

# FEDERAL REPUBLIC OF NIGERIA



**DRAFT**

# NATIONAL POLICY ON MICRO, SMALL AND MEDIUM ENTERPRISES



# National Policy on MSMEs

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## **ABBREVIATIONS AND ACRONYMS**

ACGSF –	Agricultural Credit Guarantee Scheme Fund
ADR –	Alternative Dispute Resolution
AfDB –	African Development Bank
AFRI-EXIM Bank –	African Export-Import Bank
AGOA –	African Growth and Opportunity Act
BDS –	Business Development Services
BDSCs –	Business Development Support Centres
BDSPs –	Business Development Service Providers
BMOs –	Business Membership Organisations
BOA –	Bank of Agriculture
BOI –	Bank of Industry
BSCs –	Business Support Centres
CAC –	Corporate Affairs Commission
CADD –	Centre for Automotive Design and Development
CBN –	Central Bank of Nigeria
CET –	Common External Tariff
CIDA –	Canadian International Development Agency
CPC-	Consumer Protection Council
CSAD -	Centres for Skills Acquisition and Development
DFID –	UK Department for International Development
EBS -	Enterprise Baseline Survey
ECGF –	Export Credit Guarantee Facility
ECOWAS –	Economic Community of West African States

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EEG –	Export Expansion Grant
EPZs –	Export Processing Zones
EU-	European Union
EVODEF -	Entrepreneurship and Vocational Development Fund
FEAP –	Family Economic and Advancement Programme
FIF –	Foreign Input Facility
FIIRO –	Federal Institute for Industrial Research, Oshodi
FIRS-	Federal Inland Revenue Service
GDP –	Gross Domestic Product
GIZ –	German Agency for International Cooperation
ICT –	Information, Communication Technology
IDCs –	Industrial Development Centres
IFC –	International Finance Corporation
IFAD-	International Fund for Agricultural Development
IPs –	Industrial Parks
IT –	Information Technology
ITF –	Industrial Training Fund
ISRT –	Inter-State Road Transit Scheme
JICA –	Japan International Corporation Agency
LEEDS -	Local Economic Empowerment and Development Strategy
LIF –	Local Input Facility
LGS –	Loan Guarantee Scheme
LSEs –	Large Scale Enterprises
MBOs –	Membership Business Organisations
MDAs –	Ministries, Departments and Agencies

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MDF -	Microfinance Development Fund
MDGs –	Millennium Development Goals
MEIBS –	Manufacturers Export-In-Bond Scheme
MFBs –	Microfinance Banks
MSMEDEF -	Micro, Small and Medium Enterprises Development Fund
MSMEs –	Micro, Small and Medium Enterprises
MTEF –	Medium Term Expenditure Framework
NAC –	National Automotive Council
NACCIMA –	National Association of Chambers of Commerce, Industry, Mines and Agriculture
NACETEM –	National Centre for Technology Management
NAFDAC –	National Agency for Food and Drug Administration and Control
NAPEP –	National Poverty Eradication Programme
NASENI –	National Agency for Science and Engineering Infrastructure
NASME –	Nigerian Association of Small and Medium Enterprises
NASSI –	Nigerian Association of Small Scale Industrialists
NEPAD-	New Partnership for African Development
NBS –	National Bureau of Statistics
NCTI –	National Council on Trade and Investment
NCOIRF -	National Council for the Operationalisation of Innovative Research Findings
NDE –	National Directorate of Employment
NEEDS -	National Economic Empowerment and Development Strategy
NEPC -	Nigerian Export Promotion Council
NERC -	Nigerian Electricity Regulatory Commission
NERFUND –	National Economic Reconstruction Fund

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NEPAD –	National Economic Partnership for African Development
NEPZA-	Nigeria Export Processing Zones Authority
NESG –	Nigerian Economic Summit Group
NEXIMBANK –	Nigeria Export-Import Bank
NGO –	Non-Governmental Organisation
NIED -	National Institute for Entrepreneurship Development
NIEM -	Nigerian Institute for Entrepreneurship Management
NIBRI -	Nigerian Building Research Institute
NIPC –	Nigerian Investment Promotion Commission
NITDA –	National Information Technology Development Agency
NMP –	Nigerian Microfinance Policy
NOTAP –	National Office for Technology Acquisition and Promotion
NPC –	National Planning Commission
NUC –	Nigerian Universities Commission
PRODA –	Project Development Agency
R&D –	Research and Development
RMRDC –	Raw Materials Research and Development Council
RRF –	Rediscounting and Refinancing Facility
SEDA-	Small Enterprise Development Agency
SET –	Science, Engineering and Technology
SF –	Stocking Facility
S & T –	Science and Technology
SIRS-	State Internal Revenue Service
SMEs –	Small and Medium Enterprises
SAP –	Structural Adjustment Programme

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SMEDAN –	Small and Medium Enterprises Development Agency of Nigeria
SMEEIS –	Small and Medium Enterprises Equity Investment Scheme
SON –	Standards Organisation of Nigeria
TAA –	Technology Acquisition and Adaptation
TIC –	Technology Incubation Centre
TOKTEM –	Transfer of Knowledge through Expatriate Nationals
UBE –	Universal Basic Education
UNCTAD-	United Nations Conference on Trade and Development
UNDP –	United Nations Development Programme
UNICEF –	United Nations International Children Emergency Fund
UNIDO –	United Nations Industrial Development Organisation
USAID –	United States Agency for International Development
USEXIM Bank –	United States Export-Import Bank
WTO –	World Trade Organisation



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## **FOREWORD**

The first-ever National Policy on Micro, Small and Medium Enterprises (MSMEs) was developed by the Agency with technical and financial support from the African Institute of Applied Economics (AIAE) and the United Nations Development Programme (UNDP) respectively, in 2007. The Policy was approved by the Federal Executive Council (FEC) on Wednesday, 9<sup>th</sup> May, 2007 and officially launched on Thursday, 26<sup>th</sup> July, 2007.

The implementation of the Policy commenced almost immediately with the inauguration of the National Consultative Committee (NCC) on Thursday, 18<sup>th</sup> October, 2007. In the course of the implementation of the Policy, State Governments have been carried along through the establishment and activities of State Consultative Committees (SCCs).

Despite all the successes recorded, the implementation of the Policy had been affected by several challenges such as:

- (a) Weak stakeholder buy-in (public and private sector institutions)
- (b) Lack of strong commitment to MSME development by all tiers of Government.
- (c) Weak institutional synergy.
- (d) Ineffective funding of the MSMEs development process.
- (e) Weak capacity among operators.

The Policy provides, under section 5.6, for its review after 4 years of implementation. The Policy has been implemented for about 6 years now and needs to be updated in order to be in tune with unfolding economic and social imperatives affecting MSMEs in Nigeria.

One of the major lessons learnt during the implementation of the Policy was that the National Consultative Committee (NCC) was not very effective in the discharge of its responsibilities. This was a serious challenge.

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In order to have a body for the effective driving and monitoring of the implementation process of the Policy, the creation of the National Council on MSMEs has been brought in to take over the functions of the National Consultative Committee (NCC). This was part of the resolution of stakeholders during the National MSMEs Stakeholders' Forum held 2012. The new Council will be headed by the Vice President. I sincerely believe that the National Council on MSMEs will have the political and economic will to drive the implementation of the Policy and ultimately the development of the MSMEs sub-sector in Nigeria.

In order to give the definition of MSMEs a semblance of reality and in consonance with international best practice, the parameters for the classification of MSMEs have been adjusted. Therefore, a new definition for the various categories has been included in this Policy.

With this first review of the Policy and within the context of the Transformation Agenda of Mr. President, Dr. Goodluck Ebele Jonathan, I sincerely believe that the MSMEs sub-sector in Nigeria has been given a further impetus to drive the national economy towards being among the first 20 industrialized economies in the world by the year 2020. In this regard, I will request for the support and cooperation of all stakeholders towards the achievement of the MSMEs sub-sector of our dream in Nigeria.

**OLUSEGUN AGANGA, CON**

Honourable Minister

Federal Ministry of Industry, Trade and Investment

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## **EXECUTIVE SUMMARY**

The revised National Policy on MSMEs was arrived at after a deliberate review process. Several review workshops were undertaken in the 6 geo-political zones. Useful comments were received from various stakeholders such as Business Membership Organizations (BMOs), Government Officials, Relevant Private Sector Institutions and Public Institutions.

The aim of the review process is to ensure that the Policy is updated to reflect unfolding economic and social imperatives affecting MSMEs in Nigeria. It is also to ensure that the Policy is aligned with international best practices in MSMEs development.

The National Policy on MSMEs is divided into six (6) sections as follows:

- a. Background
- b. Fundamentals of National Policy on MSMEs
- c. General Policy Areas
- d. Special Target Enterprises.
- e. Stakeholders in MSMEs Development and Policy Implementation Structure.
- f. Implementation Strategies and Action Plan.

The National Policy on MSMEs outlines key objectives, strategies and programmes for influencing development of MSMEs. The Policy delineates several programmatic areas as follows: finance, institutional, legal and regulatory framework, human resources development, technology, research and development, extension and support services, marketing and infrastructure & cost of doing businesses. Also, special target enterprise categories are identified and elaborated.

This policy, which will be in place from 2015 to 2025 and be reviewed every four years, has the following objectives, priority policies and critical prerequisites:

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## **Objectives**

The objective of the policy is to facilitate and sustain a vibrant MSME sub-sector that will be the major driver of national economic growth and employment. This will be accomplished by:

- Accelerating the profitable expansion of existing MSMEs along the value chain, ensuring that transition from micro to small enterprises, small to medium enterprises and medium to large enterprises, thereby enabling them to increase their contribution to GDP and employment generation.
- Fostering the emergence of new MSMEs in Nigeria, especially among women and the youths.

## **Summary of Policy Priorities**

There are five critical policy priorities which will drive the attainment of the objectives outlined above. They include the following:

- Raise broad-based awareness and appreciation for entrepreneurship and equip a new generation of entrepreneurs with requisite business management skills
- Enable a regulatory environment that supports MSMEs
- Improve access to financial support for MSMEs
- Foster MSME growth and profitability by promoting clusters, facilitating business support services and creating demand for MSME's products and services
- Ensure, through adequate vocational, technical and entrepreneurship training institutions, an adequately skilled workforce that can effectively support the growth of the MSMEs sub-sector in partnership with strategic government ministries, departments and agencies at the Federal, State and Local Government levels, the private sector and the civil society.

## **Critical Prerequisites**

The success of this policy is hinged on five critical prerequisites. They include the need for:

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- Streamlined and decentralized Federal, state and local government agencies engaged in MSME development to minimize waste and increase the efficiency, effectiveness and impact of public funding and service delivery.
- Improvements in the capacity of the streamlined organizations to deliver high-quality services at federal, state and local level and achieve significant impact.
- Institutionalization of Public Private Dialogue and Partnerships in MSME policy implementation to ensure that the public, private and non-profit sector organizations work seamlessly together to promote MSME development.
- Provision of funding from the public, private and non-profit organizations at the Federal, state and local level to drive the implementation of policy priority actions, coupled with systems and structures to ensure transparency and accountability in the use of the funds.
- Measurement & evaluation hinged on the annual MSME survey conducted by SMEDAN in collaboration with the NBS and other key public, private and non-profit organizations to ensure impact assessment and inform additional policy and programme modifications.

The strategy, budget, measurement and evaluation framework which have been developed to drive the implementation of the Nigerian MSME Policy will ensure that this policy achieves sustainable impact.

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## 1.0 BACKGROUND

### 1.1 INTRODUCTION

Nigeria's prevailing economic policy thrust is based on the National Vision 20:2020, the National Economic Empowerment and Development Strategy (NEEDS), complemented by SEEDS at the State level and LEEDS at the Local Government level, and the Transformation Agenda. On the economic development front, all the economic development policies are anchored on the private sector as the engine of growth - for wealth creation, employment generation and poverty reduction. While the government is the enabler, facilitator and regulator, the private sector is the direct investor and manager of business. This strategy poses serious challenges for partnership between government and the private sector in the growth and development of a vibrant and productive economy.

The Nigerian private sector covers a wide range of enterprises as distinguished by various criteria such as size, industry/sector, ownership structure, employment and technology. To be effective, national policies on private sector development must address the specific needs of the various categories of enterprise. Non-farm micro, small and medium enterprises account for over 25 per cent of total employment and 20 percent of GDP. By global standards large enterprises are very few in Nigeria yet they account for a disproportionately large share of the GDP. Because their links with the rest of the economy are weak, their impact on economic growth has been limited and often distorted. The challenge of national economic development requires not only that the needs of each group are addressed but also that the linkages among them – particularly with large internationally operating firms and among various value-adding industries - are optimised for focused integrated development

Over the years Government has enunciated a large number of national policies addressing various sectors/ areas of national development. Many of these have implications for MSME development and must be taken into account in the enunciation of MSME policy. Indeed, within the NEEDS framework, all sectoral policies work together for the attainment of national development objectives. Their success requires the harmonious involvement of all relevant Ministries, Departments and Agencies (MDAs) at the various tiers of government and the organized private sector.

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## 1.2 THE IMPORTANCE OF MICRO, SMALL AND MEDIUM ENTERPRISES IN DEVELOPMENT

The significance of Micro, Small and Medium enterprises (MSMEs) for the growth, productivity and competitiveness of the economies of developing countries is universally recognised. Not only do they provide employment and income for the bulk of the population, as well as the primary source of new jobs, they have been acknowledged as critical breeding and nurturing grounds for domestic entrepreneurial capacities, technical skills, technological innovativeness and managerial competencies for private sector development.

## 1.3 DEFINITION OF MSMEs IN NIGERIA

From the point of view of national policy, enterprises may be classified by size, sector, organisation, staff strength, technology and location. These variables interact with each other in complex ways which must be taken into cognisance to understand the nature, characteristics, performance, problems and challenges of business enterprises. From the perspective of policy and planning, size provides the most practical basis for classification.

The usual criteria include one or more of the following: employment, turnover, assets, and paid-up capital. However, definitions vary from country to country relative to the overall size and structure of the domestic economy. For the purpose of a coherent national policy, it is necessary to establish a standard definition in order to provide a common object of reference by stakeholders. Based on the assessment of existing national perspectives on the classification of MSMEs, the National Policy on MSMEs adopts a classification based on dual criteria: employment and assets (excluding land and buildings), as follows:

Table 1: Classification adopted by National Policy on MSMEs

S/N	SIZE CATEGORY	EMPLOYMENT	ASSETS (Naira, million) (excluding land and buildings)
1	Micro enterprises	Less than 10	Less than 10
2	Small enterprises	10 - 49	10 - less than 100
3	Medium enterprises	50 - 199	100 - less than 1,000

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Where there exists a conflict in classification between employment and assets criteria (for example, if an enterprise has assets worth twelve million naira (N12m) but employs 7 persons), the employment-based classification will take precedence and the enterprise would be regarded as micro. Employment-based classification tends to provide a relatively more stable definition, given that inflationary trends frequently compromise the asset-based definition. In choosing these new definitions, cognisance was taken of all possible factors, including international comparisons and peculiarities of the various sub-sectors/enterprises.

## 1.4 CHARACTERISTICS AND PERFORMANCE OF MSMEs IN NIGERIA

MSMEs cover the entire range of economic activity sectors in Nigeria. There are a number of challenges that currently stifle MSMEs in the country and some of these challenges are consistent across the varying types of MSMEs. These include low market access, poor access to credit, poor information flow, discriminatory legislation, poor access to land, weak linkage among different segments of the operations in the sector, weak operating capacities in terms of skills, technology, knowledge and attitudes, as well as lack of infrastructure. There are also weak safeguards against occupational health and environmental hazards.

However, each of the three categories of MSMEs has its own peculiar characteristics and problems, requiring targeted policies to address them.

### 1.4.1 Micro Enterprises

Micro Enterprises employ between 1 and 9 persons. The 2013 National MSME collaborative survey put the estimated number of micro enterprises at 36.99 million with a minimum total employment of 57.84 million. This group is dominated by those who engage in wholesale & retail trade, repair of motor vehicles and household goods which accounts for about 54.67% followed by manufacturing (13.21%). Other numerically significant sectors include agriculture (8.92%), other services (7.80%), accommodation and food services (5.51%), transport & storage (4.76%) and arts, entertainment & recreation (1.06%).

The typical micro enterprise is operated by a sole proprietor/manager aided mainly by unpaid family workers and the occasional paid employee and apprentice. Output value is very low. The levels of technology and skills are also very low. However, with the entry of many unemployed school leavers, including secondary school leavers and graduate of tertiary institutions, there is



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much scope for upgrading technology and skills set for existing enterprises and for the rise of new technology-based enterprises. Funding is mainly from individual resources, with a little help from family and traditional mutual fund societies (esusu). Government interacts very little with individual micro enterprises, except through the occasional cooperative or other officially recognised groups. According to the Enterprise Baseline Survey 2012 (EBS) conducted by GIZ and SMEDAN, the propensity of formal micro enterprises to invest is 88% compared with only 16% of informal micro businesses. Bank loans are rarely sought and very rarely obtained. Micro enterprises have two strong points in their favour. They are numerous and ubiquitous and grow in numbers but have little propensity to grow internally and further develop their business. Even a small improvement in their productivity and output would result in large improvements in employment, income and productivity in every nook and corner of the country, but dealing with them requires sensitivity, empathy and a community-focused approach.

### 1.4.2 Small Enterprises

Small enterprises (with employment from 10 - 49 persons) cover much the same spectrum of enterprise types but are concentrated in the more modern, more sophisticated end. The 2013 National MSMEs Survey put the number of small enterprises in Nigeria at 68,168. While most of them are sole proprietorships, a significant number are incorporated businesses. This segment has a large reservoir of educated manpower and technical skills, as well as relatively improved access to the banks. They employ approximately 1.86 million people according to the 2013 collaborative survey. According to the EBS 2012, 89% of formal small enterprises plan to invest whereas only 19% of informal small businesses plan to invest. It has the highest potential for growth through nurturing, capacity building and support. Organisationally, they are well represented by professional and trade associations.

### 1.4.3 Medium Enterprises

Medium enterprises are the formal face of Nigerian enterprises employing between 50 and 199 persons. The 2013 National MSMEs Survey put the number of medium enterprises in Nigeria at 4,670. Concentrated in a few sectors, notably manufacturing, transportation, information and communication technology, agro & agro-allied and oil & gas, they are fairly well organised and well connected. They have fairly good access to government and the financial system. Few in

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number and restricted in scope, they represent the popular "Missing Middle" of Nigeria's private enterprise system.

## 1.5 CHALLENGES CONFRONTING MSMEs IN NIGERIA

The Micro, Small and Medium Enterprises (MSMEs) have been known, in both developed and developing nations, to be incontrovertible contributors to employment generation, wealth creation and poverty alleviation. It is on this premise that several efforts are geared towards consciously providing the enabling environment for the MSMEs to thrive. This sub-sector needs special attention by the Government because the operatives are largely informal and financially very weak and at the same time they need to develop for the national economy to grow. The EBS 2012 shows that significant differences exist between formal enterprises and informal businesses in the areas of higher average staffing and a higher growth of staffing since business establishment.

As in many developing countries, MSMEs in Nigeria have not achieved their full potential as a result of some critical inhibiting factors. These factors, which can be classified into internal and external, include among others:

### Internal

1. Aversion to joint ownership
2. Family ties, i.e. bringing family into business.
3. Financial mismanagement
4. Lack of basic business capacity (knowledge, skills & attitude)
5. Non-recruitment of qualified personnel
6. Lack of perseverance and staying power when the business is going through tough times.
7. Poor record keeping especially accounting books
8. Lack of standardization of products
9. Being the all-in-all, i.e. managing director, accountant, cashier, admin. Manager, etc.
10. Low capacity to invest in R&D, ICT & E-commerce

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11. Inadequate linkage to local & international supply chains
12. Limited access to markets.
13. Lack of exit/succession plan.
14. Declining business etiquette & disregard for contract sanctities.

## External

1. Poor state of infrastructure
2. Weak access to production inputs (such as finance, workspace) & product markets etc.
3. Multiplicity of Taxes and levies plus red tape
4. Low access to information
5. Unfair competition with dumped products substitutes.

The Policy is, therefore, targeted at creating a favourable environment for MSMEs to thrive and contribute effectively to national economic growth and development.

## 1.6 GOVERNMENT AND MSMEs DEVELOPMENT IN NIGERIA

The development of MSMEs in Nigeria has a chequered history. Under colonial rule, with the avowed policy of treating the colonial countries as estates to be developed for metropolitan trade, local industries were neglected, and in some instances actively discouraged in favour of import promotion. Yet at independence Nigeria inherited a vigorous small business sector, with small-scale manufacturing accounting for some 15% of manufacturing output in 1960. Adopting a strategy of import substitution industrialisation, the new national government encouraged large-scale industries by foreign investors and established some itself. At Regional and State government levels, efforts were made through micro-credit schemes to support small business, but the fundamental problems of small scale business were not systematically assessed. By the 1980s the small scale manufacturing sector had shrunk to about 10% of manufacturing output.

Although the potential of small scale enterprise has long been recognised, it was not until the 1980s, under Structural Adjustment Programme (SAP), that the national policy made their promotion a major development priority. Since then several programmes, especially those addressing employment creation, poverty reduction, women empowerment and youth development, have made small scale business a primary strategic focus of their activities.

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Specific programmes and measures addressing the needs of small business have tended to concentrate on improving access to credit, although some have incorporated capacity development and other critical measures. The establishment of the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) was the first major attempt to tackle the problem in a coordinated manner.

## 1.6.1 GOVERNMENT PAST EFFORTS AT DEVELOPING THE MSMEs SUB-SECTOR

In view of the challenges confronting MSMEs in Nigeria, and in recognition of the numerous prospects of MSMEs and the need to encourage the growth of entrepreneurship and entrepreneurs in Nigeria, successive administrations have over the years employed monetary, fiscal and industrial policy measures at the macro level to develop the MSMEs sub-sector.

Some of these measures include:

(1) The establishment of Industrial Development Centres (IDCs)

This was an important effort by the Federal Government to promote MSMEs under the second National Development Plan (1970-1975). The establishment of IDCs, no doubt, made it possible for government to provide extension services to the MSMEs, especially as they relate to product development, entrepreneurial training, and technical appraisal of loan applications as well as managerial assistance. Presently, the IDCs (23 in number) are now under the purview of SMEDAN and efforts are being made to resuscitate them for optimal performance.

(2) The establishment of the Nigerian Industrial Development Bank (NIDB) and the Nigeria Bank for Commerce and Industry (NBCI).

In furtherance of her resolve to ensure the availability of financial resources to indigenous entrepreneurs, the government established the NIDB in 1964 and NBCI in 1973. The two banks were merged to form the present Bank of Industry (BOI). As part of its Mandate, the BOI is increasingly supporting MSME lending within its portfolio as well as with Government, Donor & private sector Intervention Funds targeted at specified sectors.

(3) The establishment of the National Directorate of Employment (NDE)

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Through the Directorate, which came on stream in 1989, a number of programmes such as Small Scale Industries (SSI), Youth Employment and Vocational Skills Development, Open Apprenticeship Scheme and Waste to Wealth programmes were embarked upon to boost employment opportunities. Under the various schemes, some form of financial assistance was given to beneficiaries.

### (4) Initiatives of the Central Bank of Nigeria (CBN)

The CBN, as the apex regulatory financial institution in Nigeria, has over the years been playing a leading role in the promotion of MSMEs in the following areas:

#### a. The establishment of the Small and Medium Enterprises Equity Investment Scheme (SMEEIS)

The emergence of SMEEIS, the brain child of the Bankers' Committee, was testimony of the banking sector's resolve to contribute to the development of the real sector of the economy, which should in turn serve as a catalyst to growth and development. Participation of banks in this scheme was formally suspended in 2008.

b. The launch of the Microfinance Policy, Regulatory and Supervisory Framework for Nigeria (MPRSF) in 2005 which resulted in the establishment of new Microfinance Banks and the conversion of the then Community Banks to Microfinance Banks. The CBN revised its MPRSF Policy in April 2011.

c. The Small and Medium Enterprise Credit Guarantee Scheme (SMECGS) was launched in 2010 as a Guarantee Scheme to participating commercial banks and development finance institutions; to guarantee their lending to SMEs. The SMECGS operates with no interest rate caps, requires collateral from SMEs for secured lending and is funded & managed by the CBN. Loans can be as long as 7 years in tenure, making it a useful source of long term funding for SMEs.

d. The Agricultural Credit Guarantee Scheme Fund (ACGSF) was launched in 1977 to support growth in the agricultural sector by supporting the agricultural sector's access to credit. Amendments and adjustments have been made over time to enhance its adoption.

e. The Nigerian Incentive Based Risk Sharing System (NIRSAL) for agricultural lending was launched in 2011 - to improve the demand for credit by MSME agricultural operators & the supply of credit by agricultural financing institutions.

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- (5) The National Economic Reconstruction Fund (NERFUND) was set up in 1989 to catalyze the SME sector's growth through medium & long-term funding. Wholly Nigerian-owned businesses which engage in certain economic activities and utilize some locally sourced inputs are primary targets.
- (6) The Rural Financial Institution Building Programme (RUFIN) was launched in 2009 as a 7year Programme Initiative of the FGN & IFAD (International Fund for Agricultural Development), with the objective of improving food security, employment and wealth creation in rural areas. Targeting the rural areas indirectly, RUFIN creates reach to large numbers of MSMEs in less urban areas.
- (7) The Bank of Agriculture (BOA) emerged from the Nigerian Agricultural, Cooperative and Rural Development Bank (NACRDB).
- (8) The Agricultural Credit Support Scheme and the Commercial Agricultural Credit Scheme were set up to improve access to credit by the agricultural sector.
- (9) Facilitating and guaranteeing external finance through the World Bank, African Development Bank (AfDB), International Finance Corporation (IFC) and other international institutions willing and capable of assisting MSMEs.
- (10) The establishment of the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) via SMEDAN ACT 2003 (as amended).
- (11) Further efforts at enabling improvement in the business environment such as supporting the establishment of Credit Registries, simplified corporate registration at CAC,
- (12) Numerous training schemes designed to build MSME capacities and competencies by several Government MDAs.

# National Policy on MSMEs

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## 2.0 FUNDAMENTALS OF NATIONAL POLICY ON MSMEs

### 2.1 VISION AND MISSION

The National Policy envisions an MSME sub-sector that can deliver maximum benefits of employment generation, wealth creation, poverty reduction and growth to the Nigerian economy. It foresees the MSME sub-sector growing in scope, skills, technology, size, and increasingly able to compete effectively in local, regional & global markets. Its mission is to enhance the contribution of MSMEs to national output, employment and poverty reduction and build the MSME sub-sector as a solid foundation for the competitiveness, growth and sustainability of the Nigerian economy.

### 2.2 FUNDAMENTAL OBJECTIVES

The objective of the policy is to facilitate and sustain a vibrant MSME sub-sector that will be the major driver of national economic growth and employment. This will be accomplished by:

- Accelerating the profitable expansion of existing MSMEs along the value chain, ensuring that transition from micro to small enterprises, small to medium enterprises and medium to large enterprises, thereby enabling them to increase their contribution to GDP and employment generation.
- Fostering the emergence of new MSMEs in Nigeria, especially among women and the youths.

### 2.3 BROAD STRATEGY

Taking its bearing from the overarching NEEDS Strategy, the MSME strategy is based on public-private partnership, collaboration and cooperation among stakeholders. Accordingly, it sets out clear roles and responsibilities of stakeholders - government vis-à-vis private sector and civil society. It advocates synergy with other MSME- embedded policies and programmes in other sectors, based on close integration of MSMEs measures within the national sectoral development policies on industrialization, science and technology, education and training. It rallies stakeholders to undertake measures to promote the growth and sustainability of MSMEs. MSMEs development will focus on supporting enterprises to move up to higher value addition layer/level in the value chains, particularly for labour-intensive and low technology-based enterprises.

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The development of MSMEs will be underpinned by both social and economic considerations. While some categories of enterprises (e.g. micro) shall be emphasised primarily for income generation and livelihood objectives, small and medium enterprises will be targeted for broader objectives of business development, employment generation and international competitiveness. The National Policy emphasizes targeted measures to cater for peculiar circumstances and needs of different MSMEs categories and segments. Targeting will be aligned to the performance experiences and challenges of the different sub-sectors. The strategy will support well-performing enterprises or sub sectors to fully realize their growth and competitiveness potentials, while also addressing ailing and poor-performing enterprises or sub sectors with remedial measures.

Central to the strategy is the consultative and legitimisation process based on impact monitoring that serves to stimulate dialogue, continuous consultation, regular reviews and shared understanding among policy makers, MSME operators and other stakeholders on the challenges, opportunities and imperatives of MSME development.

## 2.4 ROLE OF THE POLICY

The MSME policy will provide the comprehensive framework for developing micro, small and medium enterprises in Nigeria. Specifically the policy hopes to achieve the following:

- Establish clarity around Nigeria's goals and priorities regarding the development of MSMEs.
- Layout the objectives and priorities for Nigeria over the next 10 years (2015 – 2025) through the entrepreneurship strategy which is the foundation of the policy document.
- Link MSME development with the National Agenda, while embedding entrepreneurship within other national policies. The policy will also ensure a close coordination between entrepreneurship development and sector based policies such as the Agricultural Transformation Agenda.
- Create a platform for dialogue, engagement and collaboration between the Federal Government and State/Local Governments, the organised private sector, civil society organisations and others to develop MSMEs.
- Articulate baselines for monitoring and evaluating MSME development efforts from year to year. Key performance indicators and targets articulated in the policy document will be the yardstick by which the success of the policy will be measured. The 2013 MSME



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Survey conducted by SMEDAN in collaboration with the NBS provides an empirical basis for setting the baselines.

The policy will be reviewed every four years to ensure that it remains relevant, adequately captures the needs of the MSMEs in the country and sufficiently reflects the priorities of the nation.

## 2.5 KEY INSIGHTS FROM INTERNATIONAL BENCHMARKING

With over 60% of the world's work force engaged by small businesses, MSME development forms a significant part of economic policy in countries across the globe. An assessment of the MSME policies and frameworks for Canada, the United States, South Africa, India, Brazil, Malaysia and South Korea reveal key insights including the following:

### A. Categorization of MSMEs:

Across the world different criteria are used in classifying enterprises as micro, small and medium. Some criteria include numbers of employees, total net assets, turnover and investment levels; however, the primary determinant is usually the number of employees. For example:

- There is no general consensus about what constitutes a micro, small or medium organization. Definitions vary across industries, institutions and also across countries.

Agency/Country	Micro enterprises	Small enterprise	Medium enterprise	Description
UNIDO - Industrialised	99 or less		100-499	
UNIDO - Developing	less than 5	5-19	20-99	
European Union (EU)	- Less than 10 - Turnover less than or	- Less than 50 - Turnover less than or equal to Euros 10 M	- Less than 250 - Turnover less than or	Staff count is the primary

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Agency/Country	Micro enterprises	Small enterprise	Medium enterprise	Description
	equal to Euros 2M OR b/sheet assets less than or equal to Euros 2M	OR b/sheet assets less than or equal to Euros 10 M	equal to Euros 50 M OR b/sheet assets less than or equal to Euros 43M	basis. Turnover OR balance sheet total is used to support classification
US	1-9	10-99	100 – 499	
Canada	1-9	10-99	100 – 499	
Brazil	1-9	10-49	50-249	
Mexico	1-10	11-50	51-250	
Malaysia	Less than 5	5-19, 5-50	20-50, 51-150	Classification varies based on sector - manufacturing, primary agric or services
India - Manufacturing*	Rs. 2.5 million/ Rs. 25 lakh (US\$ 50,000)	Rs. 50 million/ Rs. 5 crore (US\$ 1 million)	Rs. 100 million/ Rs. 10 crore (US\$ 2 million)	<i>*Investment limit in plant and machinery</i>
India - Services**	Rs. 1 million/ Rs. 10 lakh (US\$ 20,000)	Rs. 20 million/ Rs. 2 crore (US\$ 40,00,000)	Rs. 50 million/ Rs. 5 crore (US\$ 1 million)	<i>**Investment limit in equipment</i>  <i>***Rs50=USD1</i>
Ghana	1-5	5-29	29-99	

### B. Decentralised Institutional Framework:

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In most countries, there is one department or agency usually under the ministry of trade and commerce with the responsibility of coordinating MSME-related activities. However, the actual responsibility for implementing policies to develop MSMEs is dispersed across ministries, departments and the three tiers of government. The organised private sector, as well as civil society organizations, is also actively engaged in the promotion of MSMEs. For example, in India, the primary responsibility for the development of MSMEs lies with the State Governments. The District Industries Centres under State Governments and the MSME Development Institutes of the Ministry of MSME provides support to the new and existing entrepreneurs. In South Africa, the task of promoting entrepreneurship and small businesses cuts across a wide range of policy areas, departmental boundaries and the three spheres of government. The strategies, institutions and programmes at the National, Provincial and Municipal Government levels, encompass the private sector, educational institutions and non-governmental organisations.

### **C. Well Integrated Policies and Operations:**

The integration of programmes and operations also has a significant impact on the success of MSME policies. For example, in Canada, *Industry Canada* is the government institution responsible for developing Canadian businesses amongst other responsibilities. It is headed by the minister of industry who also doubles as minister of state for agriculture and who coordinates three other ministers – science and technology, economic development, small businesses and tourism. This ensures a cohesive and integrated approach to building a fair, efficient and competitive marketplace, and in particular, supporting the development of businesses.

### **D. Proliferation of Cluster Development Initiatives:**

Many countries have embraced the cluster approach for supporting MSMEs, as it has proven to be a more effective and efficient way of reaching MSMEs than when MSMEs are dispersed. Clusters provide a healthy symbiotic ecosystem for small businesses. They offer networking opportunities which lead to a competitive advantage through specialization, resource sharing, inter-firm collaboration and knowledge spill-overs. MSMEs in India operate mostly from clusters.

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The cluster development approach is particularly useful in facilitating technology exchanges and innovation. Technology Business Incubators (TBIs) have sparked technology innovations across the globe, providing infrastructure, counselling, technical support, access to the latest R&D information, access to venture capital, mentoring and networking and overall support in the start-up process all under one roof. There are over 1,300 Incubators in USA and Canada, 900 in Europe, over 800 in China, about 300 in South Korea, 200 in Japan, and 115 in India<sup>1</sup>. In South Africa, the SEDA Technology Programme is a growing network of incubators and technology support centres with a footprint across all the provinces. Linked to this is a dedicated fund that enables MSMEs to access funding for technology and technical services. With the assistance of SEDA Technology Programme, the South African Business and Technology Incubation Association (SABTIA) has been established to, among other objectives, foster best practice in South African incubation through links with similar bodies in other parts of the world.

In South Korea, various policy measures have been put in place to reinforce networking for technological innovation among enterprises and industry, academia and research institutes. (For example, the Industry-University-Research Consortium Programme seeks to boost the technological capabilities of manufacturing SMEs through collaborative technological development with universities. About 220 consortia were formed in 2005 to support 2,700 SMEs in developing new technologies).

### **E. Robust Business Support Structures:**

MSMEs require a significant amount of business support to thrive. In many countries, the Government particularly at the State level, plays a leading role in providing this support. In India, the Government body - *Small Enterprise Development Agency (SEDA)* - offers retail-style business development services countrywide through branch offices and a network of independent partners. Provincial Government agencies also provide a

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<sup>1</sup>Entrepreneurship Development Institute of India (2011) *Draft National Entrepreneurship Policy*

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range of business-development services to small enterprises, strengthening partnerships with SEDA. Many municipalities also offer small business support under their local economic development agencies, or dedicated small business and co-operative programmes and public-private partnership-based business-incubation.

To support the development of SMEs, the Government of Malaysia provides a comprehensive set of programmes through the various Ministries and Agencies, which include advisory services, awareness and outreach, skills strengthening for the workforce, entrepreneur development, marketing and promotion, product development and quality accreditation and technology development.

In addition, Malaysia offers targeted skills training programmes which include: The SME-University Internship Programme to support the entrepreneurial culture; the 1-InnoCERT Certification to improve the innovation capacity of SMEs; the National Mark-Of-Malaysian Brand Certification to enhance the promotion of SME products and services; and the SME Competitive Rating for Enhancement (SCORE) system which is a diagnostic tool to assess and rate the competitiveness of SMEs based on company performance and capabilities.

Canada offers a multi-channel government information service for start-up entrepreneurs and small business - *Canada Business Network*. It aims to provide start-ups with the resources they need to grow and prosper, including a wide range of information on government services, programs and regulations. It promotes entrepreneurship and innovation, and provides assistance through an organized network of service centres across Canada. There is a centre in each province and territory working with partners in many communities across their region, providing entrepreneurs with numerous service access points.

### **F.** Use of ICT:

ICT plays a critical role in improving the efficiency, effectiveness and service delivery interface between the public sector and MSMEs. In South Korea for example, Start Biz

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Online, an online system which is managed by the Small & Medium Business Administration, is used to simplify the incorporation process and facilitate an easy, efficient and cost effective business start-up environment.

Internet Portals are also used by the public sector in the United States, South Africa and Brazil for disseminating information to SMEs and creating communities of SMEs that can collaborate with each other.

## **G.** Structured M&E Framework:

A clear measurement and evaluation framework and credible baseline are prerequisites for gauging the impact of an MSME policy. For example, in the United States, indicators outlined under the Small Business Act of 2010 include the number of small businesses assisted, number of active lending partners, the small business contracting share, number of jobs supported etc.

In Malaysia, the high impact programmes key performance indicators outlined in the SME Master Plan for 2012-2020 includes indicators such as the time and cost to start a new business, number of commercialized ideas, number of companies funded, number of companies exporting, number of high growth firms, and the number of innovative ideas supported.

Nigeria's revised MSME policy 2015-2025 leveraged on the best practices outlined above.

## **2.6 GUIDING PRINCIPLES**

Building on an assessment of the context, insights from UNCTAD, international best practices and the various MSME stakeholders' sessions, there are at least six pillars on which the development of this revised MSME policy for Nigeria for 2015 – 2025 rested. They are the following:-

- **Clear Objectives:** There is a need for broad-based agreement on the over-arching objectives that the policy will achieve and the prioritization of these objectives.

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- Cross-cutting focus issues – technology, youth and gender: A review of the MSME context in Nigeria, as outlined above, feedback provided by UNCTAD and consultations with key stakeholders reveal the importance of utilizing technology and infusing a focus on youth and gender through the entire MSME policy framework. This is especially relevant in the Nigerian context given the youth bulge, the alarming rates of youth unemployment and the gender inequity in the country.
- Partnerships: Given the broad range of public, private and non profit organizations engaged in enterprise development in Nigeria, it is imperative that the policy is comprehensive enough to address the needs in the sector, and to engage diverse stakeholders to achieve a common vision. At the Federal level, the Federal Ministries of Trade and Investment, Education, Finance, Agriculture, Labour & Productivity, Women & Affairs, Youth Development, Solid Minerals, ICT, Works and agencies such as CAC, FIRS, NAFDAC, SON, as well as the States and Local Government agencies are critical to the implementation of a comprehensive and compelling MSME policy.
- Data-driven: Given the need to achieve clear targets and to effectively measure impact, the MSME policy will include an explicit strategy for collecting data on MSMEs on an annual basis in partnership with the National Bureau of Statistics and other national, regional and international development agencies.
- Agreement on the classification of MSMEs: Clearly, the ability to effectively serve MSMEs and track the success of any intervention is predicated on a broad-based agreement on the classification of these entities. Building on international best practices, the Policy has adopted the following classification:

S/N	Size Category	Staff Count	Assets (N'Million) (Excluding Land and Buildings)
1	Micro enterprises	Less than 10	Less than 10
2	Small enterprises	10 – 49	10 - less than 100
3	Medium enterprises	50 – 199	100 - less than 1,000

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The staff count will form the primary basis of MSME classification, especially when there is a conflict between the employment and assets criteria.

- **Sector focus:** Given the emerging Federal focus on Nigeria's core competencies, it is apparent that a compelling policy will need to develop clear strategies that target key sectors.

Four criteria have been used for the selection of the priority sectors. They include:

- Growth potential of the sector – This is defined by the potential of increase in the sector's contribution to National GDP and trade as well as prospects for employment generation.
- Serving at least one basic human need (food, shelter, clothing, health). This also includes improvements in the quality of life through technology and entertainment.
- Availability of raw materials with consideration for its most competitive use.

Based on this, 8 sectors have been identified as priority sectors: agriculture, solid minerals, building & construction, manufacturing (particularly those adding value to local agricultural and mineral raw materials), the creative industries, wholesale and retail, ICT and real estate, renting and business activities.

1. **Agriculture:** Nigeria has over 84 million hectares of arable land and 279 million cubic metres of surface water, with 3 of the 8 major African river systems running through the country. Agriculture is arguably the most important sector of Nigeria's economy, engaging about 60%<sup>2</sup> of the labour force and contributing 40.69% to the GDP<sup>3</sup>.
2. **Solid minerals:** Nigeria has over 44 commercially exploitable solid minerals in regions across the country. In spite of this reality, Nigeria earns currently a paltry



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\$89 million per annum from the industry. The Ministry of Mines and Steel Development has outlined ambitious plans for unlocking this sector, with the support of the Ministry of Industry, Trade and Investment.

3. **Construction:** The construction sector has experienced significant growth in the last decade due to the high rate of urban migration, the explosion of private housing projects and investments in public works. However, its contribution to GDP (2.21%) and employment are still very low. With the expansion of the local cement industry and the growth in the economy, there will be numerous opportunities for MSMEs in the sector.
4. **Manufacturing:** This sector has experienced significant setbacks in the past decade due to poor infrastructure, especially power and transportation as well as unfavourable policies. Many entrepreneurs have halted production or shut down their operations. With planned improvements in the policy environment and investments in infrastructure, manufacturing is expected to grow significantly in the next three years, creating numerous jobs.
5. **Creative industry:** This sector has emerged as one of the world's most dynamic economic sectors in Nigeria and is largely dominated by MSMEs. This sector is diverse and driven by the following subsectors: movies, publishing, music, fashion, art, and all the supporting and related sectors. The Nigerian movie industry - Nollywood - is the third largest movie industry in the world, valued at \$500 Million per annum, contributing 1 million jobs and approximately 5% to the Nigerian GDP, according to World Bank research. Opportunities exist for MSMEs to tap into the sector with the institution/formation of sound policies, adequate funding, targeted investment and global partnerships. The Federal government's \$200 million initiated loan scheme for the movie industry will contribute positively to the growth of this sector.
6. **Wholesale and retail:** *The formal wholesale and retail sector of the Nigerian economy is small and under-developed, but growing fast.* The retail sector grew by

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10% annually between 2001 and 2004 and is expected to increase by 12% through 2015. A steady growth of retail chain supermarkets in the country coupled with rising middle-class spending is expected to continue to drive this growth.

7. **ICT:** The Nigerian telecoms market is the biggest and fastest growing in Africa, and the eighth fastest growing in the world, with over <sup>4</sup>77 million mobile subscribers in 2010. According to NBS, Nigeria has the largest mobile subscriber base in Africa worth <sup>5</sup>\$18 billion US dollar. The Mobile penetration rate at the end of 2010 was 55.3% and is forecasted to increase to 85% in 2015. The Internet broadband subsector is also expanding rapidly with several Internet service providers competing favourably in the sector. The new ICT policy approved by the Federal Government in August 2012 and the recent mobile money initiative along with the Central Bank of Nigeria (CBN) cashless policy provides adequate opportunity for MSMEs growth in the country.
8. **Real Estate, Renting and business activities:** MSMEs account for 99.13% of the total output of the sector. With rapid urbanization and expanding towns and cities, the expected growth in the construction sector, rentals and purchases of landed property is expected to increase.

The sectors that did not meet at least three of the criteria outlined at the beginning of this sub-section including oil & gas, financial services, sports, education, transport and storage, aviation, and tourism will be accommodated on a case- by- case basis.

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## 3.0 GENERAL POLICY AREAS

The overall objective of the National Policy on MSME is to create, nurture and promote the necessary conditions for the growth and development of MSMEs. The Policy is based on close partnership and cooperation between the various levels of government and community organisations on the one hand and private enterprises and business organisations on the other. It encompasses seven broad policy & programme areas as follows:

1. Finance
2. Institutional, Legal and Regulatory Framework
3. Skills Development
4. Technology, Research and Development
5. Extension and Support Services
6. Marketing
7. Infrastructure and Cost of Doing Business

### 3.1 FINANCE

Many financial problems constrain the development and performance of MSMEs. Lacking a strong asset base and viable securities, the typical MSME has very limited access to credit. The weak development of complementary financial options such as insurance, equipment leasing, and hire purchase, private equity and venture capital further limit their financing opportunities. Government is committed to eliminating the financing constraints to MSMEs. The key step in this direction is the enunciation of the Microfinance Policy for Nigeria, under the auspices of the Central Bank of Nigeria. Government will take measures to enhance State resources for MSMEs financing as well as provide tacit encouragement and support to private sector and social/non-profit organizations to supply innovative and diverse financial services. However the analysis by the Enterprise Baseline Survey (EBS) 2012 and other studies have shown that micro finance institutions cover predominantly micro and especially informal micro businesses leaving the investment financing needs by formal SME's unattended.

Objectives	Strategies
<ul style="list-style-type: none"><li>• To reduce the financial constraints on the creation, operation and expansion of</li></ul>	<ul style="list-style-type: none"><li>• The Nigerian Wholesale Bank has been established by the Federal Government</li></ul>

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<p>viable and sustainable MSMEs in Nigeria.</p> <ul style="list-style-type: none"> <li>• To improve sustained access to and beneficial utilization of finance for business start-up and expansion</li> <li>• To ensure synergy between financing schemes and other complementary enterprise support programmes</li> </ul>	<p>and will provide low cost long term loans to MSMEs across sectors</p> <ul style="list-style-type: none"> <li>• Design criteria to develop an annual rating/ ranking framework for Financial Institutions on MSME clientele level with full consultation with stakeholders. (to be included within the annual MSME data book under Policy Priority I)</li> <li>• Publish profiles of MFIs and financial institutions and practical lessons that can be gained by other financial institutions</li> <li>• Develop tax and other incentives for financial institutions which rank highly in provision of financing to MSMEs.</li> <li>• Promote Business Development Service (BDS) to enhance the capacity of MSMEs to make effective demand for debt and equity finance.</li> <li>• Encourage the establishment of more venture capital companies and reorientation of existing financial operators to finance MSMEs</li> <li>• Create MSMEs Rating Agency and more Credit Bureaus to collate and document information about MSMEs, borrowers and their risk ratings. SMEDAN should work more closely with these institutions.</li> <li>• Create an appropriate environment for the operation of Angel Investors.</li> <li>• Create Micro, Small and Medium Enterprise Development Funds that are</li> </ul>
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	<p>private-public sector driven</p> <ul style="list-style-type: none"><li>• Sensitize and support MSMEs to form Cooperative Societies, Associations and Clusters to enable them access loan and credit facilities</li><li>• Expand interest draw back schemes to cover all MSMEs</li><li>• Establish Special Credit Guarantee Schemes for MSMEs</li><li>• Include MSME operators in the implementation of the MSME Policy</li><li>• Revamp the 2<sup>nd</sup>-tier market and establish a 3<sup>rd</sup>-tier market at the Stock Exchange.</li><li>• Broaden the scope of acceptable collateral for MSME lending e.g. moveable properties</li><li>• Promote the integration and modernization of the traditional lending and microfinance institutions into the MSME financing framework</li><li>• Encourage Development Finance Institutions such as BOI, BOA, etc to device instruments to be able to lend not less than 80 percent of their portfolio to MSMEs</li><li>• Support the implementation of the Microfinance Policy for Nigeria to generate maximum benefits to MSMEs</li><li>• Organize capacity building and institutional support programmes for</li></ul>
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	<p>venture capital and equipment leasing firms</p> <ul style="list-style-type: none"><li>• Support the establishment of non-governmental microfinance institutions and microfinance banks as provided for in the Microfinance Policy for Nigeria</li><li>• Encourage groups of MSMEs to initiate mutual funds and other credit institutions for collective self help</li><li>• Ensure relevant capacity building for loan officers of Banks.</li><li>• Reform collateral legislation to include non-conventional/moveable collateral as a means of expanding access to finance to MSMEs.</li><li>• Stimulate financial institutions to develop and operate specialized products for women, youths and other disadvantaged/challenged groups.</li></ul>
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### 3.2 INSTITUTIONAL, LEGAL AND REGULATORY FRAMEWORK

Most MSMEs operate in the informal sector (now called the informal economy) and are largely outside the official framework of regulation and support. The National Policy on MSMEs provides an appropriate institutional and legal framework for the promotion and support of the development of MSMEs and their full integration into the formal economy.

MSME policy will focus on the following key areas:

- Formalisation

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- Land Use Planning, Land and Property Rights
- Contract Enforcement and Dispute Resolution
- Labour Laws and Regulations
- Tax Administration
- Standards and Quality Regulations
- Alternative Dispute Resolution

## 3.2.1 Formalisation

The majority of MSMEs in Nigeria are micro enterprises thereby informal enterprises. The 2013 MSMEs National Survey results reveal a 114% increase in the number of micro enterprises and a marginal transition from micro to small enterprises. This shows that there is an increasing bottom of the pyramid with limited transition in the economic ladder. It is imperative for micro enterprises in particular to be encouraged to formalize their operations and improve their corporate governance to better position them to grow and to benefit from the various Government incentives available to the sub-sector. The National Policy shall provide the necessary incentives for these enterprises to move to the formal sector.

Objectives	Strategies
<ul style="list-style-type: none"><li>• To promote the transformation of informal MSMEs to the formal sector.</li><li>• To facilitate and simplify the registration of MSMEs in order to obtain and maintain up-to-date information on the number, performance and needs of MSMEs.</li></ul>	<ul style="list-style-type: none"><li>• Sensitize MSMEs on the benefits and advantages of formal registration through road shows, engagement of Business Membership Organisations and the National Orientation Agency to disseminate information.</li><li>• Partnership between Business Membership Organizations (BMOs) &amp; corporate/product registering institutions to facilitate the registration of MSMEs.</li></ul>

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	<ul style="list-style-type: none"> <li>• Convene a stakeholders' forum, on a regular basis, from across the public, private and non-profit sectors at the Federal and state level to develop a robust framework that encourages MSMEs to enter the formal economy. Key components of the framework will include:             <ul style="list-style-type: none"> <li>• streamlining the comprehensive tax obligations of MSMEs across the three tiers of government</li> <li>• Collaborating with tax authorities to create and institute tax brackets and tax incentive schemes for MSMEs</li> </ul> </li> <li>• Establish an incentivized fee-paying structure that enhances MSMEs Development. CAC has reduced the fee for business registration for MSMEs and has removed the need for a lawyer to register a business.</li> <li>• Establish MSME friendly registration windows at SMEDAN, and one-stop business registration outposts in MSME clusters and other accessible federal institutions including universities and select post offices that will help simplify the registration with the CAC.</li> <li>• Create incentive funds in support of meeting the standards for product/corporate registration. This funding could potentially be a derivative of the Nigerian Wholesale bank or any other funding window solely dedicated to MSMEs.</li> </ul>
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### 3.2.2 Land/ Property Rights and Land Use Planning

<i>Objectives</i>	<i>Strategies</i>
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<ul style="list-style-type: none"> <li>• To ease access to land and land registration for business and commercial purposes.</li> <li>• To ensure orderly and environment-friendly location of businesses including industrial parks and estates in towns and communities.</li> </ul>	<ul style="list-style-type: none"> <li>• Review the Land Use Law in order to simplify and regularise access to land for business</li> <li>• Ease the processes and procedures for registering land, property title and consent</li> <li>• Eliminate rules/procedures that discriminate against women in holding title rights.</li> </ul>
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### 3.2.3 Contract Enforcement and Dispute Resolution

Government is committed to the rule of law and enforcement mechanisms to protect private property, ownership and contract rights.

<i>Objectives</i>	<i>Strategies</i>
<ul style="list-style-type: none"> <li>• Encourage MSMEs' respect for control sanctity</li> <li>• To promote investor confidence by ensuring a legal system that is simple, fair, transparent and accessible to MSMEs, their clients and customers.</li> <li>• To minimize the cost and time taken to settle disputes arising from commercial contracts.</li> <li>• To encourage the development of institutionalized alternative dispute resolution mechanisms throughout the</li> </ul>	<ul style="list-style-type: none"> <li>• Awareness creation</li> <li>• Strengthen the existing and planned alternative dispute resolution systems to serve MSMEs more effectively and sustainably</li> <li>• Promote and organise subsidized legal aid schemes for MSMEs through the office of the public defender or CSR initiatives</li> <li>• Encourage court systems to create fast-track windows for MSMEs</li> <li>• Sensitise MSMEs on the availability and</li> </ul>

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<p>country.</p>	<p>workings of the alternative dispute resolution systems and encourage them to utilize them</p> <ul style="list-style-type: none"> <li>• Support training and capacity building programmes in alternative mediation, arbitration and conciliation</li> </ul>
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### 3.2.4 Tax Administration

<i>Objectives</i>	<i>Strategies</i>
<ul style="list-style-type: none"> <li>• To reduce the cost and time taken to process tax payments by MSMEs.</li> <li>• To streamline the taxes paid by MSMEs in order to reduce incidence of multiple taxation, levies and fees.</li> <li>• To simplify the tax administration system in order to make it more predictable, transparent and less cumbersome.</li> </ul>	<ul style="list-style-type: none"> <li>• Document and disseminate the tax obligations of MSMEs on a regular basis in order to improve awareness and predictability of tax payments. Across all states on a quarterly basis. For transparency and to avoid illegal taxation.</li> <li>• Eliminate tax raids and multiple check points for collecting different types of rates, tolls, permits and levies from MSMEs. Working with the private sector</li> <li>• Promote the reform of tax laws at the Federal, State and Local Government levels in order to make the tax institutions more friendly to MSMEs..</li> <li>• Establish pioneer status for qualifying MSMEs in strategic high growth sectors.</li> <li>• Through dialogue and consultation</li> </ul>

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	<p>between the various tiers of government and business organisations; rationalise, reduce and simplify the taxes paid by MSMEs</p> <ul style="list-style-type: none"> <li>• Institute and/or extend tax incentives on specific MSMEs initiatives such as equipment fabrication and import substitution activities</li> <li>• Reduce frequency of VAT returns from monthly to quarterly frequency.</li> </ul>
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### 3.2.5 Labour Laws and Regulations

<i>Objective</i>	<i>Strategies</i>
<ul style="list-style-type: none"> <li>• To protect the mutual interest of workers and employers in the MSMEs sub-sector.</li> </ul>	<ul style="list-style-type: none"> <li>• Review existing labour laws to provide for the peculiarities of MSMEs e.g. employment of family members.</li> <li>• Grant reliefs and exemptions in the application of existing laws as would protect and advance the special interests of specific groups of MSMEs.</li> <li>• Sensitize MSMEs on labour legislations such as Workmen Compensation Act, Factories Act, etc</li> <li>• Facilitate MSMEs access to Health, Safety and Environment information services and support.</li> <li>• Support training and skills building to promote safety and health issues to</li> </ul>

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### 3.2.6 Standards and Quality regulation

<i>Objectives</i>	<i>Strategies</i>
<ul style="list-style-type: none"> <li>To promote awareness on the vital roles standards and quality play in economic development.</li> <li>To encourage compliance with National and International Standards and regulations by MSMEs towards sustainability and global competitiveness. To work entirely with SON, NAFDAC, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Sensitize MSMEs on the existing Standards and Regulations and the benefits thereof</li> <li>Establish MSMEs friendly windows at the Federal, State and Local Government levels that will facilitate easy access to standards and regulations</li> <li>Provide incentive MSMEs towards meeting National and International standards for competitiveness</li> <li>Establish business rating mechanism for MSMEs.</li> </ul>

### 3.3 SKILLS DEVELOPMENT

Government will take measures to promote capacity building for MSMEs to ease business start-up and expansion. The policy will support the enhancement of vocational and technical skills in the country to ensure beneficiaries of skills programmes are absorbed by industry.

The Policy agenda is to create a critical mass of entrepreneurial, managerial and technological skills for the growth and competitiveness of Nigeria's MSMEs. Towards this, government will

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pursue entrepreneurship capacity building among Nigerians, especially secondary school leavers, university graduates and existing MSMEs/business owners.

Objectives	Strategies
<ul style="list-style-type: none"> <li>• To ensure effective provision of relevant entrepreneurial, vocational, educational and technical skills training for MSMEs by educational and training institutions.</li> <li>• To support the creation and expansion of opportunities for in-service and continuing education &amp; training for MSMEs owners, managers and workers.</li> <li>• To create avenues and programmes for the nurturing and dissemination of special skills needed for the improvement of product range and quality, output and productivity of MSMEs.</li> <li>• To ensure effective provision of relevant entrepreneurial, vocational, educational and technical skills training for MSMEs by educational and training institutions.</li> <li>• To support the embedment of an entrepreneurial culture in the country through targeted youth based enterprise development interventions.</li> </ul>	<ul style="list-style-type: none"> <li>• Incorporate entrepreneurial and business skills training in the curricula of primary, secondary and tertiary institutions</li> <li>• Establish special non-formal education and training courses and programmes for MSME owners, managers and workers</li> <li>• Promote and establish Business Support Centers (BSCs) in all the States in collaboration with State Governments, Business Membership Organisations (BMOs)</li> <li>• Promote and establish Business Information Centers (BICs) in all the Local Government Councils in collaboration with the LG authorities, business communities, faith based organizations and apex cooperatives.</li> <li>• Revise the range of skills and curricula of technical and vocational schools from being supply-driven to demand-driven skills and competencies reflecting sector priorities.</li> <li>• Leverage outcomes of donor agencies funded skills assessment to determine</li> </ul>

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	<p>priorities in terms of skills to be developed.</p> <ul style="list-style-type: none"><li>• Analyze the range of skills as well as existing training curricula for national vocational and technical schools to assess their relevance and focus on priority sectors.</li><li>• Collaborate with MSMEs' technical/vocational experts, industry practitioners and educational bodies in redesigning and rolling out the training curricula.</li><li>• Work with public sector partner agencies to establish strategic public private partnerships for FSTEs, Vocational Enterprise Institutions (VEIs) and Innovation Enterprise Institutions (IEIs).</li><li>• Encourage MSMEs to conduct regular skills audit to identify skill gaps and measures to mitigate them.</li><li>• Establish special programmes for updating the skills, upgrading the technology and processes of enterprises in traditional crafts and industries, such as textiles, leatherworks, iron working, pottery, basketry; which have high potential not only for meeting the basic needs of the communities but also of powering the development of tourism and export markets.</li><li>• Design industry-specific technical and</li></ul>
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	<p>management training modules to take into account the needs of entrepreneurs in special target areas such as packaging.</p> <ul style="list-style-type: none"><li>• Establish institutional mechanisms to accredit and certify MSME entrepreneurs and managers.</li><li>• Set up special science, engineering and technology training centres for practical hands-on training for both existing and aspiring entrepreneurs and their managers.</li><li>• Revamp the Industrial Development Centres to make them responsive, viable and demand-driven through Public-Private-Partnership (PPP).</li><li>• Partner with private sector organisations to implement cluster-based entrepreneurship training programmes.</li><li>• Create 'One Stop Shops' for the development of MSMEs at the Local and State levels.</li><li>• Increase the number of vocational centre by various Government Agencies and strengthen existing ones.</li><li>• Certify Business Development Service Providers (BDSPs) to ensure the credibility of their services to MSMEs.</li><li>• Support existing entrepreneurship</li></ul>
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	<p>programmes at primary, secondary and tertiary education institutions to sustain and grow these programmes. E.g SAGE, ENACTUS.</p> <ul style="list-style-type: none"> <li>• Institute a Youth Entrepreneur Scheme (YES) to include competitions, entrepreneurship clubs, funding, mentoring, etc.</li> <li>• Internship/attachment opportunities.</li> </ul>
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### 3.4 TECHNOLOGY, RESEARCH AND DEVELOPMENT

Government is committed to promoting sound technological infrastructure as well as effective research and development (R&D) systems for the growth and competitiveness of MSMEs.

<i>Objectives</i>	<i>Strategies</i>
<ul style="list-style-type: none"> <li>• To promote MSMEs utilization of modern technology and innovation from international markets as well as from Research and Development Institutions.</li> <li>• To strengthen S &amp; T infrastructure and nurture improved local innovative &amp; productive capacity.</li> <li>• To maximize the beneficial impact of R &amp; D in areas such as raw materials sourcing, production technology and methods, product development and market exploration.</li> <li>• To improve confidence in the patenting and copyright systems and so</li> </ul>	<ul style="list-style-type: none"> <li>• Support the activities of complementary public technology-promoting Institutions, such as: Industrial Training Fund (ITF), National Office for Technology Acquisition and Promotion (NOTAP), Federal Institute for Industrial Research Oshodi (FIIRO), Project Development Agency (PRODA), Raw Materials Research and Development Council (RMRDC), National Centre for Technology Management (NACETEM), National Board for Technology Incubation (NBTI), and National Agency for Science and Engineering Infrastructure (NASENI), Energy</li> </ul>



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<p>encourage private investments in R &amp; D activities – <i>with transparent and effective enforcement.</i></p>	<p>Commission, Atomic Energy Commission, etc.</p> <ul style="list-style-type: none"><li>• Provide Universities and Research Institutes with special grants for applied research and innovation activities relating to the growth and development of MSMEs (a certain percentage of the monetary value of imported technology should be set aside to fund the grants).</li><li>• Facilitate the process for the commercialization of innovative products and technologies produced by Research Institutes.</li><li>• Support the production of prototypes and local fabrication for more efficient production by MSMEs through grants and capacity building.</li><li>• Create improved access to patents and benefits from intellectual property in relation to MSMEs development</li><li>• Establish technological acquisition windows through licensing, franchising, technical assistance, consultancy services, technical partnership and support for strategic alliances among firms</li><li>• Institutionalise linkages between businesses and academia in such areas as joint research, program development, adoption of research products/outcomes</li></ul>
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	<p>and internship arrangements at both graduate and postgraduate levels.</p> <ul style="list-style-type: none"> <li>• Support MSMEs to make strategic use of information and communications technology to maximize their efficiency and develop new business methods and market opportunities</li> <li>• Encourage Research Institutes to buy research results in bulk and adopt them for the Nigerian context. This could include the acquisition of expired patents (abroad) that are still relevant to Nigeria and use reverse engineering to customize them</li> </ul>
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### 3.5 EXTENSION AND SUPPORT SERVICES

The National Policy will provide the necessary framework for MSMEs to receive on-going business support services through direct private and public sector interventions.

<i>Objectives</i>	<i>Strategies</i>
<ul style="list-style-type: none"> <li>• To provide relevant, adequate, timely, accessible and affordable extension and support services to MSMEs.</li> <li>• To establish and promote the operations of specialised support services in critical areas such as information resources, business development services, market linkages and liaison, technical support</li> </ul>	<ul style="list-style-type: none"> <li>• Compilation of comprehensive, updated and accessible database (directory) on MSMEs in Nigeria</li> <li>• Encourage the formation of private sector business development services providers in order to provide BDS to MSMEs across the country</li> <li>• Institute accreditation processes for</li> </ul>

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<p>services, information and communications technology (ICT).</p>	<p>BDSPs to ensure data for planning and quality control/standards on services delivered to MSMEs.</p> <ul style="list-style-type: none"><li>• Institute effective Monitoring &amp; Evaluation and Post-training BDS by SMEDAN</li><li>• Establish a network of regularly updated and accessible business information centres to serve as one-stop information shops for MSMEs</li><li>• Dedicate aspects of the SMEDAN website to promote products/services of MSMEs</li><li>• Establish Business Support Centres (BSCs) to provide training, mentoring, management &amp; technical advisory and counselling to MSMEs</li><li>• Provide skills enhancement (training) for Business Development Service Providers (BDSPs) to deliver affordable and relevant technical and advisory services to MSMEs</li><li>• Forge organic relations between MSMEs and business development service providers to ensure relevance and impact by SMEDAN.</li><li>• Set up special science, engineering and technology training centres for practical hands-on training for both existing and aspiring entrepreneurs and their</li></ul>
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	managers. <ul style="list-style-type: none"><li>• Establish special non-formal education and training courses and programmes for MSME owners, managers and workers</li></ul>
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### 3.6 MARKETING

Virtually, every MSME should be profit-oriented. This can only be achieved when goods and services are successfully exchanged at reasonable margins. This makes the issue of marketing very pertinent in the MSME sector in Nigeria. MSME operators have a range of products and services which need to be marketed but unfortunately are bedeviled with a lot of constraints. Government has expressed commitment to ensure that MSMEs' share of local markets is enhanced through competitive production processes, building tendering capacities, improved share of public sector procurement, strategic alliances and greater cooperation between MSMEs and the large enterprises. The broad approach is public-private-partnership (PPP) in harnessing domestic and export markets.

#### **Challenges**

- High unit costs
- Poor packaging
- Inadequate market information
- Multiple and over lapping regulatory framework which leads to high costs as well as loss of business confidence
- High cost of advertisement
- Poor infrastructure
- Low quality products
- Market identification and development
- Weak access to market
- Weak product competitiveness
- Lack of patenting and trade marks

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<i>Objectives</i>	<i>Strategies</i>
<ul style="list-style-type: none"><li>• To promote production and marketing of products and services that are locally/ internationally competitive and which meets global standards.</li><li>• To provide access to market information and available marketing facilities.</li></ul>	<ul style="list-style-type: none"><li>• Provision of improved infrastructure and marketing facilities with special emphasis on transportation, communication and electricity</li><li>• Deliberate efforts by Government to patronize MSMEs products/services.</li><li>• SMEDAN should create a relevant stakeholders forum for the creation of necessary apparatus for marketing research for MSMEs, the result of which must be disseminated to interested MSMEs.</li><li>• Establishment of annual competition / awards for quality and competitiveness.</li><li>• Organization of product fairs for quality comparison and improvements</li><li>• Harmonization of activities of regulatory agencies like NAFDAC, SON and CPC to eliminate multiple charges and enhance competitiveness.</li><li>• Strengthen the operation of the Sub-Contracting and Partnership Exchange (SPX) programme.</li><li>• Institutionalize e-commerce procedures.</li></ul>

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## 3.7 INFRASTRUCTURE AND COST OF DOING BUSINESS

The MSMEs sub-sector is burdened by high cost of operations which reduces the profitability of many businesses and their ability to remain going concerns. Key elements contributing to the high cost of operations are infrastructural costs and levies & other administrative costs. The main infrastructural cost that MSMEs have to contend with include: power, logistics, water, sanitation and social amenities. The levies and administrative costs that pertain to MSMEs include: business registration, taxation, regulatory fees etc.

The National Policy will focus on addressing the infrastructural challenges and high cost of operations faced by MSMEs in order to improve growth and competitiveness within the MSME sector.

<i>Objectives</i>	<i>Strategies</i>
<ul style="list-style-type: none"><li>• To establish a conducive environment for enterprise development through the provision and maintenance of infrastructural facilities and services, in consultation and cooperation with the private sector.</li><li>• To promote special infrastructure provision mechanisms designed to ease high production costs among MSMEs.</li></ul>	<ul style="list-style-type: none"><li>• Provide basic infrastructural facilities such as access roads, transportation facilities, power supply, water supply and other utilities to qualifying MSME locations and Clusters.</li><li>• Institutionalise reduced electricity tariff, through the NERC, for qualifying MSMEs and MSME clusters.</li><li>• Encourage the private sector to establish MSME cluster parks, with captive power in strategic sectors around the country.</li><li>• Establish public-private partnership systems to support business estates and industrial clusters with essential technical facilities and services</li></ul>

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	<ul style="list-style-type: none"><li>• Utilize the system of economic, industrial and free trade zones to promote MSMEs development. SMEDAN to partner with relevant institutions such as free trade zones, NEPZA and private sector institutions to create MSME focused free trade zones.</li><li>• Resuscitate the Industrial Development Centres (IDCs) and convert them to MSMEs cluster parks for the provision of workspaces for MSMEs on a PPP basis.</li><li>• Promotion of common facilities and mobilising MSMEs to subscribe to them</li></ul>
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## 4.0 SPECIAL TARGET ENTERPRISES

In consideration of their size and/or significance for the promotion and growth of MSMEs and the development and productivity of the economy, specific programmes will be implemented for a number of special target areas. Within the framework of policies and initiatives defined by the National Policy on MSMEs, government will devote special attention to peculiar sub-sectors and enterprises to realize strategic social, community and economic development goals.

These areas include:

- Cottage Agro & Agro-Allied Enterprises
- Cottage Arts and Crafts
- Textiles and Clothing
- Wood Processing and Furniture
- Leather and Leather Products
- Basic Metal, Metal Fabrication and Engineering Enterprises
- Solid Mineral Enterprises
- Electronic and Information Technology Enterprises
- Building and Construction Enterprises
- Oil And Gas Related Goods and Services.
- Entertainment Enterprises
- Women-Owned Enterprises
- Youth-Owned Enterprises
- Wholesale and Retail Enterprises



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- Real Estate and Rental Enterprises
- Special Enterprises for Physically Challenged People, including People Living with HIV/AIDS

## 4.1 COTTAGE AGRO & AGRO-ALLIED ENTERPRISES

Food processing enterprises are the most common and ubiquitous of micro and small enterprises. They account for about two-thirds of all micro enterprises and are found everywhere serving the basic food needs of local communities in both towns and villages. Most of the owners and operatives are women.

Agro-processing industries represent an important link in the agricultural value chain, agricultural transformation and commercialisation. Government will promote private sector-led and market driven growth of the agro-processing sub sector, in order to enhance domestic economic linkages and agricultural productivity and reap fully the potentials of agricultural sector for growth and poverty reduction. The emphasis will be on commodity value chains in order to encourage proliferation of MSMEs capable of maximizing employment, value added and commercialisation in key clusters.

## 4.2 COTTAGE ARTS AND CRAFTS

With its many cultures and traditions, Nigeria has a rich and diverse heritage of traditional arts and crafts. There is need to protect, develop and promote these arts and crafts in order not only to serve the domestic market more adequately but also to build up an external tourist and export market.

Government will identify, support and promote, through various incentives by SMEDAN, specialised groups of producers which have potential for the development of high quality, nationally and internationally traded products. Emphasis will be on promoting producer organisations and supporting them with technical and extension services for product improvement and marketing.

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## 4.3 TEXTILES AND CLOTHING

Developments in the global economy have enhanced the competitiveness of producers of textiles and clothing in developing countries. China, India and other emerging Asian economies have taken advantage of this. Under the United States AGOA programme and other donor initiatives, Nigeria and other African countries now have the opportunity to do likewise and increase the range and volume of their textile trade to the expanding markets of the high income countries.

Most of the producers of textiles and clothing in Nigeria are small-scale enterprises. For some years, the textile industry in Nigeria has suffered from foreign competition and dumping, leading to closure of factories, drop in market share and loss of jobs. The import ban on textiles has not ameliorated the situation and new, innovative safety net measures are required to save the local textile industry from total collapse. Government will promote the organisation of the producers into viable producer cooperatives and other organisations, take adequate steps to encourage standardisation and ensure quality control. Government will also facilitate the establishment of linkages with external markets.

## 4.4 WOOD-PROCESSING AND FURNITURE

According to recent surveys wood products and furniture enterprises account for about 5 percent of non-agricultural MSMEs serving the basic needs of the people for shelter. From building materials and fittings to household furniture, they are a conspicuous fixture in the business landscape of every community. The enterprises range from the simple village carpenter's shed to the sophisticated urban furniture showroom. They also include a wide variety of traditional crafts associated with professional guilds and specialized communities in various parts of the country, some of which are finding expression in new forms adjusted to modern tastes and the emerging global market.

The development of MSMEs in wood products and furniture face many challenges. These include skills acquisition, capacity building, raw material sourcing and development, frivolous imports, deforestation, old/archaic skills of practitioners, quality control, product standardization and market development. At the micro-enterprise level, operators will be encouraged to form cooperatives for procurement of quality materials, shared access to modern machinery and equipment and the organisation of the production of standardized products for an increasingly

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quality-conscious market. Government Agencies as well as other large-scale organisations will be encouraged to procure their building material and furniture requirements from tested and certified MSME producers.

## 4.5 LEATHER AND LEATHER PRODUCTS

With its large livestock population, particularly cattle, sheep and goats, Nigeria has the raw material resources for a thriving leather and leather goods industry. Indeed in pre-colonial times, the products of the traditional leather industry of the Sudan zone were among the principal commodities of the Tran-Saharan trade, with much of the world-famed “Morocco Leather” actually coming from Kano. However, under the impact of lagging technology and more competitive imports the industry has declined. In recognition of the potential of the industry, one of the earliest research and development institutes established by the Federal Government was the Leather Research Institute, with primary focus on improved technology and product development. Government will expand its involvement in the development process by promoting the organisation of leather workers into viable cooperatives and providing training and extension services for their modernisation. Government will also promote official patronage of local leather products and the cultivation of the export market, particularly for the tourist trade.

In addition to traditional products, Nigerian enterprises have also established a significant presence in modern leather products, particularly in the shoe industry which has found a ready and growing export market. This development will be reinforced by technical training courses as well as technical support services at the major Clusters. Measures will also be taken to establish and enforce product quality standards, to encourage the establishment of reputable local brands, to take advantage of AGOA and other bilateral trade agreements and opportunities to regularise & expand the export market.

## 4.6 BASIC METAL, METAL FABRICATION AND ENGINEERING ENTERPRISES

With about 5% of its GDP derived from manufacturing, against a world average of 21% and a low-income countries average of 18%, Nigeria is one of the least industrialised countries in the world. One of the major causes of this is the weakness of the basic metals, metal fabrication and engineering sub-sectors, which are needed to produce the capital goods especially

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machinery and equipment, fabricate the hardware, spare parts & consumables and provide the engineering services for a more integrated, more self-reliant national industrial system. The Nigerian manufacturing sector is still dominated by consumer goods output heavily dependent on imported equipment and raw materials and with very few and weak linkages with the domestic economy.

Government will promote and support the vibrant development of this sub-sector through special incentives to qualified enterprises. There will be special programmes for skills development and enhancement for critical target groups such as vehicle mechanics, welders, forges and machine shops.

### 4.7 SOLID MINERAL ENTERPRISES

Nigeria is very rich in solid minerals. Official records have documented about 35 solid minerals occurring in some 450 locations across the country. But there has been no comprehensive survey and much of the known reserves remain under-developed and unexploited. Yet the high potential contribution of solid minerals to Nigeria's economic development has been recognized with a reported combined capacity to provide 5 million jobs in both upstream and downstream operations. Indeed it has been estimated that solid minerals have the potential of contributing more to the Nigerian economy than oil and gas.

Consistent with these emerging perceptions, Government has adopted a new policy for the systematic exploration, assessment, development and exploitation of solid minerals. A seven-year strategic plan has been approved for diversifying the solid minerals industry. Critical programmes under this plan include investment promotion and the establishment of a solid minerals information system. Under the Policy, MSMEs are assigned a critical role. In addition to the about 300 registered mining establishments, most of which are MSMEs, Government has brought into official purview and framework of action the thousands of small-scale miners previously stigmatized as 'illegal miners', with a view to organizing, regulating and supporting them. The new policy aims at improving the technical, environmental, health and social conditions of small-scale mining operations and communities. SMEDAN will liaise with the relevant MDAs, especially the Ministry of Mines and Steel Development (MMSD) and the Raw Materials Research & Development Council (RMRDC) in addressing the special problems of

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MSMEs in solid minerals. The One Local Government One Mineral (OLOM) programme will be implemented to harness the enormous solid minerals potentials in the country.

## 4.8 ELECTRONIC AND INFORMATION TECHNOLOGY ENTERPRISES

This sub-sector of MSMEs is presently small. It is however dominated by highly educated, innovative and enterprising owners & operatives willing and able to respond to expanding opportunities. Government will encourage and support its development by promoting the establishment of Technology Parks, incubation, serviced Industrial Clusters and by providing opportunities for technological capacity building.

Government will also encourage greater South-South collaboration by promoting cooperation and joint ventures with appropriate enterprises from the emerging economies. Much of the growth of this sub-sector in the emerging economies is based on out-sourcing from developed economies. Government will promote the establishment of the necessary linkages to facilitate inter-industry linkages and value chain development in Nigeria.

## 4.9 BUILDING AND CONSTRUCTION ENTERPRISES

The building and construction industry plays a critical role in the provision and maintenance of basic infrastructure. However, in Nigeria the sub-sector is plagued by high cost and low quality of production & service delivery and over dependence on imports. Government will give priority to materials research in order to develop new and more appropriate materials (import substitutes) and technologies.

Government will establish technical standards and promote the upgrading of the skills of the operatives. Government will also promote the development of proficient small and medium construction companies and encourage them to organise as cooperatives and combines capable of handling large public and private sector projects.

## 4.10 OIL AND GAS-RELATED GOODS AND SERVICES

In spite of the heavy impact of oil and gas on foreign exchange revenues and Gross Domestic Product (GDP), the sector operates significantly as an economic enclave with very few and weak linkages to the rest of the national economy, generating little employment and using less local goods and services. To reduce the unduly high external dependence of the sector,

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government has, through the Cabotage Act and the Local Content Act sought to reserve some categories of supplies and services for domestic enterprises. MSMEs are the major beneficiaries of this development. Government recognises that legislation is not enough to bring about change. Accordingly Government will stimulate, encourage, promote and support the efforts of MSME enterprises and enable entrepreneurs to start up and grow enterprises in the relevant areas.

Recent surveys have established that opportunities abound in a large variety of areas including:

- Manufacturing
- Spare parts fabrication
- Utilisation of surplus refining capacity
- Fabrication and refurbishment of some spare parts locally
- Production of common chemicals
- Industrial /food grade solvents
- Insecticides
- Cosmetics
- Mineral oil, petroleum jelly greases
- Bitumen-based water/damp proof building materials
- Asphalt storage, packaging and blending plants
- Warehousing arrangement for continuous supply of spare parts at competitive prices and JIT (Just-In-Time) basis;
- *Services:*
  - Exploration Services

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- Drilling Services
- Chemicals and Allied Material Supply Services
- Construction Services
- Pipeline/Production Services
- Consultancy Services
- Laboratory Services
- Marine Survey / Cargo Superintendence Services
- Marine / Special Transportation Services
- Pressure Testing Services
- Calibration Services
- *Small scale joint venture with foreign partners, providing technical expertise on:*
  - Plant
  - Pipelines maintenance
  - Skilled manpower development; and
  - Technical services (operational back up, technical audit, etc)

Government will encourage linkages between the big oil & gas operators and existing & prospective MSMEs, leading to the establishment of full cooperation and collaboration in the development of MSMEs and the assurance of stable long-term markets for MSME goods and services.

## 4.11 ENTERTAINMENT ENTERPRISES

Nigerian home movie industry popularly known as Nollywood has been ranked 3<sup>rd</sup> in the world next to Bollywood of India and Hollywood of the United States of America. This does not include

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the potential that abounds in the music, cultural, stage performances, stand-up comedy and other entertainment groups. Presently, most of these potential are scattered and untapped, in other words underutilized; resulting in low income and employment generation. Well managed entertainment enterprises in Nigeria will not only contribute to economic growth and development but also boost employment generation.

Government will establish technical standards, promote training to enhance skills improvement plus finance and help to protect intellectual property rights of operators in these enterprises. Government will also support capacity building, access to finance, facilitate the provision of film villages and procurement of state of the art technological equipment.

### 4.12 WOMEN-OWNED ENTERPRISES

The marginalisation of women-owned enterprise and its negative impact on the economy as a whole has long been recognised. In some sections of the economy, such as retail distribution, micro food processing and traditional crafts (including pottery and textiles), women are the major players. Here productivity and income tend to be very low. In other sections women are effectively excluded or have very restricted roles.

Over the years, government has introduced many policies and programmes to encourage the fuller and more productive participation of women in the economy. Such specific programmes include the programmes of Ministries of Women Affairs at both federal and state levels as well women oriented programmes in Ministries of Agriculture and Rural Development, Industry, Trade and Investment, SMEDAN and the National Directorate of Employment. There are also many non-governmental organisations and community based associations as well as international donor agencies, involved in promoting women development.

Many of the interventions involve the expansion and improvement of the role of women in MSMEs. Government will keep the situation under constant scrutiny and review, liaise with all the stakeholders and ensure that the various efforts are rationalised, harmonised and coordinated towards the common goal. The promotion and support of community-based organization for MSMEs development will receive special attention by promoting and encouraging the formation of association of women entrepreneurs by trade / clusters. The formation should be private sector driven.



### 4.13 YOUTH-OWNED ENTERPRISES

Defined as persons aged from 15 to 29 years youth account for about 27 percent of the population and 51 percent of the prime working age population (15-59years). Nigerian youths are a very marginalised and deprived segment of the population, accounting for the highest level of unemployment and more than half the prison population. Yet there is great unutilised potential in them. About 95 percent of them are literate and more than a third have secondary level education, but there are very few openings for wage employment. Most of them are forced to seek a living in the micro-enterprise informal sector as hawkers, apprentices, in the arts & crafts and minor technical enterprises.

The challenge of youth employment is to create and nurture a new cadre of youths willing and able to start and run their own enterprises by themselves or in association with others. Government policy will focus on how to promote and support this development. The burgeoning Information and Communication Technology (ICT) sector offers many opportunities for youth enterprise. Since youths typically do not have funds, collateral or business track record, the availability of high risk venture capital is essential. Government will encourage and support the establishment of appropriate funds. Communities will be encouraged to set up funds to absorb some of their local demand. Youth should also be encouraged to take full advantage of training and support opportunities generally available.

One of the reasons for high youth unemployment is the poor access to information on employment opportunities that exist. Government will establish at state and local government levels employment bureaus not only to register the unemployed but also to document and disseminate local job opportunities and match applicants to jobs. The National Youth Service Scheme is being restructured to incorporate entrepreneurship training to enable Corps Members to start and run own enterprises after the service year. Private agencies will also be encouraged and supported.

### 4.14 WHOLESALE AND RETAIL ENTERPRISES

The formal wholesale and retail sector of the Nigerian economy is small and under-developed, but growing fast. The retail sector grew by 10% annually between 2001 and 2004 and is expected to increase by 12% through 2014. A steady growth of retail chain supermarkets in the country coupled with rising middle-class spending is expected to continue to drive this growth.

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## 4.15 REAL ESTATE AND RENTAL ENTERPRISES

MSMEs account for 99.13% of the total output of the sector. With rapid urbanization and expanding towns and cities, the growth in the construction sector, rentals and purchases of landed property is expected to increase.

## 4.16 SPECIAL ENTERPRISES FOR PHYSICALLY CHALLENGED PEOPLE, INCLUDING PEOPLE LIVING WITH HIV/AIDS

According to the World Health Organization, 15% of the world's population have some form of disability with over 80% of them living in developing countries. In Nigeria, there are close to 20 million persons with disabilities and they continue to experience discrimination in their day to day activities. This MSME policy recognises people living with HIV/AIDS as well as other numerous physically challenged people such as the crippled, the deaf and dumb, the visually impaired and other disabled people. The Federal Government, through SMEDAN, will encourage and support their training and capacity development, create access to affordable funding and ensure the fulfilment of their dreams.

# National Policy on MSMEs

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## 5.0 STAKEHOLDERS IN MSMEs DEVELOPMENT

The development of MSMEs involves a wide spectrum of institutions and organisations both public and private. These include the enterprises and their organisations, other business institutions & organisations, civil society organisations, Government organisations, international organisations & agencies, business associations and civil society organisations.

A list of institutions in MSME development is given as follows:

### 1. FEDERAL GOVERNMENT

#### The Presidency

- National Planning Commission (NPC)
- National Bureau of Statistics (NBS)
- National Poverty Eradication Programme (NAPEP)
- New Partnership for African Development (NEPAD) NIGERIA
- Nigerian Investment Promotion Commission (NIPC)

#### The Federal Ministry of Industry, Trade and Investment

- Small and Medium Enterprises Development Agency of Nigeria (SMEDAN)
- Corporate Affairs Commission (CAC)
- Nigerian Export Promotion Council (NEPC)
- Nigerian Export Processing Zones Authority (NEPZA)
- Commodity Associations
- Standards Organisation Of Nigeria (SON)
- Small and Medium Industries Department (SMID)
- Bank of Industry (BOI)
- Industrial Training Fund (ITF)
- National Automotive Council (NAC)
- Centre for Automotive Design and Development (CADD)

#### Federal Ministry of Agriculture and Rural Development

- Department of Rural Development
- Cooperative Colleges

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Department of Cooperatives

Bank of Agriculture (Former NACRDB)

Federal Ministry of Science and Technology

Federal Institute for Industrial Research, Oshodi (FIIRO)

National Office for Technology Acquisition and Promotion (NOTAP)

Raw Materials Research and Development Council (RMRDC)

National Agency for Science and Engineering Infrastructure (NASENI)

Project Development Agency (PRODA)

Energy Commission of Nigeria (ECN)

National Biotechnology Development Agency (NABDA)

National Centre for Technology Management (NACETEM)

National Information Technology Development Agency (NITDA)

National Board for Technology Incubation (NBTI)

Nigeria Content Development Monitoring Board

Federal Ministry of Finance

Central Bank of Nigeria (CBN)

Nigerian Export-Import Bank (NEXIM)

Budget Office of the Federation

Federal Inland Revenue Service (FIRS)

Federal Ministry of Labour and Productivity

National Directorate of Employment (NDE)

Entrepreneurship Development Programme (EDP)

Federal Ministry of Women Affairs

Department of Women Affairs (DWA)

National Centre for Women Development (NCWD)

Federal Ministry of Youth Development

National Youth Service Corps (NYSC)

Citizenship and Leadership Training Centre (CLTC)

Federal Ministry of Health

National Agency for Food & Drug Administration and Control (NAFDAC)

Department of Public Health

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2. STATE GOVERNMENT (State Ministries of Commerce, Industry and Agriculture, Tax, Land, Property/Physical Development, Investment Agencies/Departments)

3. LOCAL GOVERNMENTS

4. BUSINESS ASSOCIATIONS/ORGANISATIONS/EDUCATIONAL INSTITUTIONS/NGOs

African Business Roundtable (ABR)

Nigerian Economic Summit Group (NESG)

National Association of Women in Business (NAWIB)

Nigeria Association of Small and Medium Enterprises (NASME).

Nigerian Association of Chambers of Commerce, Industry, Mine and Agriculture (NACCIMA)

National Association of Small Scale Industrialists (NASSI)

Manufacturers Association of Nigeria (MAN)

National Association of Nigerian Traders (NANTS)

Nigerian Association of Women Entrepreneurs (NAWE)

Market Associations

Trade Associations

Cooperative Unions

Women in Management and Business (WIMBIZ)

NGOs

Educational Institutions

Private Companies/Foundations

5. LARGE SCALE ENTERPRISES

6. INTERNATIONAL DEVELOPMENT PARTNERS

German Agency for International Cooperation (GIZ)

Japan International Cooperation Agency (JICA)

United Nations International Development Organization (UNIDO)

United Nations Development Programmes (UNDP)

World Bank

African Development Bank (AfDB)

International Finance Corporation (IFC)

Department for International Development (DFID)

United States Agency for International Development (USAID)

European Union (EU)

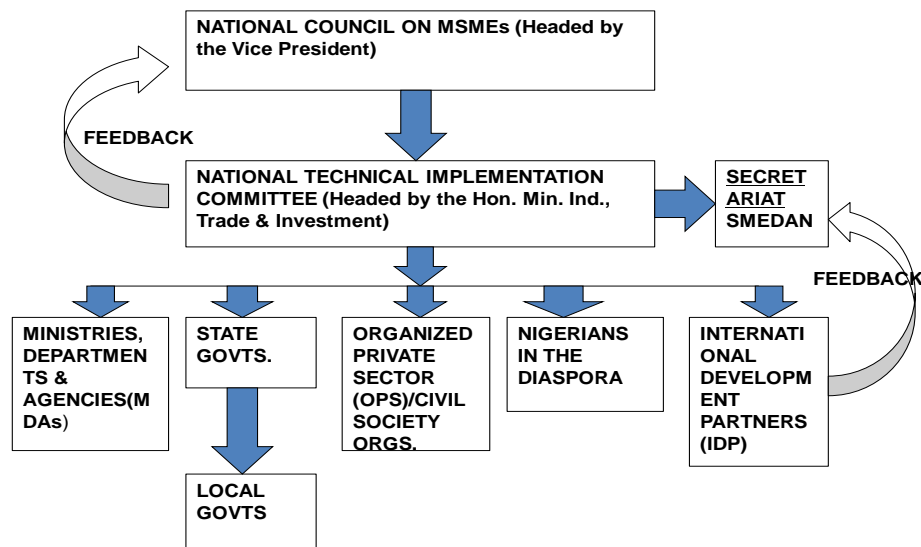
# National Policy on MSMEs

- Canadian International Development Agency (CIDA)
- New Partnership for African Development (NEPAD)
- International Fund for Agricultural Development (IFAD)

## 5.1 POLICY COORDINATION AND FACILITATION: THE ROLE OF SMEDAN AND THE NATIONAL COUNCIL ON MSMEs

SMEDAN has overall responsibility for coordinating the implementation of this National MSME Policy. It is the National Secretariat of the National Council on MSMEs which shall drive the overall development of the MSMEs sub-sector including, among other things, the implementation of the National Policy on MSMEs and shall publish an annual MSME Development Report. This aligns very well with current international experience, which indicates that an effective way of ensuring a well focused, and integrated approach is to establish a dedicated Agency for planning, facilitation, support and coordination of specific efforts. The focus of policy implementation is on business development and privatisation as resource allocation in MSME promotion.

Figure 1: Policy Implementation Structure



# National Policy on MSMEs

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## 5.2 NATIONAL COUNCIL ON MSMEs

The National Council on MSMEs, which is chaired by His Excellency the Vice-President of the Federal Republic of Nigeria, has the following responsibilities:

- a. Formulation of broad policies and strategies to drive the wholesome development of the MSMEs sub-sector in Nigeria.
- b. Coordinating the roles and responsibilities of Government Ministries, Departments and Agencies (MDAs), State and Local Governments and other stakeholders responsible for MSME development.
- c. Promotion of inter-agency synergy and cooperation in MSME development.
- d. Encouraging and strengthening Public-Private-Partnership and Public-Public-Partnership in MSME development.
- e. Ensuring the creation of an enabling environment to facilitate the development of MSME clusters, infrastructure upgrade, access to finance, MSME capacity building, etc.
- f. Fostering increased awareness and ensuring stakeholders' buy-in on MSME development programmes, initiatives and projects.
- g. Taking decisions on the schedule of importable goods to stimulate local production and value addition by MSMEs.
- h. Ensuring the institution of an effective framework for monitoring and evaluating the impact of MSME policies, programmes, projects and initiatives.
- i. Reviewing the National Policy on MSMEs as the need arises.

Members of the National Council on MSMEs will comprise the following:

1. Honourable Minister, Federal Ministry of Industry, Trade and Investment (Vice Chairman)
2. Honourable Minister, Federal Ministry of Agriculture and Rural Development
3. Honourable Minister, Federal Ministry of Communication Technology

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4. Honourable Minister/CME, Federal Ministry of Finance
5. Honourable Minister, Federal Ministry of Power
6. Honourable Minister, Federal Ministry of Water Resources
7. Honourable Minister, Federal Ministry of Women Affairs & Social Development
8. Honourable Minister, Federal Ministry of Science and Technology
9. Honourable Minister, Ministry of Mines and Steel Development
10. Honourable Minister/Deputy Chairman, National Planning Commission
11. State Governments (**Ogun State**-South West, **Abia State**-South East, **Bayelsa State**-South South, **Kaduna State**-North West, **Gombe State**-North East, **Benue State**-North Central). States representing geo-political zones shall have a tenure of two years and shall be changed (on rotatory basis among States in each zone) on the recommendation of the secretariat and approval of the Council.
12. Governor, Central Bank of Nigeria
13. Senior Special Adviser to Mr. President on Public Affairs
14. Chief Economic Adviser to the President
15. Director General, Small and Medium Enterprises Development Agency of Nigeria
16. Managing Director, Bank of Industry
17. Director General, Industrial Training Fund
18. Registrar General, Corporate Affairs Commission
19. Chairman, Federal Inland Revenue Service
20. Director General, Raw Materials Research and Development Council
21. Director General, Nigeria Export Promotion Council
22. Director General, Nigerian Investment Promotion Commission
23. Managing Director, Bank of Agriculture
24. Managing Director, Infrastructure Bank
25. Director General, National Agency for Food & Drug Administration and Control
26. Director General, Federal Institute of Industrial Research, Oshodi
27. Director General, Standards Organization of Nigeria
28. President, Manufacturers Association of Nigeria
29. Director General, Nigeria Economic Summit Group
30. Director General, Nigerian Stock Exchange
31. President, Nigerian Association of Small and Medium Enterprises
32. President, National Association of Small Scale Industrialists
33. President, National Association of Chambers of Commerce, Industry, Mines and Agriculture



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34. President, Nigerian Society of Engineers
35. Statistician General, National Bureau of Statistics
36. President, National Association of micro finance banks
37. President, Association of Disabled Persons
38. Director, Enterprise Development Centre, Pan Atlantic University
39. Dr. Nicholas Okoye, CEO, Anabel Group
40. Managing Director, Chair Centre Group
41. Managing Director, Emzor Pharmaceuticals
42. Managing Director, Ruff n Tumble

## 5.2.1 NATIONAL TECHNICAL IMPLEMENTATION COMMITTEE FOR THE NATIONAL COUNCIL ON MSMEs

A National Technical Implementation Committee shall be established to serve the National Council on MSMEs. The Technical Committee, which shall be headed by the Honourable Minister, Federal Ministry of Industry, Trade and Investment, shall have the following responsibilities:

1. It shall ensure that the decisions of the Council are effectively implemented.
2. It shall ensure that relevant memoranda from members and other stakeholders are reviewed appropriately for onward presentation at the Council meeting.
3. It shall ensure that feedbacks are received from State Councils on MSMEs and reviewed appropriately for presentation at the meeting of the Council.
4. It shall ensure that meetings of the Council are held as at when due with adequate preparations.
5. It shall liaise with relevant stakeholders to ensure that an effective communications strategy is put in place for the dissemination of the activities of the Council and Technical Committee.
6. It shall ensure that the annual National MSMEs Conference is held to gauge the level of implementation of MSMEs programmes and projects.
7. It shall determine the exact date, venue, duration and time of the meetings of the Council.
8. It shall ensure that a broad based monitoring and evaluation system is put in place to ensure that expected results are achieved.

Members of the National Technical Implementation Committee will comprise the following:

- a. Federal Minister of Finance

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- b. Federal Minister of Agriculture and Rural Development
- c. Minister/Deputy Chairman, National Planning Commission (NPC)
- d. Governor, Central Bank of Nigeria (CBN)
- e. DG, Small and Medium Enterprises Development Agency of Nigeria (SMEDAN)
- f. MD, Bank of Industry (BOI)
- g. President, Nigeria Association of Small and Medium Enterprises (NASME)
- h. President, National Association of Small Scale Industrialists (NASSI)
- i. President, Manufacturers Association of Nigeria (MAN)
- j. President, National Association of Chambers of Commerce Industry, Mines and Agriculture (NACCIMA)
- k. DG, Nigeria Economic Summit Group (NESG)
- l. Representative, Bankers' Committee
- m. Representative, Venture Capital (VC) Association and
- n. Representative, Association of Business Development Service Providers (BDSPs)

The secretariat of the committee is SMEDAN.

### 5.3 STATE AND LOCAL GOVERNMENT COUNCILS ON MSMEs

There shall be established State and Local Government Councils on MSMEs. The functions of the State and Local Government Councils shall be similar to the National Council on MSMEs except in the areas of policy formulation. The State Council shall be headed by the Governor while the Local Government Council shall be headed by the Local Government Chairman. The Local Government Councils shall report to the State Councils while the State Councils shall report to the National Council on MSMEs.

### 5.4 SMALL AND MEDIUM ENTERPRISES DEVELOPMENT AGENCY OF NIGERIA (SMEDAN)

The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) was established by the SMIDA Act 2003 (as amended). The Vision of SMEDAN is “to establish a structured and efficient micro, small and medium enterprises sub-sector that will encourage and enhance sustainable economic development of Nigeria”. The mission is “to facilitate and promote the access of MSMEs to resources required for their growth and development”.

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SMEDAN acts in partnership with other public and private sector stakeholders and play a leadership and coordinating role to ensure cost-efficiency, effectiveness, impact and sustainability. The following are highlighted SMEDAN's major functions:

1. Awareness creation/business sensitization & information provision – for attitudinal changes and effective business decisions.
2. Business Development Service (BDS), embracing training, counseling and mentoring – providing the platform for MSMEs to see themselves as players in a globalized environment.
3. Promotion of enterprise networking/cluster formation – stimulating economies of scale and international competitiveness (working with existing and prospective MSMEs).
4. Advocacy, policy development and improvement in MSMEs' operating environment.
5. Promotion of linkages and access of MSMEs to vital resources, especially finance and workspace

Further details about SMEDAN can be obtained from its enabling Act of 2003 (and the amendments).

## 5.5 OTHER INSTITUTIONS / AGENCIES

Government Ministries, Departments and Agencies (MDAs) implementing MSME programmes are expected to streamline their strategies and methods with the principles, guidelines and benchmarks contained in the National Policy on MSMEs. This is necessary to avoid inconsistencies in MSMEs development initiatives and to maximize complementary institutional relationships and inter-agency coordination; towards the overall vision of the National Policy on MSMEs.

Private sector stakeholders including MSME entrepreneurs, managers, workers, business membership organizations in the formal and informal MSMEs subsectors (like the National Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA), the

# National Policy on MSMEs

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Manufacturers Association of Nigeria (MAN), Nigerian Association of Small and Medium Enterprises (NASME), the National Association for Small Scale Industrialists (NASSI) as well as myriads of trade associations, guilds, cooperatives and unions at regional, local and community levels), and other MSMEs support institutions such as the financial institutions and business development service providers will rally their programmes and initiatives around the National Policy on MSMEs. The National Policy provides ample space for private sector involvement in the promotion and development of MSMEs in Nigeria. Advocacy for the National Policy on MSMEs is therefore a collective responsibility of all the partners.

## 5.5.1 Role of International Development Partners

International development partners including the UNDP, UNIDO, World Bank, DFID, USAID, EU, CIDA, GIZ, SIDA, ECOWAS, NEPAD, AfDB, IFC, IFAD and others have been making important contributions to the development of MSMEs in Nigeria. Not only do they provide funding support for critical initiatives, they facilitate access to global best practices in the policy targeting of MSMEs. International development partners have provided a broad range of support to the three tiers of government.

Government will closely coordinate and monitor the programmes and activities of international development partners to ensure they are harmonized and aligned with the objectives and strategies of the National Policy on MSMEs. Areas where assistance will be needed from international development partners include:

- Building MSME policy and programme development capacity
- Capacity building for MSME financing
- Developing the capacity of the private sector business development services providers
- Support for process and product development
- Facilitating technology transfer
- Capacity building for business competitiveness
- Developing market development institutions

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- Networking and organizational development of business organisations.

## 5.5.2 Role of Nigerians in the Diaspora.

Nigerians in the diaspora have made substantial contributions to the development of MSMEs in Nigeria in the areas of funding, capacity building, effective monitoring & evaluation, etc. The Policy envisages a harmonized support from the Diaspora in the following areas:

- Capacity building for MSMEs.
- Improved access to finance.
- Developing capacity for private sector business development services provisioning.
- Support for process and product development.
- Facilitating technology transfer.
- Capacity building for business competitiveness.
- Promoting market development institutions.
- Networking and organizational development of business organisations.

## 5.6 MONITORING, EVALUATION AND FEEDBACK

The National Council on MSMEs shall among other functions, oversee the implementation of the National Policy on MSMEs. There shall also be State & Local Government Councils on MSMEs to complement the functions of the National Council on MSMEs. The National Council on SMEs shall be the apex monitoring organ of the National Policy on MSMEs. It shall have the responsibility to initiate monitoring exercises, track progress and identify gaps and recommend remedial measures. In order to institutionalize a systematic monitoring framework, the Council will commission independent monitoring teams on regular, half-year basis. The study teams will undertake periodic assessment of the National Policy, compare achievement with benchmarks, diagnose problems/limitations and recommend possible solutions. Targets may also be

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adjusted to reflect current realities. The report of the expert teams will form Working Papers for the Council.

The National Council on MSMEs will undertake the documentation of baseline data and statistics for the National Policy. The baseline report will contain review of key MSMEs statistics and indicators at the commencement of the implementation of the National Policy. The baseline data and statistics will be reviewed annually through SMEDAN/NBS collaboration. The baseline documentation will then provide the platform to define benchmarks and context to evaluate the progress and impact of the National Policy, after 4 years of implementation. The Policy may be revised, from time to time, to align it to unfolding economic and social dynamics affecting MSMEs in Nigeria.

# National Policy on MSMEs

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## ANNEXURE

### KEY POLICY OBJECTIVES, STRATEGIES AND ACTION PLAN

#### OVERVIEW OF THE MSME POLICY

##### 1 PRIMARY OBJECTIVE

To facilitate and support a vibrant MSME sector that is the driver of national economic growth, development and employment. This will be accomplished by:

- i. Accelerating the profitable expansion of existing MSMEs along the chain of development, ensuring that more micro businesses become small, small become medium, and medium become large, thereby enabling them to increase their contribution to GDP and/or employment generation.
- ii. Fostering the emergence of new MSMEs in Nigeria, especially among women and youth.

The objectives will be accomplished via five priority themes:

- i. Raise broad-based awareness and appreciation for entrepreneurship and equip a new generation of entrepreneurs
- ii. Improve the regulatory environment for MSMEs
- iii. Improve access to financial support for MSMEs
- iv. Foster MSME growth and profitability by promoting clusters, facilitating business support services and creating demand for MSME's products and services
- v. Foster the emergence of a highly skilled workforce that can effectively support the growth of the MSME sub- sector in partnership with strategic MDA's, the private sector and civil society

##### 2 STRATEGIES AND ACTION PLAN

###### **Policy Priority I: Raise Broad-Based Awareness and Appreciation for Entrepreneurship and Equip a New Generation of Entrepreneurs**

Given the alarming rates of unemployment in Nigeria, especially among the youth, the focus of this policy priority would be to trigger an entrepreneurial culture and values, and to equip Nigerians with critical entrepreneurial skills, using information, communication and technology as a critical tool.

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SMEDAN working under the aegis of the Federal Ministry of Trade & Investment will work with relevant public, private and international development organisations to promote entrepreneurship and attract a new generation of entrepreneurs. Specific strategies and action-steps include the following:

Key Strategies and Action Steps	2015-2017	2018-2021	2022-2025	Key Partners
<p>1. Broad-Based Awareness and appreciation</p> <p>i. Through a multi-pronged communication strategy, attract Nigerian youths especially the school leavers &amp; university/polytechnic graduates to entrepreneurship as a viable alternative to paid employment</p> <ul style="list-style-type: none"> <li>• Create and maintain a dynamic web portal – BizGROW<sup>6</sup> - that aggregates all the available information about MSME's in Nigeria, including resources and information, links to financing sources, markets, mentors, etc. <ul style="list-style-type: none"> <li>○ Create incentives that actively encourage MSMEs to register on the website</li> </ul> </li> <li>• Launch a publicity campaign leveraging a range of communication platforms including radio, television, social media, mobile phones, Internet etc to raise awareness on MSME opportunities in Nigeria and new programmes being launched by SMEDAN and emerging programmes from the implementation of policy priorities</li> <li>• Launch an entrepreneurship campaign to highlight local, regional and national</li> </ul>	*	*	*	SMEDAN, FMITI, SMTIs, FME, NUC, EDC, NBTE, FMCT, SMCTs, NASME, NASSI, MAN, NACCIMA, NITA, NCC, NIPR, NOA, IFC, Internet Service Providers, etc.

<sup>6</sup> Working title – BIZGROW – a comprehensive platform for start-ups and MSMEs



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success stories					
ii. Equip the future generation of entrepreneurs by infusing entrepreneurship and financial literacy training into all aspects of formal education		*	*	SMEDAN, FMITI, FME, CBN, IDP, NBTE, NUC, NBTE, NERC, NCE, SPESB, NGOs, etc.	
<ul style="list-style-type: none"> <li>• Formalise and strengthen entrepreneurship education in schools, vocational training centres and technical colleges                             <ul style="list-style-type: none"> <li>○ At the primary : In partnership with the FME and non-profit organizations support the introduction of school children to activity based learning and business games aimed at inculcating an interest in entrepreneurship</li> <li>○ In secondary schools: Deepen and broaden entrepreneurship and enterprise education<sup>7</sup> through entrepreneurship clubs such as Students for the Advancement of Global Entrepreneurship ( SAGE).</li> <li>○ At the tertiary level: Standardise and strengthen entrepreneurship courses (across all disciplines) and programmes<sup>8</sup> and support competitions such as Students In Free Enterprise (SIFE).</li> <li>○ Encourage universities and colleges to establish entrepreneurship development centres (EDCs) in collaboration with the private sector to provide start-up support to the students</li> <li>○ For teachers and entrepreneurship educators: Promote a network of teachers in entrepreneurship for quality, standardization and industry demand-</li> </ul> </li> </ul>	*	*	*		
		*	*		
	*	*	*		
		*	*		
	*	*	*		

<sup>7</sup> 'Entrepreneurship skill' was included in the new basic education curriculum for primary and junior secondary schools launched by the federal government in November 2007 however rate of implementation is to be determined.

<sup>8</sup> 4-year undergraduate (Bachelor of Entrepreneurship – B. Ent.), 2-year post-graduate (Masters in Entrepreneurship – M. Ent.), and a Ph.D. programme in entrepreneurship,

## National Policy on MSMEs

<p>driven training delivery leveraging on ICT.</p> <ul style="list-style-type: none"> <li>Incorporate entrepreneurship and financial literacy training into informal education such as apprenticeships</li> </ul>		*	*	
<p>iii. Invest in an annual survey on MSMEs and publish/widely disseminate an annual MSMEs data book.</p> <ul style="list-style-type: none"> <li>The survey will build upon the SMEDAN NBS maiden Survey.</li> </ul>	*			<p>SMEDAN, NBS, GIZ, IFC, UNIDO, DFID, USAID, CBN, NPC, etc.</p>

### Policy Priority II: Enable a Regulatory Environment that Supports MSMEs

Nigerian MSMEs, especially those managed by women and youth, deserve policies that directly address their unique needs and an enabling environment that allows them to thrive. This policy priority incorporates key strategies and actions that will provide a conducive environment for MSMEs to enter the formal economy and thrive.

Key Strategies and Action-steps	2015-2017	2018-2021	2022-2025	Key Partners
<p>Enabling Environment</p> <p>i. Create a framework with incentives to MSMEs in the informal sector and to promote their entry into the formal sector</p> <ul style="list-style-type: none"> <li>Convene a stakeholders' forum, on a regular basis, from across the public, private and non-profit sectors at the Federal and state level to develop a robust framework that encourages MSMEs to enter the formal economy. Key components of the framework will include: <ul style="list-style-type: none"> <li>streamlining the comprehensive tax obligations of MSMEs across the three tiers of government</li> <li>Collaborating with tax authorities to create and institute tax brackets and</li> </ul> </li> </ul>	<p>*</p> <p>*</p> <p>*</p> <p>*</p> <p>*</p>	<p>*</p>		<p>FMITI, SMTI, SMEDAN, DFID GEMS, NIPC, FIRS, State IRS, NAFDAC, CAC, State and Local Government authorities, SON Industry associations/clusters, Chambers of Commerce, other regulatory agencies etc.</p>

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Key Strategies and Action-steps	2015-2017	2018-2021	2022-2025	Key Partners
<p>tax incentive schemes for MSMEs and</p> <ul style="list-style-type: none"> <li>○ creating explicit incentives such as cash transfers and financing opportunities for MSMEs that register.</li> </ul>	*	*		
<p>ii. Simplify business registration</p> <p>Establish MSME friendly registration windows at SMEDAN, and one-stop business registration outposts in MSME clusters and other accessible federal institutions including universities and select post offices.</p>	*	*		CAC, SMEDAN, NUC, NBTE, FMITI, SMTIs, DFID GEMS, NIPC, Industry associations/clusters, FIRS, State IRS, FMCT, FMF, FMLH, State Commissioners of Lands/DGs of Land
<p>iii. Facilitate the establishment of necessary judicial framework to promote MSME development</p> <ul style="list-style-type: none"> <li>• Evaluate and process the strengthening of alternative dispute resolution (ADR) regulations and structures in support of MSMEs</li> <li>• Promote and organise subsidized legal aid schemes for MSMEs through the office of the public defender or CSR initiatives</li> <li>• Encourage court systems to create fast-track windows for MSMEs</li> <li>• Establish training/coaching opportunities for MSMEs to learn about contract clauses and compliance</li> </ul>		*	*	Federal and State Ministries of Justice, National Judicial Council, NBA, Industry associations/clusters, Chambers of Commerce, SMEDAN, DFID SPARC  SMEDAN, BMOs BDSPs

## National Policy on MSMEs

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Key Strategies and Action-steps	2015-2017	2018-2021	2022-2025	Key Partners

### Policy Priority III: Improve Access to Finance for MSMEs

Access to finance is a critical success factor for MSME development. In order to bridge the financing gap for MSMEs, interventions have to be channelled from the demand and supply sides.

On the demand side, most MSME entrepreneurs are not financially savvy and do not keep accounting records. They lack the capacity to develop and present bankable proposals. By their nature as small businesses, they have inadequate or no collateral and limited power to negotiate interest rates and other terms offered to them by financial institutions. To address this, it is necessary to develop financial literacy among entrepreneurs and implement systems and structures that protect their interests and ensure reasonable lending terms for MSMEs such as credit guarantees and flexible collateralisation arrangements.

Similarly, on the supply side, there is an urgent need to create incentives for financial institutions to lend to and/or invest in MSMEs and to develop the capacity of financial service providers to serve MSMEs. In addition, there is a need for market infrastructure such as functional credit bureaus and payment platforms including the use of mobile money, and access to cheap funds for lending.

In addition, the dearth of data about financing for MSMEs, including the magnitude of financing, the track record of financial institutions in serving this group of entrepreneurs, and the challenges that they face, has to be tracked in order to foster information sharing, monitor progress and induce positive changes in the sector.

Key Strategies and Action-steps	2015-2017	2018-2021	2022-2025	Key Partners
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## National Policy on MSMEs

Key Strategies and Action-steps	2015-2017	2018-2021	2022-2025	Key Partners
<p>Access to Finance</p> <p>i. Criteria should be designed to develop an annual rating/ ranking framework for Financial Institutions on MSME clientele level with full consultation with stakeholders. (to be included within the annual MSME data book under Policy Priority I)</p> <ul style="list-style-type: none"> <li>• Publish profiles of MFIs and financial institutions and practical lessons that can be gained by other financial institutions</li> <li>• Develop tax and other incentives for financial institutions which rank highly in provision of financing to MSMEs</li> </ul>	*			<p>CBN in partnership with SMEDAN, FMITI , FIRS, EDC, local and international rating agencies, Apex associations of MFIs, GIZ, IFC, Bankers' Committee, National Microfinance Policy Consultative Committee</p>
<p>ii. Promote the development/multiplication of a the operation of venture capital companies</p> <ul style="list-style-type: none"> <li>• Support the emergence of more venture capitals (VCs) and strengthen the Venture Capital Association of Nigeria (VCAN) as a representative of the organized venture capital sector</li> <li>• Collaborate with FIRS, SIRS and relevant MDAs to develop attractive incentives for venture capital operators in order to address MSMEs funding needs.</li> <li>• Create awareness among entrepreneurs of venture capital as a financing option and encourage them to take advantage of venture capital opportunities.</li> <li>• Federal Government to create challenge funds which will be channelled through venture capital and private equity firms to encourage equity investments in small and growing businesses</li> </ul>	*			<p>CBN &amp; SEC in partnership with SMEDAN, FMF, OPS, VCAN, private sector companies, FIRS, SIRS</p>
<p>iii. Reform collateral legislation to include non</p>	*	*		<p>SMEDAN, CBN, IFC,</p>

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Key Strategies and Action-steps	2015-2017	2018-2021	2022-2025	Key Partners
conventional/moveable collateral as a means of expanding access to finance to MSMEs.				National Assembly, National Microfinance Policy Consultative Committee, VCAN, NASME
iv. Foster access to finance for MSMEs through financial institutions by: <ul style="list-style-type: none"> <li>• Partnering with CBN to promote specialised funds for financial institutions who lend to MSMEs and cooperatives, with a focus on women and youth</li> <li>• Ensure relevant capacity building for loan officers of Banks.</li> <li>• Facilitating financial literacy training (together with entrepreneurship education under Policy Priority I) and provide BDS support on loan application to MSMEs</li> <li>• Encouraging the emergence of special MSME windows in financial institutions and development banks such as BOI and BOA into wholesale MSME financing institutions, retailing through Microfinance Banks (MFBs).</li> <li>• Stimulate financial institutions to develop and operate specialized products for women, youths and other disadvantaged/challenged groups.</li> </ul>	*	*	*	BOI, BOA, clusters, SMEDAN, CBN, FMITI, SMTIs

**Policy Priority IV: Foster MSME growth and profitability by promoting clusters, facilitating business support services, and promoting demand for MSME’s products and services.**

By the global best practices, clusters have been proven to be an effective and efficient strategy for MSMEs development. Clusters provide a healthy symbiotic ecosystem for small businesses, by offering networking opportunities which lead to a competitive advantage through

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specialization and scaling-up, inter-firm collaboration, common facility sharing and knowledge spill-overs.

This policy priority will focus on rolling out various MSMEs programmes implementation framework such as One Local Government, One Product (OLOP). This policy will enable State governments to foster the formation of clusters around their key resource endowments/competitive advantages. It will leverage the energy and dynamism of Nigerian youth, in addition to actively foster market linkages and promoting the demand for the MSME products and services.

Key Strategies and Action-steps	2013-2015	2016-2020	2021-2025	Key Partners
<p>MSMEs growth and profitability through clusters</p> <p>i. Implementation shall be through collaboration among relevant partners to:</p> <ul style="list-style-type: none"> <li>• Develop and support clusters and incubation centres operating in strategic sectors in states across Nigeria                             <ul style="list-style-type: none"> <li>○ Provide technical assistance for the identification and establishment of clusters in strategic sectors, with a special focus on women and youth</li> <li>○ Create new free zones and upgrade existing ones to international standards.</li> <li>○ Convert Industrial Development Centres (IDCs) to standard cluster parks using PPP principles.</li> <li>○ Provide targeted clusters with sustainable BDS.</li> <li>○ Provide financing to the clusters</li> <li>○ Partner with research institutions and knowledge centres such as universities to catalyze innovation.(knowledge transfer)</li> <li>○ Promote common facilities and outsourcing to reduce unit costs of the</li> </ul> </li> </ul>	*	*	*	<p>SMEDAN, FMITI, SMTIs, CBN, ICRC, FMYD, SMYD, BOI, NERFUND, BOA, NEXIM, NYSC, NUC, NBTE, FMP, MMSD, FMARD FMCT, FMST, IFC, GEMS, the World Bank, GIZ, JICA, Infrastructure Commission, CBN/Bankers committee, research institutes and other financial institutions.</p>

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Key Strategies and Action-steps	2013-2015	2016-2020	2021-2025	Key Partners
out put.				
<p>ii. Foster the emergence of a high-quality and dynamic BDS landscape to support MSMEs across Nigeria</p> <ul style="list-style-type: none"> <li>• As articulated under <i>Policy Priority I</i>, promote a network of entrepreneurship educators and engage service providers through a competitive process to develop, adapt and disseminate effective training methodologies incorporating ICT.</li> <li>• Establish and implement processes and procedures for accrediting BDSPs based on best practices.</li> <li>• Benchmark and rank BDSPs nationally on an annual basis and include in the annual MSME data book to be published as proposed under <i>Policy Priority I</i><sup>9</sup>.</li> </ul>	*	*  *  *	*  *  *	FMITI, SMEDAN, SMTs, EDC, FATE Foundation, LEAP Africa, NUC's/ NBTE's Entrepreneurship team, NFTE, IFC, JICA
<p>iii. Foster demand for products and services provided by MSMEs</p> <ul style="list-style-type: none"> <li>• Strengthen local content policy and legislation across the strategic sectors outlined above to promote import substitution and the exportation of Nigerian products and services</li> <li>• Build the capacity of entrepreneurs to enable them effectively package and market their products and services to local and international customers, ensuring that</li> </ul>		*  *  *	*  *  *	FMITI, SMEDAN, NEPC, NOTAP, Min of Communications, National Orientation Agency, Chambers of Commerce, MAN, NECA, AGOA, BOI

<sup>9</sup> Budget for the BDSP ranking is included in the budget for annual MSME fact book under Policy Priority I.



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Key Strategies and Action-steps	2013-2015	2016-2020	2021-2025	Key Partners
<p>they can meet global standards.</p> <ul style="list-style-type: none"> <li>• Strengthen the ‘Proudly Nigerian’ brand and raise patriotism in patronizing made-in-Nigeria products and services.</li> <li>• Develop a local procurement policy which gives priority to domestic MSMEs.</li> <li>• Improve the competitiveness of MSMEs.</li> <li>• Providing tax incentives to corporations/LEs which are ranked highly in the sourcing of inputs locally.</li> <li>• Support MSMEs to link with corporate and global value chains through selling, outsourcing and joint ventures and strategic relationships.</li> </ul>		*  *  *	    *    *	

**Policy Priority V: Foster the emergence of a skilled technical/entrepreneurial workforce that can effectively support the growth of the MSME sub-sector.**

The absence of skilled workers is a serious challenge for existing MSMEs. Most MSMEs do not have the funds to invest in training their staff. Entrepreneurs who can afford worry about high attrition rates after training and prefer to poach skilled workers from other MSMEs.

SMEDAN, in collaboration with ITF and NDE will partner with the Ministry of Education at the Federal and state levels as well as the private sector, civil society and development agencies to unleash a skilled and technically competent workforce to support MSMEs. The key strategies for achieving these results are outlined below:

Key Strategies and Action-steps	2015-2017	2018-2021	2022-2025	Key Partners

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Key Strategies and Action-steps	2015-2017	2018-2021	2022-2025	Key Partners
<p>Skills Enhancement</p> <p>i. Revise the range of skills and curricula of technical and vocational schools from being supply-driven to demand-driven skills and competencies reflecting sector priorities</p> <ul style="list-style-type: none"> <li>• Leverage outcomes of donor agencies funded skills assessment to determine priorities in terms of skills to be developed</li> <li>• Analyze the range of skills as well as existing training curricula for national vocational and technical schools to assess their relevance and focus on priority sectors</li> <li>• Collaborate with MSMEs' technical/vocational experts, industry practitioners and educational bodies in redesigning and rolling out the training curricula</li> <li>• National Board for Technical Education (NBTE) to be empowered as the national authority for TVET, with responsibility for accreditation, regulating and monitoring formal and informal TVET.</li> </ul>	*	*  *	*  *	FMITI, ITF, NBTE, SMTIs, FME SMed, FMLP, SMLPs NASME, OPS, World Bank, IFC
<p>ii. Work with public sector partner agencies to establish strategic public private partnerships for FSTEs, Vocational Enterprise Institutions (VEIs) and Innovation Enterprise Institutions (IEIs)</p> <ul style="list-style-type: none"> <li>• Define requirements from private sector partners in technical and vocational training</li> <li>• Publish requests for expressions of interest for private sector partnerships in technical/vocational training</li> <li>• Review proposals and agree on most suitable structure</li> <li>• Implement a pilot programme</li> </ul>		*  *  *	*  *	FMITI, SMEDAN, ITF, FME, SMedS, FMLP, SMLPs, NTBE, OPS, CSO

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