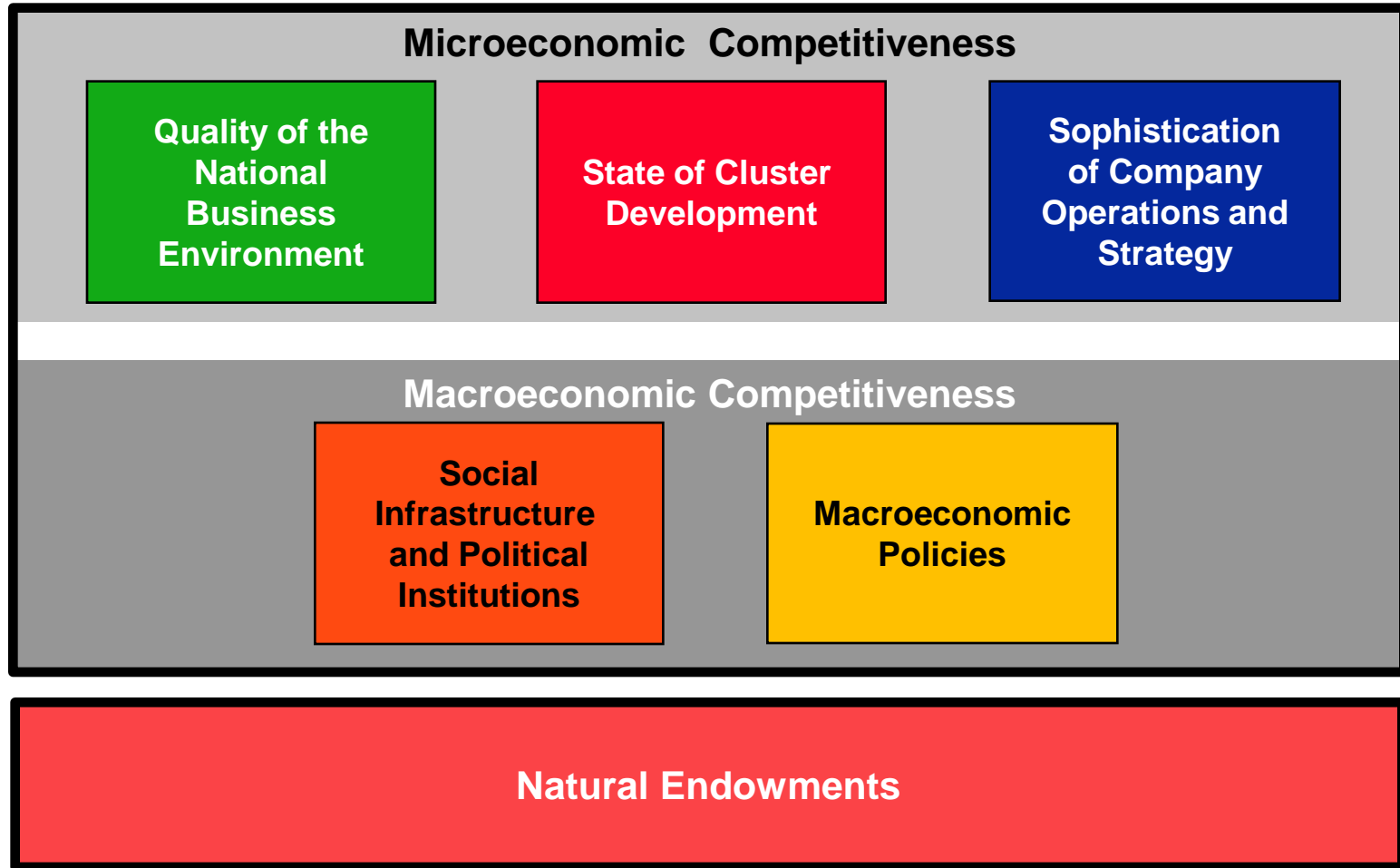
Real GDP per employee  
(PPP adjusted US\$), 2008



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

20090408 - CAON Nigeria.ppt

# Determinants of Competitiveness



- Productivity ultimately depends on improving the **microeconomic capability** of the economy and the **sophistication of local competition**

# Sources of Prosperity

## Inherited Prosperity

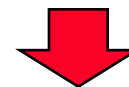
- Prosperity is derived from **inherited natural resources**
  - Prosperity is **limited**



- **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

### 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

### Rank versus 134 Countries

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

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

Source: Institute for Strategy and Competitiveness, Harvard University (2009)



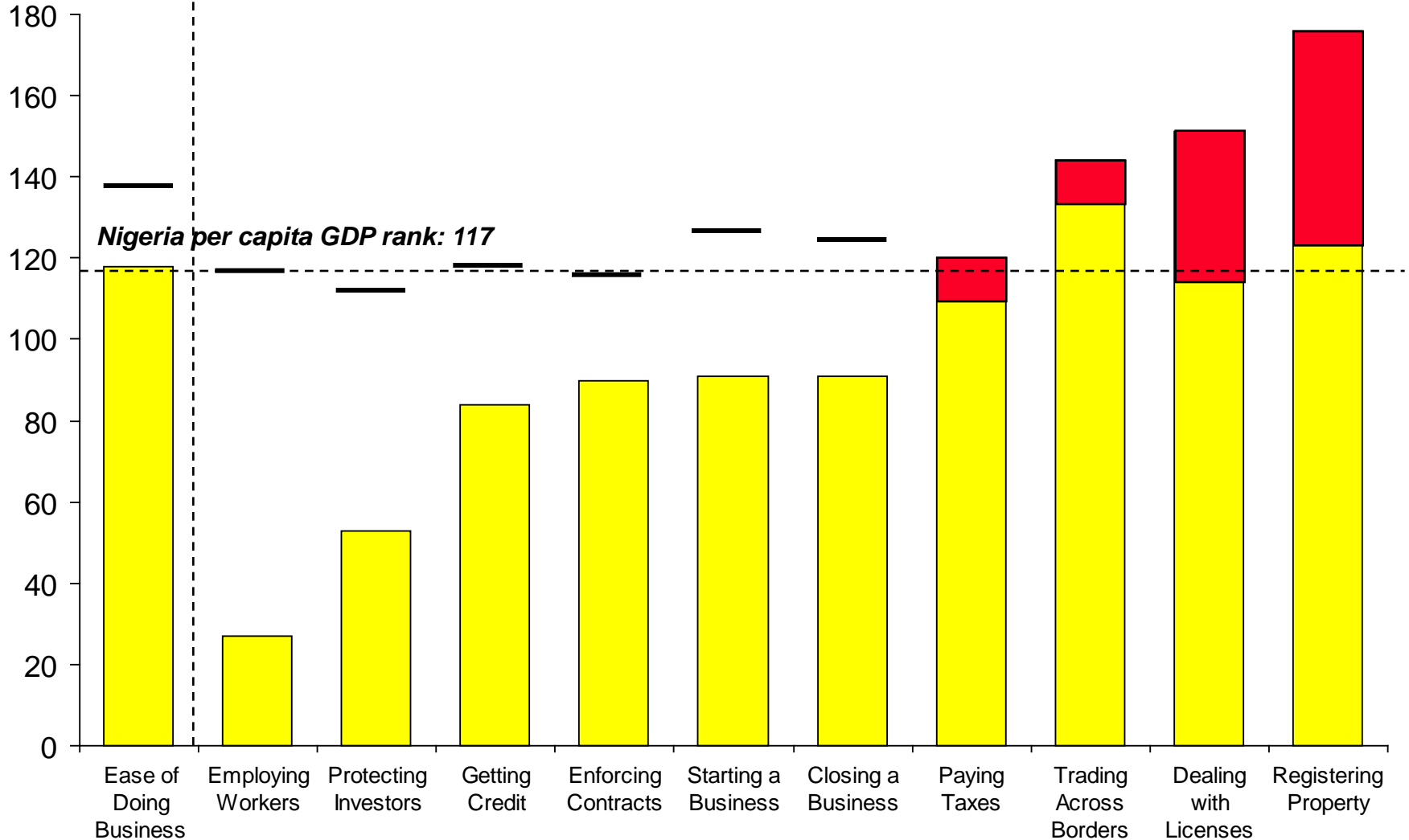
# Microeconomic Competitiveness

## Ease of Doing Business

Ranking, 2008  
(of 181 countries)

*Favorable*

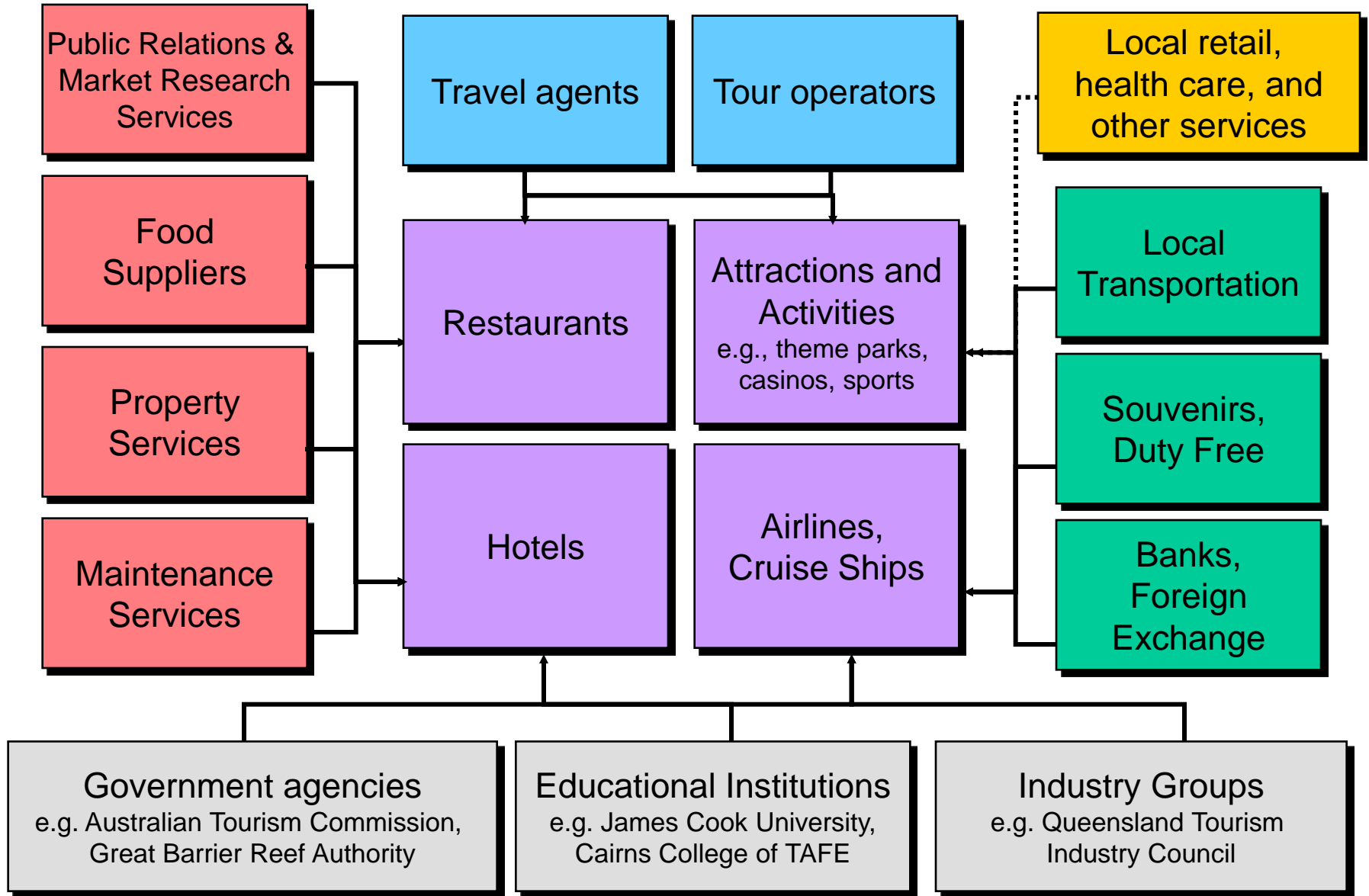
*Unfavorable*



— Median Ranking,  
Sub Saharan Africa

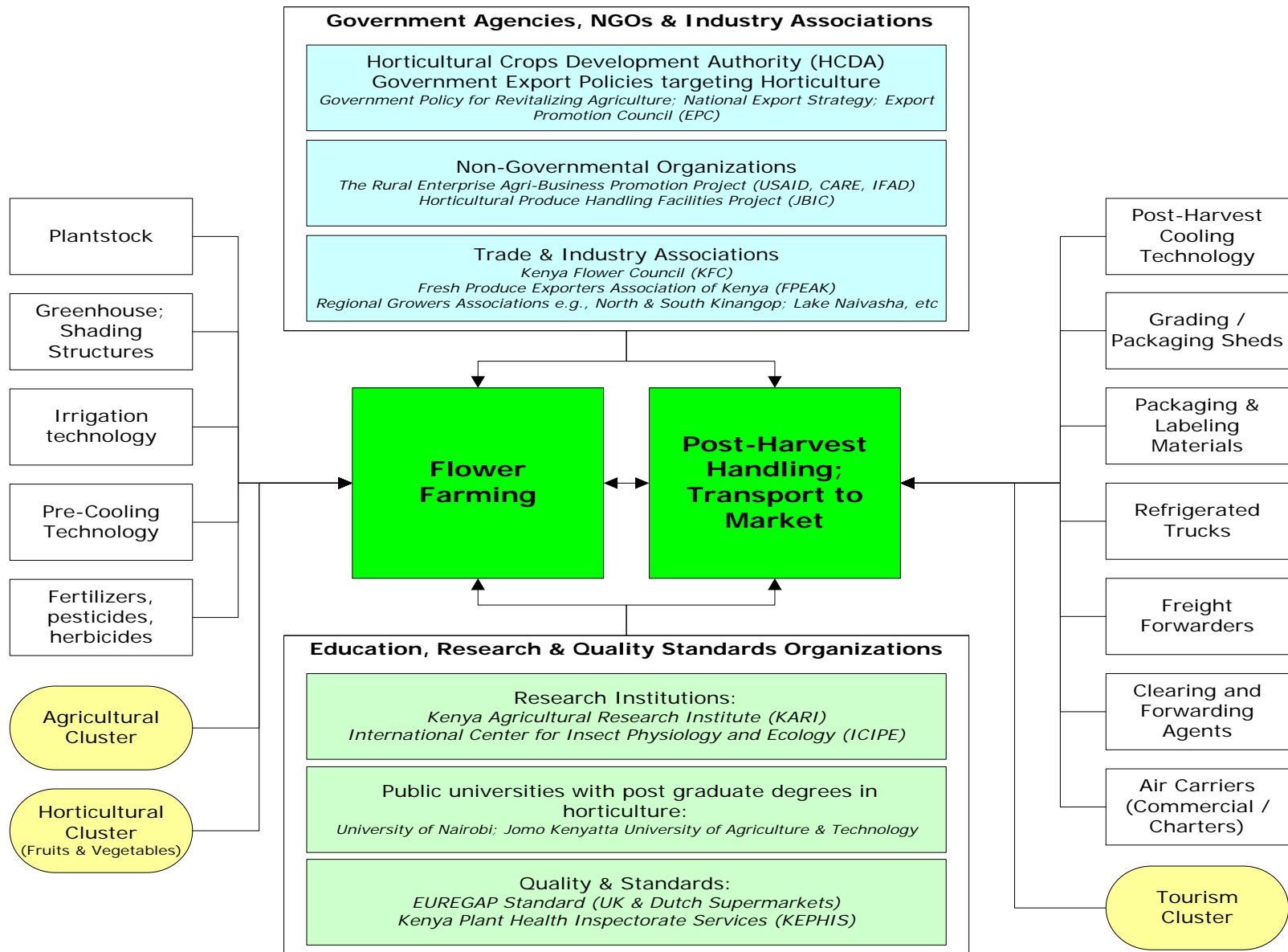
# Competitiveness and Cluster Development

## Tourism Cluster in Cairns, Australia



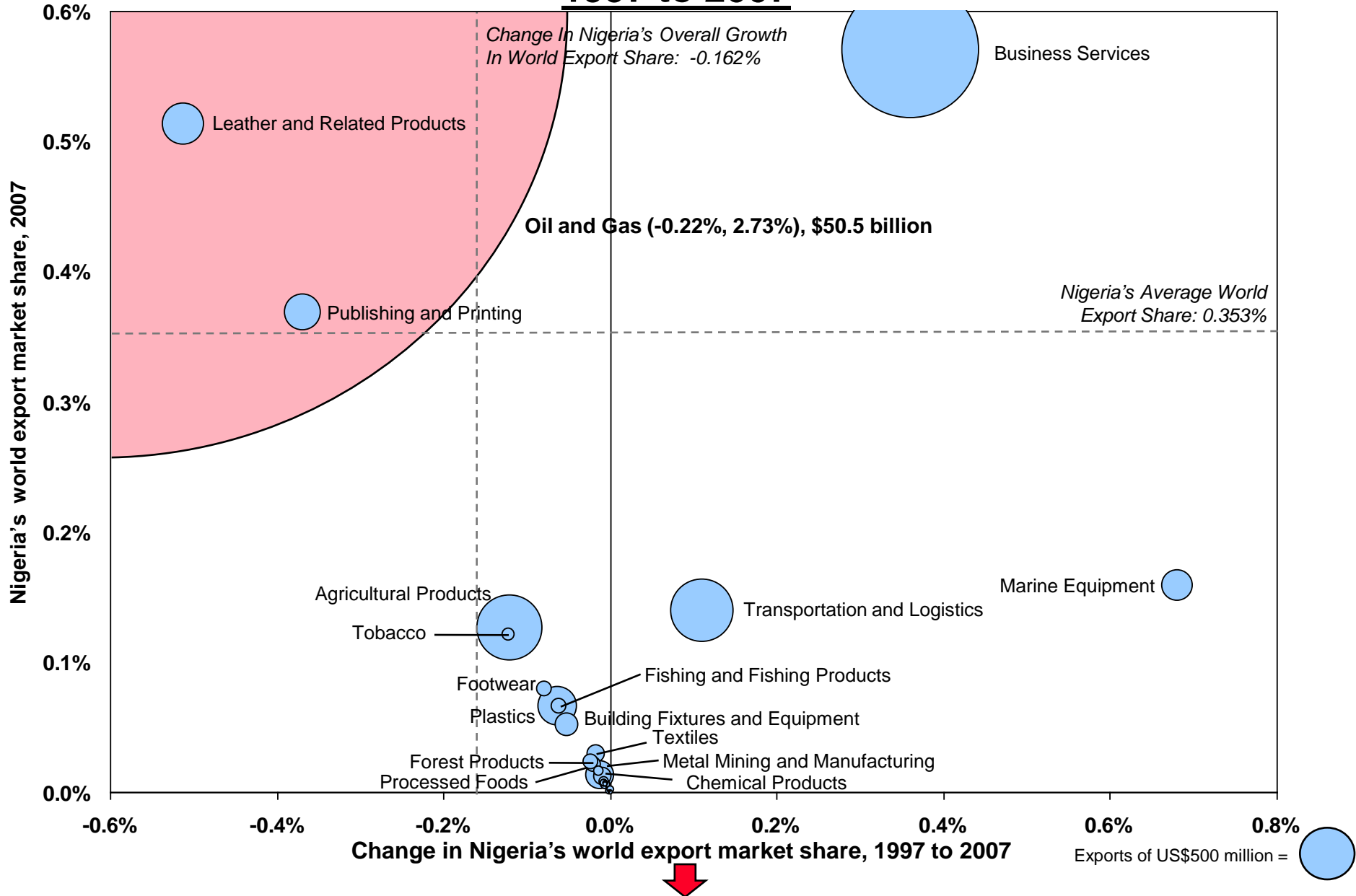
# Cluster in Developing Countries

## Kenya's Cut Flower Cluster



# Nigeria's Cluster Export Portfolio

## 1997 to 2007



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

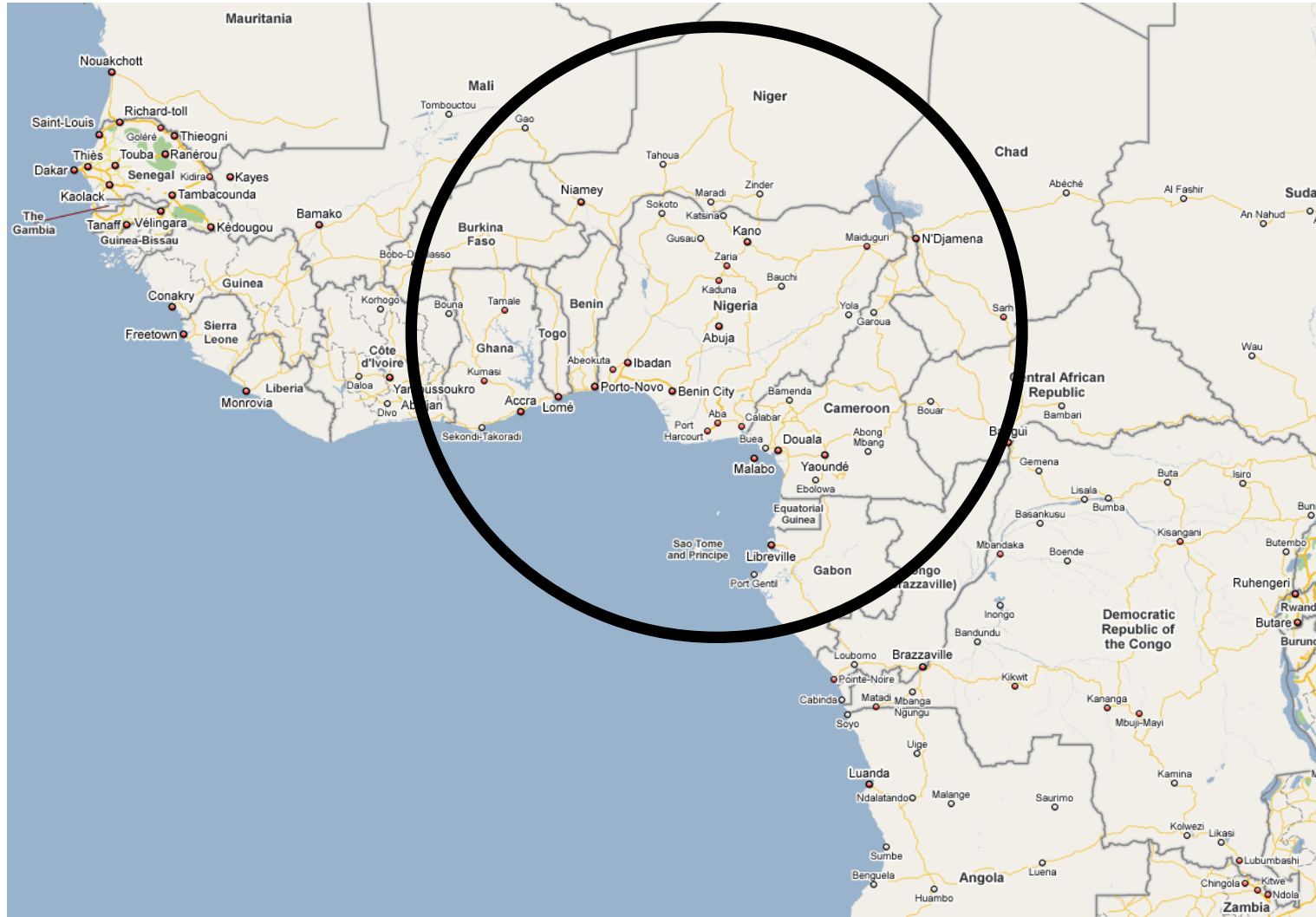
# Competitiveness of Nigerian States



- 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 With Neighbors

## West Africa



- Economic integration in ECOWAS remains **limited**
- Nigeria would be the greatest beneficiary

# Nigerian Competitiveness Agenda

## Macro

- 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**

## Business Environment

- 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)**

## Cluster Development

- Develop a concrete economic **diversification strategy** based on cluster development

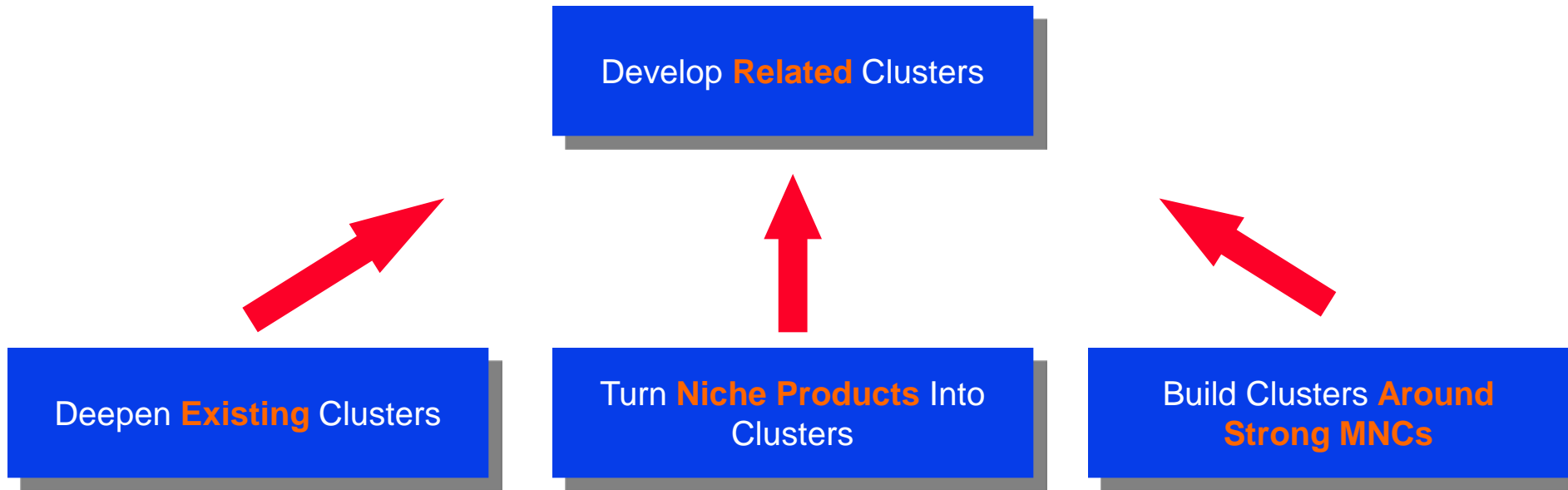
## States

- **Align the interests** of the states and the national government around competitiveness
- Create **effective economic strategies** at the state level

## Regional Integration

- Assume a leadership role in **West African economic integration**

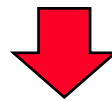
# Clusters and Economic Diversification





# 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?

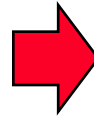
- Nigeria needs an overall strategic framework, not just lists of aspirations and weaknesses
- The strategy requires more rigorous **prioritization** and **sequencing**
- Competitiveness improvement demands a **coordinating structure** within government and a disciplined process of **monitoring implementation**

# 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