

## CONCEPT NOTE

### IMPLEMENTATION OF THE CONDITIONAL GRANT SCHEME (CGS) FOR MICRO ENTERPRISES IN NIGERIA.

#### Introduction

The Micro, Small and Medium Enterprises (MSMEs) represent one of the most important sub-sectors of our economy. It currently represents 96% of the businesses in Nigeria and contributes 84.02% of the National labour force. **Of the 37 million MSMEs in Nigeria, over 36 million are micro-enterprises.** Thus, growth in this sector is directly correlated with growth in the economy as a whole and in the level of employment throughout Nigeria.

The micro enterprises sub-sector is a critical sub-sector in the Nigerian enterprise development space. They collectively account for a majority of the enterprises in Nigeria and also account for the highest number of jobs created in the economy.

The first ever national survey on MSMEs was conducted by the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in 2010 and subsequently in 2013 in partnership with the National Bureau of Statistics (NBS). The 2010 survey found out that there were 17.3 million MSMEs employing about 32.4 million persons and contributing 46.54% to nominal GDP. In addition the 2013 survey discovered that there were 37 million MSMEs, employing 59.7 million persons (84.2% of labour force) and contributing 48.47% to nominal GDP and 7.27% to exports. In the 2010 survey, the number of micro enterprises was stated as 17,261,753 (representing 99.87% of total enterprises). In the 2013 survey, the number of micro enterprises was stated as 36,994,578 (representing 99.80% of total enterprises).

In terms of employment, the total number of persons employed by micro enterprises in 2010 was 15,641,460 (representing 90.41% of total number of employed persons). In 2013, the total number of persons employed by micro enterprises was 57,836,391 (representing 96.88% of total number of persons employed). It is important to note that over 90% of the micro enterprises are informal and populated by people at the bottom of the pyramid.

The justification for a special entrepreneurship/vocational development intervention for the entrepreneurs at the bottom of the pyramid cannot be overemphasized based on the need to industrialize the nation, develop the rural economy, stem youth restiveness and unemployment and create the platform for sustainable economic growth and development in Nigeria.

This present initiative looks to promoting the activities of micro enterprises across the country in the areas of capacity building and the delivery of post-intervention support services such as access to finance (conditional grants), markets, workspace, technology, etc. **The pilot project will be conducted in the following six states: Katsina (34 LGAs), Gombe (11 LGAs), Ebonyi (13 LGAs), Oyo (33 LGAs), Akwa Ibom (31 LGAs) and Benue (23 LGAs). This makes a total of 145 LGAs.**

### **Objectives of the Scheme**

The objectives of the scheme include:

- a. Creation of jobs, wealth and poverty alleviation in the society.
- b. Improving the internally generated revenue of the three tiers of government across the country thereby reducing over-dependence on oil revenue.
- c. Moving micro entrepreneurs from the informal to the formal sector.
- d. Enhancing the competitiveness of these enterprises towards meeting national, regional and global standards.
- e. Improving the human, technological and financial capacity of operators of micro enterprises.

### **Methodology**

The implementation modalities will include:

#### **A. TECHNICAL ISSUES**

- a. Identification and selection of micro entrepreneurs, partners and other relevant stakeholders.
- b. Focused Group Discussions (FGDs).
- c. Sensitization and awareness creation.
- d. Needs assessment of micro enterprises.
- e. Formation of Groups (if not existing).
- f. Entrepreneurship and vocational training.
- g. Documentation of intervention (report writing, etc).
- h. Registration of existing and potential entrepreneurs with Corporate Affairs Commission (CAC).

- i. Enhancing access to critical resources such as finance (through conditional grants of N50,000.00 each), workspace, markets and technology.
- j. Opening of bank accounts.
- k. Follow-up monitoring and evaluation within the delivery of business development service.
- l. Provision of tax holidays for a period to be agreed with the Federal Inland Revenue Service (FIRS).
- m. Impact assessment.

## **B. PERFORMANCE AWARDS**

Provision will be made for award of excellence to high performing enterprises all the LGAs of the pilot states to reward hard work/success and to encourage high performance from other enterprises. A minimum of 10 enterprises per LGA will be rewarded in the first instance making a total of 870 awardees. The conditions for the award will include such issues as turnover of the enterprise.

## **C. The scheme will be implemented in stages.**

### **Selection Criteria**

The scheme will adopt robust selection criteria. To be eligible for the grant, participants need to:

- a. Own a registered business or willing to register a business.
- b. Operate a business that has progressive economic potentials.
- c. Have at least one staff other than the owner.
- d. Be running an enterprise.
- e. Have a strong desire and commitment to grow the business.
- f. Have a need for additional investment and have had no previous access to formal financial services.
- g. Meet application submission deadline and other requirements such as proof of address in the LGA and personal identification.

### **Conditionalities**

Some of the conditions will include:

- a. The enterprise must register the business name and the products with the relevant government agencies.
- b. The enterprise must be a responsible corporate citizen by payment of appropriate taxes as at when due.

- c. The enterprise must employ a minimum of two (2) Nigerians within a specified minimum period.
- d. The enterprise must source the raw materials locally.
- e. The enterprise must institute a sustainable minimum simple governance structure.

### **Deliverables, benefits and outcomes of scheme**

The benefits will include:

- a. Moving micro entrepreneurs from the informal to the formal sector.
- b. More internally generated revenue
- c. More bank customers
- d. Enhanced data collection capability.
- e. Improved performance of micro enterprises.
- f. Productivity will be enhanced and product quality improved.
- g. Improved access to critical resources leading to operational efficiency through cost reduction.
- h. Improved standard of living.
- i. Increased contribution to GDP and exports.
- j. Enhanced job creation, wealth creation and poverty alleviation.

### **Mentoring, Monitoring & Evaluation framework**

The scheme will have in place a well structured business mentoring and monitoring mechanism. The mentoring procedure will be such that will provide assistance to participants on how to properly set up their books, how to attract and retain customers, how to source raw materials and ways to improve their product and service offerings. The business mentors will provide advice, counsel, network contacts, provide personal support/encouragement and market access to the participants. The business mentor's interest will ultimately be to foster the overall career development of the mentee. The monitoring process on the other hand will entail helping ensure that the participants make good use of the grant provided to them. The exercise will ensure that the participants duly use the grant provided to them to grow their businesses and that the funds are not diverted into other uses. Since the proposed funding will be made available from public funds, the scheme must demonstrate responsible use of public funds. Grants will be monitored and audited accordingly. Once successful, the grant will be paid to the enterprise and regular monitoring meetings will be set up between the project coordinator for the LGA and the business owners. Business owners will need to keep all

their receipts and account information for the project coordinators to check against the proposed expenditure.

**Sources of funding**

- a. Federal Government through special intervention funds.
- d. International donor agencies and development partners.

**Enterprise analysis, Job creation potentials and proposed budget**

The analysis of the phases, the number of enterprises to be impacted, the job creation potentials and the proposed budget are attached as **Annexure A.**

**Workplan**

The proposed workplan for this special intervention scheme is attached as **Annexure B.**

**THE SMALL AND MEDIUM ENTERPRISES DEVELOPMENT AGENCY OF NIGERIA (SMEDAN).**