THE CHALLENGE

Business-friendly regulations are correlated with lower poverty and stronger economic growth—and are among the most important factors in investor decision-making. The removal of firm-level distortions caused by uneven regulations and a poor business environment also leads to increased firm productivity.

Despite the attention of policymakers to improve the country’s business environment, entrepreneurs in Nigeria were facing cumbersome and expensive procedures to establish and operate their businesses. Red tape, restrictive regulations and high transaction costs stifled the country’s competitiveness and productivity levels, reinforced business informality’s predominance and placed Nigeria in the 131st position globally on the Ease of Doing Business ranking, behind its regional peers, namely Kenya (56th), South Africa (84th) and Uganda (116th).

OBJECTIVES AND APPROACH

Recognizing the importance of tackling regulatory and administrative hurdles for doing business—particularly for micro, small and medium scale enterprises (MSMEs)—and attracting investments, the Nigerian government has embarked on a comprehensive reform journey, with the support of the UK-funded IBEP Program and the advice of the World Bank Group. The recommendations provided as part of the ongoing Ease of Doing Business (EoDB) Action Plans of the federal government laid the foundations for the new Companies and Allied Matters Act (CAMA) 2020, which was signed into law in August 2020 after three decades of no significant business legislation amendments.
The CAMA 2020 introduces provisions seeking to enhance the ease of setting up companies nationwide, improve transparency in company operations, and ensure more appropriate regulation for MSMEs in line with international best practices. It also provides guidelines for carrying out the registration of companies entirely by electronic means, paving the way for the government’s digital transformation. The shift toward digital technologies has also shown significant progress. In January 2021, the Corporate Affairs Commission (CAC) launched a new self-service portal that allows for end-to-end electronic registration of new companies and, for the first time, post-incorporation filings. These efforts could not have been timelier, allowing the CAC to meet the surge in demand for online solutions during the COVID-19 pandemic.

**EARLY RESULTS**

The CAMA 2020 intends to have a far-reaching impact on the registration, constitution, and operation of all businesses nationwide. This reform is expected to have a significant positive impact on Nigeria’s ranking on the World Bank’s Doing Business indicators—such as starting a business, resolving insolvency, protecting minority interest, and getting credit indicators—and the overall competitiveness in Nigeria.

As a result of the new amendments of this law and in alignment with the global shift towards digitization, electronic filings, signatures, and documents are now allowed, valid and enforceable, digital instruments of transfer of shares are permitted, and private companies may also hold their general meetings electronically. Furthermore, stringent requirements were revised. For instance, the need for a mandatory common seal of incorporation documents has been relaxed, and the statement of compliance can now be signed by the applicant, an agent, or a lawyer as an alternative to the declaration of compliance with the oaths’ commissioner.

Under the new law, a private company can now have a single member or shareholder, and the threshold for qualification as a small company has increased, offering small-scale entrepreneurs wider access to financial services and regulatory privileges. Among other improvements, the new CAMA also includes innovative business rescue and recovery provisions to support and protect insolvent companies—such as voluntary arrangements, administration, and netting—, offering more assurance and comfort to founders, secured creditors and investors.

**ADDITIONAL RESOURCES**

- [Companies and Allied Matters Act, 2020](https://example.com)
- [Presidential Enabling Business Environment Council (PEBEC)](https://example.com)
- [Doing Business 2020 Economy Profile: Nigeria](https://example.com)
- [Company Registration Portal (CRP) of the Corporate Affairs Commission](https://example.com)
- [How to use the CRP (instructional videos)](https://example.com)

**CONNECT WITH US**

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