A Review of the 2021-2025 National Policy on Micro, Small and Medium Scale Enterprises (MSMEs) in Nigeria

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In order to address challenges facing nano, micro small and medium-sized enterprises (NMSMEs) to encourage economic growth and entrepreneurship, the Nigerian government has employed various measures (including the development of an MSME policy in 2007) to develop the MSME subsector. Stakeholders in the private sector have also implemented programs to complement the government’s efforts. To improve the synergy between government and private sector efforts, the 2007 National Policy on MSMEs was reviewed to maximize its employment generation, wealth creation, poverty reduction and general contribution to economic growth in Nigeria. This resulted in the 2021-2025 National MSME policy launched in 2021.

The objective of the 2021-2025 National Policy on MSMEs

The objective of the national policy on MSMEs is to facilitate and sustain a vibrant MSME subsector to be the major driver of national economic growth and employment. Strategies put in place to achieve this objective include:

- Fostering the emergence of new MSMEs in Nigeria, especially among women and the youth;
- Accelerating the profitable expansion of existing MSMEs along value chains, thereby enabling them to increase their contribution to GDP and employment generation;
- Promoting an informed understanding of the peculiarities of the MSME sub-sector, including the opportunities and challenges around their operations;
- Getting global buy-in in confronting the challenges and harnessing the opportunities, at all tiers of government;
- Enhancing the skills of MSME owner-managers and their employees on one hand, and capacity upgrade for MSME support institutions;
- Sensitizing the MSMEs for ethical and green business practice;
- Creating the culture and ethics of entrepreneurship in the lives of Nigerians from the earliest possible ages; and
- Empowering Nigerian MSMEs to become part of global value chains.

The 2021-2025 MSME policy also aspires to provide a comprehensive framework (to be reviewed every four years) for developing micro, small and medium enterprises in Nigeria. For example, it plans to (1) link MSME development with the National Agenda (2) create a platform for dialogue,
engagement and collaboration between the Federal Government and State/Local Governments, the organized private sector, civil society organizations and others to develop MSMEs and (3) Improve sensitization/awareness of existing laws/policies that impact MSMEs.

Who are nano, micro, small and medium-scale enterprises?
The new classification of the MSMEs in Nigeria as laid out in the revised National Micro, Small and Medium Scale Enterprise Policy (2021-2025) is as follows:

<table>
<thead>
<tr>
<th>S/N</th>
<th>Size category</th>
<th>Employment</th>
<th>Turn over (N million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Nano/Homestead Enterprises</td>
<td>1-2</td>
<td>Less than 3</td>
</tr>
<tr>
<td>2</td>
<td>Micro Enterprises</td>
<td>3-9</td>
<td>3-25</td>
</tr>
<tr>
<td>3</td>
<td>Small Enterprises</td>
<td>10-49</td>
<td>25+ but less than 100</td>
</tr>
<tr>
<td>4</td>
<td>Medium</td>
<td>50-199</td>
<td>100+ but less than 1000</td>
</tr>
</tbody>
</table>

Source: MSME national policy

Key Policy Areas of the 2021-2025 National Policy on MSMEs
The National Policy on MSMEs encompasses seven broad policies and programs listed below:

1. **Finance**: addressing the challenges of access to finance to establish, operate and/or expand viable MSMEs in Nigeria. Some key strategies under finance include:
   a. The creation of a National MSME Funding Portal that will showcase available funding schemes for Nigerian MSMEs, agencies responsible for funding, criteria to access the funds etc.
   b. Create awareness of MSME funding opportunities via several channels including traditional rulers, religious leaders and the design of criteria to develop an annual ranking framework for financial institutions based on MSME lending performance.
   c. Target financial literacy and inclusion programs at MSMEs.
   d. Publicize the names and profiles of different banks and other financial institutions to MSMEs to increase their awareness about these institutions while also creating incentives or information to encourage such financial institutions to finance MSMEs.

2. **Institutional, Legal and Regulatory Framework**: promoting more cooperation and collaboration amongst agencies involved in MSME facilitation in Nigeria
   a. **Formalization**: motivating MSMEs to formalize their operations to benefit from the various government incentives that are available to them.
   b. **Land Use Planning, Land and Property Rights**: making the process of registering land property easier and eliminating
processes/rules that discriminate against women in holding title rights.

c. **Tax Administration**: eliminating/reducing disruptive tax incidence and the burden of tax administration. One way the policy intends to achieve this is by documenting and publicizing the tax obligations of MSMEs on a regular basis to improve awareness, transparency, and predictability of tax obligations while simultaneously minimizing opportunities for discretionary powers by tax enforcers/collectors.

d. **Standards and Quality Regulations**: this is to ensure the achievement and compliance of MSMEs with National and International Standards, thereby achieving global acceptance of their goods and services by promoting the involvement of MSMEs in standards development. This however, only focuses on the standards being suitable enough for economic reasons but not to ensure food safety.

e. **Labor Laws and Regulations**: to promote industrial harmony and the economic prosperity of workers and employers in the MSME sub-sector.

3. **Skills Development**: increase the pool of well-skilled small business owners and employees; e.g., by providing tax incentives on training costs/expenditures incurred by the MSMEs.

4. **Technology, Research and Development**: provide universities and research institutes with special grants for applied research and innovation activities relating to the growth and development of MSMEs, especially regarding input sourcing, production technology and methods, product development and market exploration. The policy specifies a certain percentage of the tariff on imported technology should be set aside to fund the grants.

5. **Extension and Support Services**: improve the performance of MSMEs through the provision of relevant, timely, accessible, and affordable extension and support services.

6. **Marketing**: to ensure that the share of MSME activities (compared to large enterprises) in local markets is enhanced through competitive production processes, improved public sector procurement, strategic alliances, and stronger linkages between MSMEs and the large enterprises in value chains. The broad approach is public-private-partnership (PPP) in harnessing domestic and export markets.

7. **Infrastructure and cost of doing business**: establish a conducive environment for enterprise development and operation through the provision and maintenance of infrastructural facilities and services. This will be done by the government in consultation and cooperation with the private sector. One of the ways outlined in the policy to achieve this is by providing basic infrastructural facilities such as access roads, transportation facilities, power supply, water supply, and other utilities to qualifying MSME locations and clusters.
Evidence of targeted efforts to support agrifood MSMEs in the 2021-2025 National Policy on MSMEs

A review of the policy noted that the majority of the provisions are general with some efforts to target 19 special areas including 3 which were directly linked to agrifood enterprises. The first is the agribusiness and agro-allied enterprise target area. The second is the leather and leather work industries target and the third is the wholesale and retail enterprises target area which includes food and nonfood related wholesale and retail. It is important to note that other target areas such as “electronic and IT as well as oil and gas (where issues such as local fabrication of agrifood technologies are discussed) were identified.

Some initiatives articulated by the National Policy on MSMEs related to targeted at agrifood MSMEs:

- The Government aims to promote private sector-led and market-driven growth of agribusinesses to enhance domestic economic linkages, boost agricultural productivity and reap fully the potential of the agricultural sector for growth, employment generation, and poverty reduction, with emphasis on commodity value chains to encourage the proliferation of MSMEs.

- It also wants to promote public-public and public-private linkages/partnerships across the nation, as well as special intervention schemes such as the Agribusiness Small and Medium Enterprises Investment Scheme (AGSMEIS) by the Bankers' Committee and the Anchor Borrower Scheme by the CBN.

- The objective for the agribusiness enterprise seems to focus more on the economic development of the agribusiness enterprise with no policy guiding the activity of MSMEs on the safety of food or the environmental implications.

- In recognition of the potential of the leather industry (given Nigeria’s large domestic production of livestock), the policy plans to target technical training courses and support services at the major leather clusters in the country. These will cover activities all along the value chain from skin production, grading, processing, and marketing.

Strategies to achieve the objective: the policy document mentions that the strategy to achieve these objectives will be through intervention schemes such as the AGSMEIS by the Bankers’ Committee and the Anchor Borrower Scheme by the CBN. Similarly, initiatives from foreign and local partners with huge potential for value-added agribusinesses will be embraced and supported to achieve long-run sustainability.

Interaction with the main implementing agency for the policy, Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), revealed the following programs/efforts implemented in 2022 specifically focused on this target group.
The Agency implemented the Agribusiness Development and Entrepreneurship Program (ADEP) in Oyo and Plateau States as well as 18 other States of the Federation, and the goal is to build the capacities of smallholder farmers in Co-ops and empower them with solar-powered dryers.

The Product Advancement and Marketing Enhancement Scheme (PAMES) seeks to support men and women in agribusiness through value addition to their products and packaging and linking them to markets.

Evidence of targeted efforts to support female-owned/managed SMEs in the 2021-2025 National Policy on MSMEs

The policy mentions the existence of numerous efforts to enhance the role of women in MSMEs by government and non-governmental organizations at both federal and state levels. It also notes efforts by community-based associations and international donors involved in promoting women’s development. In addition to what already exists, the policy articulates the plan to take steps to eliminate all forms of discrimination against women business owners and improve their access to finance as well as facilitate mentorship opportunities. The strategy to achieve this objective is not included in the policy. However, an interaction with the main implementing agency for the policy (SMEDAN) revealed the following programs/efforts implemented in 2022 that specifically focused on this target group.

The Women-In-Self-Employment Program (WISE-P) which is an initiative of the Agency was essentially designed to attend to the challenges of women-owned enterprises agro-processing with particular focus on women who have farming and agri-business (agri-food value chain) production businesses, as a means of providing the requisite skills and finance required to carry on successfully. The strategies for implementation of this initiative are outlined below:

I. Identification of and selection of women farmers/farm enterprises in the chosen states;
II. Sensitization and awareness creation;
III. Needs assessment of participants;
IV. Formation of groups (if not existing);
V. Practical hands-on farm business training;
VI. Entrepreneurship training;
VII. Preparation of business plan;
VIII. Provision of farm resources (workspace and funding);
IX. Provision of Business Development Service (BDS) intervention;
X. Documentation of intervention (report writing, etc.).

Evidence of targeted efforts to support youth-owned/managed MSMEs in the 2021-2025 National Policy on MSME

The focus 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. The policy notes that the government will embark on massive sensitization and advocacy campaign with a focus on how to achieve this goal. The burgeoning Information and Communication Technology (ICT) sector offer many opportunities for youth enterprise. Therefore, similar platforms with the potential to support youth entrepreneurs to receive well-structured vocational and business skills training will be encouraged to operate.

The government will encourage and support the establishment of special credit guarantee funds to de-risk lending to youth entrepreneurs. New financial windows will also be considered to provide appropriate funds to youth entrepreneurs. Communities will be encouraged to set up funds to absorb some of their local demand. Youths shall also be encouraged to take full advantage of the training and support opportunities generally available. Furthermore, the ongoing initiative to introduce and intensify entrepreneurship in the secondary and tertiary education curricula will be sustained and actively supported.

Some key strategies mentioned include:

- Leveraging the burgeoning information and communication sector by promoting clusters of technology hubs (both public and private) with which the youths can scale and improve on their technologies. Youth-owned MSMEs will also be linked to these hubs.
- Government will encourage and support the establishment of special credit guarantee funds to de-risk lending to youth entrepreneurs. It will also encourage the youths to take full advantage of the training and support opportunities generally available.

Interaction with the main implementing agency for the policy (SMEDAN) revealed the following programs/efforts implemented in 2022 specifically focused on this target group:

- The SMEDAN Matching Fund Program is an initiative that provides funds, with a single-digit interest rate, for MSMEs in agri-business. The program made provisions for a minimum of 35% allocation to women and youth. In 2022, the program was implemented in Oyo and Ebonyi States among several other states outside the scope of the RSM2SNF project.

Evidence of targeted efforts to support wholesale and retail SMEs in the 2021-2025 National Policy on MSME

Wholesale and retail sales made up to 16% of Nigeria's GDP in 2017, making these sales the third largest contributors to GDP, even though most of such sales were conducted through informal markets, such as open markets, street vendors, and kiosks. Steady growth of retail chain supermarkets in the country coupled with rising middle-class spending is expected to continue to drive this growth. While recognized, not much was said about how this would be
achieved in the policy.

The role of different stakeholders in the implementation of MSME policy
The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) has overall responsibility for coordinating the implementation of the National MSME Policy. It is also the National Secretariat of the National Council on MSMEs, which drives the overall development of the MSMEs sub-sector, among other things. The National Council on MSMEs is responsible for the formulation of broad policies and strategies to drive the wholesome development of the MSME sub-sector in Nigeria as well as coordinating the roles and responsibilities of Government Ministries, Departments, Agencies, (MDAs), State and Local Governments, and other stakeholders responsible for MSME development.

The policy notes that the role of the State government and Local government Councils are similar to the National Council on MSMEs except in the areas of policy formulation. The Local Government Councils shall report to the State Councils while the State Councils shall report to the National Council on MSMEs. Membership of State and Local MSME Councils shall include representatives of the private sector to ensure effective and efficient policy implementation and improved small business performance.

The private sector stakeholders are expected to design their programs and initiatives around the National Policy on MSMEs i.e., streamline their strategies with the principles, guidelines and benchmarks contained in the National Policy. This is considered necessary to avoid inconsistencies in MSMEs development initiatives and to maximize complementary institutional relationships and inter-agency coordination.

A critical review of the Nigerian MSME policy (2021-2025) document
The policy document was prepared to facilitate and sustain a vibrant MSME sub-sector that will be the major driver of economic growth and employment with the following key policy areas: finance; Institutional, legal and regulatory frameworks; skills development; technology, research and development; extension and support services; marketing; and infrastructure. The special target enterprises are agribusiness, cottage and crafts, textiles and clothing, wood processing, leather products, metal fabrication, entertainment, women and youth-owned enterprises, wholesale and retailing, real estate, and culture and tourism, among others. Looking at the above policy thrusts on agribusiness and agro-allied enterprises, no one will be in doubt of the policy goal to make MSMEs in agrifood space perform the key functions of food production, processing, and marketing efficiently and effectively to ensure the availability of safe and nutritious food to the populace.

A close analysis of the (2021-2025) policy document reveals that there is nothing new that has not been mentioned in one form or the other in previous policies and programs of government. So, the problem is not with the intention of the policy and its objectives and strategies, but with the political will to implement
such policy provisions (objectives and strategies). Hence, good intentions are not enough. The implementation of such intentions must be ensured.

There is no policy that guides the actions of MSMEs hampering the provision of safe and nutritious food in any of the documents. Dangerous practices prevailing include the use of toxic chemicals during crop production and storage, land clearing and weeding, and steroids for poultry production, which are harmful to humans when consumed. Other key challenges in Nigeria include the adulteration of food products using items such as hypo (a cloth bleaching product) to increase the volume of fufu, mixing dye to increase the coloration of palm oil, and mixing inert materials such as potato peels with ground ginger. Although these commodities are hazardous to consumers, the damage they cause does not manifest immediately, but rather only after several years or decades of use.

The institutional, legal, and regulatory framework is also outside the purview of the policy document. The enforcement of legal and regulatory framework lies with the law enforcement agencies such as the police and the courts. In Nigeria currently, it is very easy to buy one’s way through an infringement – either with law enforcement agents or the courts. In addition, the government is only selectively obedient to court judgments, and this has raised the confidence of non-state actors to flagrantly disobey court orders and judgments.

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The MSME policy and its main implementing agency (SMEDAN) are not research institutions, therefore, technology, research, and development are outside their areas of focus. The state of research activities in the country’s research institutes is appalling as most researchers hardly have the required funds, equipment, and enabling environment to conduct meaningful research that will influence the operations of MSMEs. The MSMEs too, do not have the financial muscle to engage researchers to conduct research into areas of need.

Marketing and infrastructure are two interrelated factors that are critical to the overall success of MSMEs. Good infrastructure such as roads will facilitate marketing by reducing travelling time and ensuring the smooth delivery of food products in a safe, cost-effective, and nutritious manner. While there is appreciable progress in the use of online marketing platforms for transactions between buyers and sellers, the actual delivery of goods cannot be done online. The infrastructure must be in a good shape to ease the movement of goods and personnel. However, the issue of road construction and maintenance cannot be fixed by the policy document. Energy is also important in agricultural production and processing. The supply of energy through the national grid is not a reliable source of power for most agro-processing units. Agro-processors cannot afford a minute power outage because it can lead to the loss of the batch of food being produced. Most of these processing units rely heavily and exclusively on using power generators which are expensive to run. Thus, there is no way the policy will resolve this problem unless these issues are tackled headlong in a holistic manner by the government. One way to do so is
the creation of an enabling environment for private investors to take charge, as is the case with the private sector-led telecommunications industry. Water is another important input for agrifood MSMEs, (e.g., for cleaning some agricultural produce prior to and/or during processing) which is in short supply and most MSMEs must sink their own boreholes to resolve water shortage problems.

Thus, while the intentions of the MSME policies are noble, without the political will to create an enabling environment, the 2021 – 2025 policy is likely to fail to meet its intended objective the same way as many other policies in Nigeria that did not meet their intended objectives.