



RSM2SNF

Research Supporting African MSMEs
To Provide Safe and Nutritious Food

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) and to encourage economic growth and entrepreneurship, the Nigerian government has employed various measures — including the development of a MSME policy in 2007 — to develop the MSME subsector. Stakeholders in the private sector have also implemented programs to complement government's effort. 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 youth;
- Accelerating 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 opportunities and challenges around their operations;
- Getting global buy-in for confronting the challenges and harnessing the opportunities — at all tiers of government;
- Enhancing the skills of MSME owner-managers and their employees, as well as a capacity upgrade for MSME support institutions;
- Sensitizing MSMEs for ethical and green business practice;
- Creating a 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:

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

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 through:
 - 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 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 SMEs in the 2021-2025 National Policy on MSME

A review of the policy noted that 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 SMEs:

- The Government aims to promote private sector-led and market-driven growth of agribusinesses to enhance domestic economic linkages, boost agricultural productivity, and reap 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 AGSMEIS (Agribusiness Small and Medium Enterprises Investment Scheme) by the Bankers’ Committee and the Anchor Borrower Scheme by the Central Bank of Nigeria (CBN).
- 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 states that the strategy to achieve these objectives will be through intervention schemes such as the AGSMEIS (Agribusiness Small and Medium Enterprises Investment Scheme) by the Bankers' Committee and the Anchor Borrower Scheme by the CBN. Similarly, initiatives from foreign and local partners with huge potentials for value-added agribusinesses will be embraced and supported to achieve long-run sustainability.

An 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 agency implemented 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 small holder farmers in co-ops and empower them with solar-powered dryers.
- The Product Advancement and Marketing Enhancement Scheme (PAMES) which 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 refers to the existence of numerous efforts to enhance the role of women in MSMEs by government and nongovernmental 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 to 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 specifically focused on this target group:

- The Women-In-Self-Employment Program (WISE-P) which is an initiative of the Agency essentially designed to attend to the challenges of women-owned enterprises with emphasis on the agro-processing.

Evidence of targeted efforts to support youth owned/managed SMEs 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 with focus on how to achieve this goal. The burgeoning Information and Communication Technology (ICT) sector offers many opportunities for youth enterprise. Therefore, similarly, platforms with potentials to support youth entrepreneurs to receive well-structured vocational and business skills training will be encouraged to operate.

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 will also be encouraged to take full advantage of 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 on the burgeoning information and communication sector by promoting clusters of technology hubs (both public and private) with which 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 training and support opportunities generally available.

An interaction with the main implementing agency for the policy (SMEDAN) revealed the following program 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 MSMEs

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. A 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 wholesale and retail growth would be achieved in the policy.

The role of different stakeholders in the implementation of the 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 and 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 MSME 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 framework; 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 agrifood MSMEs perform the key functions of food production, processing, and marketing efficiently and effectively as well as ensuring the availability of safe and nutritious food to the populace.

A close analysis of the (2021-2025) policy document reveals all content has, in one form or another, been mentioned in previous policies and programs of government. Therefore, the problem is not with the intention of the policy and its objectives and strategies, rather, the lack of 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 actions of MSMEs hampering the provision of safe and nutritious food, in any of the documents. Dangerous prevailing practices include the use of toxic chemicals during crop production and storage or for land clearing and weeding, as well as 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, 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 frameworks lies with law enforcement agencies such as the police and the courts. Currently, in Nigeria, it is common practice to bribe court officials and law enforcement agents rather than enforcing policy infringement. In addition, the government selectively enforces court judgments, allowing non-state actors to flagrantly disobey court orders and judgments.

The MSME policy and its main implementing agency (SMEDAN) are not research institutions and thus, technology, research, and development are outside of their purview. However, 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 the 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 ensure smooth delivery of food products in a safe, cost effective and nutritious manner. While there is an 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 movement of goods and personnel. So, the issue of road construction and maintenance cannot be fixed by the policy document. Energy is also important in agricultural produc-


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tion 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. So, 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 SMES, (e.g., for cleaning some agricultural produce prior and/or during processing), which is in short supply and most MSMEs have to sink their own boreholes to resolve the problems of water shortage.

Thus, while the intentions of the MSME policies are noble, without political will to create an enabling environment, the 2021 – 2025 policy is likely to end the same way as many other policies in Nigeria: unable to meet their intended objectives to support the growth of a strong and vibrant MSME sector.

Key takeaways from the Nigerian MSME policy (2021-2025) review:

- Current policy objectives and strategies are sound but have yet to be effectively implemented, suggesting that the political will to do so is lacking.
- There is not yet a policy regulating dangerous food production practices such as the use of toxic chemicals and steroids.
- There is not yet a policy regulating adulteration of food products with toxic fillers and additives.
- Current policy documents do not include any institutional, legal, or regulatory frameworks, leading to weak courts and unenforceable policies.
- Research and development efforts are critical for MSME success but are not currently funded or supported by MSME policy or implementing agencies.
- Infrastructure improvements such as improved roads, a stable electric grid, and water access must be addressed to create a successful MSME enabling environment.



Thus, while the intentions of the MSME policies are noble, without political will to create an enabling environment, the 2021 – 2025 policy is likely to end the same way as many other policies in Nigeria: unable to meet their intended objectives to support the growth of a strong and vibrant MSME sector.