



**Report of the Vision 2020
National Technical Working Group
on
Small and Medium Enterprises (SMEs)**



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TABLE OF CONTENTS

GLOSSARY OF TERMS.....	2
LIST OF TABLES AND FIGURES.....	5
EXECUTIVE SUMMARY	6
1. INTRODUCTION	10
1.1 Methodology – Approach for Strategy Plan Development.....	11
1.2 Scope of the Small and Medium Enterprises (SME) Sector.....	11
1.2.1 Structure of the SME Sector.....	11
1.2.2 SME Sub-Sector’s	13
1.3 SME Sector – Key Players	17
1.3.1 Public and Private Institutions	17
1.3.2 International Development Partners and NGOs	19
1.4 Review of Government Involvement.....	20
1.4.1 Previous Developmental Plans	20
1.4.2 Funding Arrangement and Management	22
1.4.3 Incentive Schemes	22
1.5 Overall Targets for the SME Sector.....	23
2. ASSESSMENT OF THE SME SECTOR.....	27
2.1 Global SME Sector Assessment.....	27
2.1.1 Global Trends	28
2.1.2 Implications for SMEs.....	31
2.2 Benchmarking & Best Practice Assessment	31
2.2.1 SME Benchmarking Assessment.....	32
2.2.2 SME Best Practice Assessment	36
2.3 Issues Facing Nigeria’s SMEs	40
2.3.1 Exogenous Issues	40
2.3.2 Endogenous Issues	42
2.4 Opportunities for the SME Sector.....	43
2.5 Imperatives for Nigeria’s SME Sector	45
2.5.1 Key Strategic Imperatives	49
3. SME SECTOR – 2020 VISION, OBJECTIVES AND GOALS.....	51
3.1 Vision	51
3.2 Objectives and Goals	51

3.3 SME Sector – Potentials and Key Growth Drivers..... 52
3.3.1 Analysis of Potentials Across SME Sub-Sector’s 53
3.3.2 Prioritization of Key Growth Drivers 55

4. IMPLEMENTATION ROADMAP 58

4.1 Overview of the Implementation Roadmap..... 58
4.2 SME Sector - Implementation Roadmap..... 59

REFERENCES..... 74

APPENDIX..... 75

Appendix 1 - Stakeholders in SME Development 75

Glossary of Terms

APEC	Asian Pacific Economic Commission
BDS	Business Development Services
BMO	Business Membership Organisation
BSS	Business Support Services
CBN	Central Bank of Nigeria
CPC	Consumer Protection Council
DFID	Department for International Development, U.K.
ETF	Education Trust Fund
EM	Emerging market
ECN	Energy Commission of Nigeria
ECE	European Commissions Enterprises
EU	European Union
FAO	Food and Agriculture Organization of the United Nations (FAO)
FIRS	Federal Inland Revenue Service
FIRO	Federal Institute for Industrial Research, Oshodi
FWM	Federal Ministry of Water Resources
FOS	Federal Office of Statistics
FDI	Foreign direct investment
GDP	Gross Domestic Product
HPAEs	High Performing Asian Economies
HSE	Health Safety and Environment
IDC	Industrial Development Centre
IFC	International Finance Corporation
ITF	Industrial Training Fund
ICT	Information and Communication Technology
IP	Intellectual Property
IBS	Internet Business Solutions
MAN	Manufacturers Association Of Nigeria
MSE	Medium Scale Enterprises

MTEF	Medium Term Expenditure Framework
MFB	Micro Finance Bank
MSMEs	Micro, Medium and Small Scale Enterprises
MDAs	Ministries, Departments and Agencies
NASENI	National Agency for Science and Engineering Infrastructure
NABDA	National Biotechnology Development Agency
NBTE	National Board for Technical Education
NBTI	National Board for Technology Incubation
NBC	National Bureau of Statistics
NACETEM	National Centre for Technology Management
NACCIMA	National Chamber of Commerce, Industry, Mines and Agriculture
NCCE	National Commission for Colleges of Education
NDE	National Directorate of Employment
NEPAD	National Economic Partnership for African Development
NERFUND	National Economic Recovery Fund
NAFDAC	National Food and Drug Administration Control
NITDA	National Information Technology Development Agency
NITDA	National Information Technology Development Agency
NOTAP	National Office of Technology Acquisition and Protection
NOA	National Orientation Agency
NPC	National Planning Commission
NAPEP	National Poverty Eradication Programme
NTWGs	National Technical Working Groups
NUC	National Universities Commission
NBCI	Nigeria Bank for Commerce and Industry
NEPZA	Nigeria Export Processing Zones Authority(NEPZA)
NIDB	Nigeria Industrial Development Bank
NITDA	Nigeria Information Technology Development Agency
NASME	Nigerian Association of Small and Medium Scale Enterprises
NASSI	Nigerian Association of Small Scale Industries

NEXIM	Nigerian Export and Import Bank
NIPC	Nigerian Investment Promotion Council
NGO	Non Governmental Organizations
OPS	Organised Private Sector
PRODA	Project Development Agency
PPP	Public Private Partnership
PPP	Purchasing power parity
RMRDC	Raw Materials Research and Development Council
R&D	Research and Development
SMEDAN	Small and Median Enterprises Development Agency of Nigeria
NEEDS	National Economic and Empowerment Development Strategy
SMEEIS	Small and Medium Enterprises Equity Investment Scheme
SMEs	Small and Medium Scale Enterprises
UN	United Nations
UNDP	United Nations Development Program (UNDP)
UNIDO	United Nations Industrial Development Organisation
USAID	United States Agency for International Development

List of Tables and Figures

Table 1.1: Structure of SME Sub-Sector

Table 1.2: Distribution of SMEs across Sub-Sectors

Table 2.1: Enterprise creation and employment generation benchmark comparison

Table 2.2: GDP contribution and export earnings benchmark comparison

Table 2.3: Global competitiveness benchmark comparison

Table 3.1: Nigeria Sectoral GDP Distribution (2008)

Table 3.2: SME Sector Growth Drivers

Section 4.2: SME Sector - Implementation Roadmap

Figure 3.1 – Annualized Sectoral Share in GDP (2002 – 2006)

Executive Summary

The effort to develop a blueprint for Small and Medium Enterprises (SMEs) development was borne out of the desire by the Federal Government to institute a development paradigm that would ensure Nigeria's position as one of the twenty (20) most industrialised countries in the world.

The development of the strategy plan for the SME sector progressed with a holistic review of Small and Medium Enterprises. It was highlighted that the wide spread of SMEs in Nigeria and the multiplier effects they have on the rest of the economy enable them to be the engine of economic progress. It was also noted that the SME sector is the main driving force behind job creation, export earnings, poverty reduction, wealth creation, income distribution and reduction in income disparities.

With regards to linkages, the SME sector cuts across all other sectors of the economy and in its growth and developmental process, has the potential to transform these sectors and set them onto the path of sustained growth. There is no doubt that SMEs need to strengthen their linkages to large-scale enterprises as they are key players in the supply of raw materials and distribution of manufactured goods. High value added regions in the world demonstrate high interdependency between value added manufacturers and SME suppliers of all types. SME suppliers need to be encouraged to adapt products, demonstrate flexibility and support product development to enable their products feed easily into the value-chain of large-scale industries.

Most of the challenges the SME sector faces arise from the nature and mode of operation of the enterprises (endogenous) and from the external environment which entrepreneurs have to grapple with (exogenous). Some of these challenges include lack of effective policies or appropriate legal framework, financial constraints, poor infrastructure (especially unstable power and fuel supply), poor linkages, lack of skilled labour, poor ethical conduct and work ethics, etc.

Equally important are opportunities that exist for the sector such as support of global SME organizations, abundant human capital, large domestic market, rich agricultural and mineral resources and many others. To sufficiently harness these opportunities, the sector must be supported with sufficient policies that can create the desired conducive environment.

Government intervention over the years has been thoroughly assessed. The policy play, the institutional structures and programmes, the various funding arrangements and intervention through commercial banks designed to build up a viable SMEs sector are all notable. However these



interventions failed to create a much needed transformation due to poor coordination and monitoring and policy inconsistencies.

A proper analysis of the developed economies of the advanced countries highlighted key imperatives needed to support the SME sector in its bid to opening the floodgates of economic prosperity. The key strategic imperatives identified, in order of priority, are provision of adequate infrastructure, sustained and sufficient institutional support, education and skills upgrading, technological adaptation and innovation and availability and access to funding and financial services.

Economic growth is critical to the existence and indeed the survival of any economy and by implication a nation. Hence it is a good indicator for assessing the potential of productive or real sectors of the economy. In advanced economies, the SME sector is acclaimed as the engine of economic growth and development however against international best practices Nigeria is rated poorly. In Nigeria's SME sector, GDP is an aggregate of several sector's economic performance. These sub-sectors include: manufacturing, solid minerals, metal fabrication, ICT, culture and tourism, transportation, agriculture, trade & commerce and other service related sectors. Consequently, improvement in economic performance requires changes and growth in these critical sectors that impact directly on GDP performance.

SME issues and challenges have been well rehearsed; if these issues can be removed through sustainable improvements in business environment, infrastructure, access to credit and technology and other challenges positively addressed, the SME sector will be enabled to convert its huge potential to real achievement. This will drive growth in SME sector contribution-to-GDP via the sub-sectors with highest concentration of SMEs. The V20: 2020 program should therefore place significant effort on ensuring the SME sector plays a lead role in Nigeria's economy come 2020.

Hence, the objectives and goals, developed for the year 2020 are encapsulated by the vision for the sector which is "***to be the main engine of economic growth, a driver of sustainable industrial development and a globally competitive SME sector***". The objectives and goals defined for the achievement of this vision are as follows:

- **OBJECTIVE 1 - Develop an SME sector that is the driver of national economic growth and development**
 - a. Goal 1: Increase entrepreneurship and raise employment contribution to 60% by 2015 & 80% by 2020



- b. Goal 2: Centralize management, monitoring, coordination, planning, promotion and development of SMEs
 - c. Goal 3: To contribute 50% of GDP by 2015 and 75% by 2020
- **OBJECTIVE 2 - Develop a strong, virile, viable and sustainable SME sector capable of competing globally in terms of quality products and services at competitive prices**
 - a. Goal 1: To contribute 50% of exports by 2015 and 80% by 2020
 - b. Goal 2: Increase production of capital goods by 40% annually up to 2020
 - c. Goal 3: Improve the business environment by raising the country's rating on Doing Business List to at most 80 by 2015 and to at most 50 by 2020
- **OBJECTIVE 3 - Develop and improve entrepreneurial skills and competencies of existing and potential entrepreneurs**
 - a. Goal 1: Improvement in investment on human capital by 20% annually up to 2015 & 15% in 2020
 - b. Goal 2: Increase productivity at all micro, small and medium enterprise levels by 20%
- **OBJECTIVE 4 - Encourage Rural transformation and reduce rural-urban migration**
 - a. Goal 1: Reduce the rural poverty index from 54% to 30% in 2015 and 10% by 2020
- **OBJECTIVE - 5 Encourage the use of improved technology in the production of goods and services**
 - a. Goals 1: To increase the skills and know-how for industrial production and management by 30% on a yearly basis until 2020
- **OBJECTIVE – 6: Increase access to funding and financial services**
 - a. Goal 1: To increase access to credit by 20% annually until 2015 and 10% yearly up to 2020
- **OBJECTIVE 7 - Encourage forward and backward linkages with other sectors of the economy**
 - a. Goal 1: To provide linkage with, and be a source of raw materials to, large-scale industries



b. Goal 2: To effectively utilize locally produced raw materials

• **OBJECTIVE 8 - To grow the domestic market for SMEs**

a. Goal 1: Increase procurement of SME goods and services by 60% in 2015 and 100% by 2020

b. Goal 2: Increase government procurement from SME sector by 50% annually

Various strategies and initiatives crafted under each goal are to ensure the achievement of the vision and objectives for the sector. However the vision, objectives and goals for the SME sector cannot be achieved without an effective implementation monitoring framework in place. Hence the implementation roadmap for the SME sector, in addition to detailing timelines and implementing agencies for each initiative, also defines the suitable implementation monitoring framework for guaranteeing smooth roll out and execution of each initiative.

1. Introduction

In the past, Nigeria's over dependence on oil has often exposed the economy to macro-economic instability resulting from the effects of external shocks to oil prices. The recent world economic recession and the sustained slump in oil prices have placed a heavy toll on the country's current account surplus and external resources and have diminished the nation's capacity to finance much of its development needs. It is projected that as real GDP growth slows to 2.2% from 2009, population growth rate will climb to 2.5%. Such trends could plunge the country into severe recession and pose a major challenge to the Government.

Since the dawn of democratic dispensation, particularly from 2003, the Government has taken similar situations head-on with the introduction of a plethora of reform programs. These reforms were designed to change the way the Government hitherto carried out its business through adoption of global best practices. Within the Medium Term Expenditure Framework (MTEF), the National Economic and Empowerment Development Strategy (NEEDS) reform program was aimed at reversing negative trends, such as the nation's overdependence on oil, and repositioning the country for sustainable broad-based growth and development. Since 2003, NEEDS and other programs have sought to promote professionalism and efficiency in the management of Nigeria's plan implementation process.

The Vision 20: 2020 program will undoubtedly consolidate on the gains of NEEDS and other reform programs to propose an essential strategy plan with a long-term perspective designed to launch the country from being among eighty-four (84) leading economies worldwide to becoming one of the top 20 economies by 2020. In order to realise the V20: 2020 intent, it is imperative that attention be given to the development of SMEs.

It is acknowledged that a nurtured and well structured SME sector can contribute significantly to the country's GDP. The SME sector is strategically positioned to generate employment, create wealth, reduce the prevalence of poverty and sustain economic growth and development. It can absorb up to 85% of jobs, improve per capita income, increase value addition to raw materials supply, improve export earnings and step up capacity utilization in key industries. The SME sector is structured across other key sectors, including Manufacturing, Agriculture, Solid Minerals, etc. and thus has strong linkages with the entire range of economic activities in the country. It is therefore also capable of diversifying the economy from a mono-based one, overly dependent on oil to being broad-based and stable.



In this regard, the growth of a sustainable and prosperous SME sector should therefore be a top political and economic agenda of the government and the SME sector V20: 2020 strategy plan should be highlighted as one of the country's foremost priority development objectives.

1.1 Methodology – Approach for Strategy Plan Development

The SME National Technical Working Group (NTWG) employed a collaborative approach in the development of the strategy plan for the SME sector. This involved extensive technical meetings, comprehensive literature reviews, discussion, research, and consultation with industry operators, MDAs and other NTWGs.

In the initial stages of the strategy plan programme, the issues and challenges facing SMEs and opportunities for SMEs in Nigeria today were highlighted. To gain additional insight into the current position of the SME sector, information obtained from various authoritative sources, including the CBN, UN, World Bank, FOS, was reviewed in detail.

Benchmarking and best practice analyses were carried out to support the assessment of the sector in relation to other economies and to help in ascertaining the ambitions of the nations SME sector. Further, global trends and their implications for the SME sector were analysed. All these activities helped in comprehending the strategic imperatives for improvement, competitiveness and growth of the nations SME sector

In the latter stages of the strategy development process, apposite vision, objectives and goals for the SME sector were identified. Key strategies and initiatives to promote growth and development of the sector were highlighted and resources, funding and timelines for each initiative were assigned. Finally an implementation roadmap inclusive of efficient implementation monitoring framework, to ensure smooth roll out and achievement of the SME sector V20: 2020 strategy plan, was defined.

1.2 Scope of the Small and Medium Enterprises (SME) Sector

1.2.1 Structure of the SME Sector

The SME sector comprises micro, small and medium enterprises which are distinguished as a group separate from large organizations. Majority of SME businesses in Nigeria are family-owned, have a low capital base, are located in urban and semi-urban areas and largely reside in the

informal sector. The informal sector in Nigeria refers to economic activities in all sectors of the economy that are operated outside the purview of government regulation.

As in developed economies, Nigeria with the introduction of the National Policy on MSMEs has addressed the issue of definition as to what constitutes micro, small and medium enterprises. This classification, also adopted by SMEDAN, defines the size category, number of employees and asset holdings as follows:

Table 1.1: Structure of SME Sub-Sector

S/N	Size Category	Employment	Assets (=N= Million) (excl. land and buildings)	*Estimated Number (% of MSMEs) - 2004
1	Micro enterprises	Less than 10	Less than 5	6.7 million (80%)
2	Small enterprises	10 to 49	5 to less than 50	1.3 million (15%)
3	Medium enterprises	50 to 199	50 to less than 500	420,000 (5%)

*Source: National Policy on MSMEs, *Chemonics International Inc. 2005*

The three categories of enterprises, as defined in table 1.1, play different roles in the economy and are influenced by the characteristics of operators and the strictness of entry requirements. The government will need to institute the right kind of programs and policies that aim to drive a respectable percentage of the large number of informal micro enterprises into the formal sector and facilitate the transition of small and medium enterprises to medium and large scale enterprises respectively.

Micro Enterprises

According to the National Policy on MSMEs, micro enterprises in Nigeria are dominated by wholesale and retail trade, manufacturing, vehicle repair/servicing, transport, hotels and restaurants and building and construction. Majority of micro enterprises are informal, family owned businesses with low output value and low levels of skills and technology.

Micro-enterprises are wide-spread throughout the nation and are numerous due to the nominal entry requirements. Targeted interventions in the form of funding, technology upgrade and training through will go a long way in increasing the very low number of micro-enterprises transitioning into small and medium enterprises. This will result in multiplier effects of employment generation and reduction of poverty incidence.

Small Enterprises

Most small enterprises are registered businesses and they are usually more organised and efficiently run. Due to the fact that they have a larger number of well educated, technically skilled proprietors they have easier access to banks credit and with targeted assistance and support offer the highest potential for growth.

Medium Enterprises

The formal SME sector is dominated by medium enterprises, majority of which are in the manufacturing, transportation and ICT sectors. They have better access to credit and are the main recipients of most government initiatives targeted towards SMEs. Government initiatives like SMEDFUND and SMIES aimed to cover only enterprises with a maximum asset base of N200 million and those that regularly complied with applicable tax laws. These criteria clearly ruled out most informal businesses providing majority of employment and constituting about 80 percent of SMEs.

1.2.2 SME Sub-Sector's

The concept of SMEs cuts across 'real/ productive' and 'service-related' sub-sectors of the economy. Due to this broad coverage, SMEs are typically linked to more than one business or sector of the economy. The distribution of SMEs across sectors different sectors of the economy is defined in the FS 2020 Plan for SMEs is as follows:

Table 1.2 – Distribution of SMEs across Sub-Sectors

S/N	Sector	Enterprise	Products and Activities
1	Real Sector	Agriculture	Lumbering, farming of cassava, cereals, tubers, cocoa, rubber, groundnuts, etc.
		Agro-Allied	Primary agricultural processing of raw agricultural produce such as oil palm, cocoa, groundnut, cassava, fruits, rice, etc.
		Manufacturing	Food and beverage; metal, iron & steel; paper, printing & publishing; chemicals, paints, pharmaceuticals & plastics; textiles, garments & leather; wood, furniture & paper; automobile components and assembly; tanning; fabricators; foundry, etc.
		Building and Construction	Building, structures, roads, etc.

S/N	Sector	Enterprise	Products and Activities
		Solid Minerals	Artisanal mining, small and medium scale mining, quarrying etc.
2	Service-Related Sector	Information Technology and Communications	Software development, hardware assembly, computer supply and maintenance companies, internet service providers, communication accessories companies, etc.
		Educational Establishments	Schools, colleges, continuing education centres, training centres, vocational skills centres, etc.
		Tourism and Leisure	Hotels, resorts, entertainment, restaurants, recreational services, arts, etc.
		Transportation	Road transport, water transport, logistics, haulage, storage and warehousing etc.
		Trade and Commerce	Wholesale and retail, supermarkets, shops, import and/or export etc.
		Other Services	Consulting, law, healthcare, financial services, real estate etc.

Manufacturing and Agro-Allied

The vast presence of basic raw material input across the country; the existence of relatively cheap labour, the existence of a huge domestic market and complementary markets in the ECOWAS sub-region assure the existence of profitable patronage for emerging SMEs. Currently, due to the structure of the national economy and especially the low productivity of the SMEs, the huge potential for SMEs in the manufacturing and agro-allied sector's is far from being realized. If the required steps are taken under the V20: 2020 program, to improve the business environment for SMEs, huge opportunities for them to generate employment and make rewarding profits will arise.

Solid Minerals

The nation's solid mineral deposits are a largely untapped but massive resource endowment. Their spread across the country and the labour intensive nature of mining activities primes this sub-sector as a creator of employment. One of the strengths of the Nigerian economy is its endowment with assorted number of solid minerals which currently are being tapped in disorganized and inefficient ways. Yet, this is a sub-sector that allows for modest capital to participate and make gains while diversifying the economic base of the nation. With the streamlining of the relevant laws relating to mineral exploration and the relaxation of the business environment, the export potential for SMEs

will be, literally, unlimited. Participation of SMEs in export markets will greatly contribute to poverty reduction while strengthening the productivity and economic base of the various states of the confederation, all of which currently depend precariously on fund allocations from the federation account.

Building and Construction

Although construction typically accounts for a substantial percentage of GNP and total public spending in Nigeria, the indigenous construction industry is slow to benefit from this trend. Growth and development of the Nigerian building and construction industry through active participation of SMEs should be of highest priority to the government. Mechanisms such as cede contract payments to financial institutions, export market sourcing, credit base support, capital equipment support and fiscal policies need to be put in place to develop and indigenize the industry .

Metal Fabrication

There is consistent demand for basic metal products across the country - especially in the area of housing. There is no doubt that this is a sub-sector where Nigerians have demonstrated inspiring ingenuity and therefore contains huge promise for the emergence of engineering knowledge. Given the presence of the basic materials for metalwork within the country, especially with the expected boost in the iron and steel sub-sector, metal fabrication is capable of delivering substantially on both employment creation and profitability.

Information and Communication Technology (ICT)

ICT is the future, its promises are high and it constitutes the real test of the importance of a knowledge driven economy for the nation. Typically, very limited initial capital is required for entry and participation as it is essentially a skill-based sub-sector. The widespread need for ICT services is characterized by the growing demand and consequent profitability of the sector. Already, within the relatively short period of telecommunications sector explosion in the country, quite a number of entrepreneurs have emerged to take up services across related spheres of marketing, sales and most importantly, repairs of ICT products. This trend is expected to rise on the upswing especially given the growing importance of the sub-sector globally. The prospect for SME participation and realization in the domestic ICT market is therefore bright.

Culture & Tourism

Culture and tourism are familiar terrains for SME with operations such as restaurants, hotels, craft making etc. This sub-sector has long been a standard entry-point for businesses that have a ready market. There is ample opportunity to learn, participate and compete effectively due to the vastness of the market which continues to grow with improved income and changes in lifestyle and taste. There is always room for participating SMEs to create a niche and this is a strong potential basis for substantial profit. The importance of tourism is increasingly being appreciated world-wide and with the nation's diverse cultural composition, opportunities abound across the country for SME involvement and growth.

Transport

Transportation is a permanent requirement in economic activities across all other sectors hence it constitutes a veritable investment outlet for SMEs. Indeed, currently and historically, this sub-sector has been a natural selection avenue for SME participation as the demand for transport services is ubiquitous and the initial capital required can be modest. Although it carries a high risk element, it has proved to be an effective starting point for many SME investors.

Agriculture

This is another traditional refuge for SMEs as it allows for application of improved inputs for enhanced profit. Fortunately, there is growing awareness for needed public support on the relaxation of credit access conditions for farmers in the country and there is unlimited market potential. Also, there is room for forward and backward linkages with promise for employment and profit making. One of the great strengths of the sub-sector is the multi-purpose service it provides in terms of food and inputs for the manufacturing sector and the potentials along these directions are literally limitless. Traditional methods of farming are a tedious constraint but the emergence of aquaculture and modern animal husbandry is opening doors for the realization of huger profits in the sub-sector.

Trade & Commerce

Trade and commerce is already the traditional medium of engagement for entrepreneurs. The modest take-off capital required permits a large number of entrants and by promoting partnership and alliances there is opportunity for participants to grow returns and contribute to economic growth, especially with increased access to world markets.

Water & Sanitation

The potential gain for SMEs in the water and sanitation business is rapidly growing, especially with the rising awareness on environmental issues and the increasing embrace of the public-private partnership paradigm. SMEs need to be strengthened, through their involvement in the industry, to contribute to the improving the environment we live in.

1.3 SME Sector – Key Players

1.3.1 Public and Private Institutions

Small and Medium Enterprises Development Agency (SMEDAN): SMEDAN was established by the SMEDAN Act of 2003 to promote the development of the MSME sector of the Nigerian Economy. Being the official bedrock of SME in the country, its Vision is: to establish a structured and efficient micro, small and medium enterprises sector that will enhance sustainable development of Nigeria while its Mission is: to facilitate the access of micro, small and medium entrepreneurs/investors to all resources required for their development. There is a national policy documents on SME that should ideally be the guide for SMEDAN; however the persisting paucity of data on the sector points to an enduring challenge for the Agency.

Nigerian Economic Summit Group (NESG): The NESG is as umbrella for the organized private sector; it is Nigeria's primary private sector economic think tank. It has succeeded in getting the ears of government on matters affecting the private sector-with spill over to the SMEs. Indeed, it has a sector sub-group on SME. On April 2009, in collaboration with the World Bank, it held its second annual dialogue aimed at offering stakeholders a forum in which to define problems within Nigeria's competitive business environment and create solutions. At that occasion, the World bank annual doing Business report was presented to the public with opportunity for the re-examination of the key problems faced by entrepreneurs in Nigeria. The Group had its member as Chair of a joint Planning Committee comprising key SME Stakeholders, including SMEDAN, UNDP, the World Bank, USAID, GTE, NASME, NASSI, amongst others, which organized and successfully hosted a groundbreaking two day First National Forum for Synergy in the SME Sector Development in Nigeria. The forum, the first of its type in Nigeria had eight simultaneous break-out sessions that addressed diverse issues in the SME Sector, such as finance, capacity building, coordination, policy and legal framework, infrastructure, et cetera. It aimed to harmonise the parallel,



uncoordinated initiatives and duplicative programmes of several government agencies and private intervention agencies in the SME sector such that the SME Sector could be development in a harmonious and orderly manner.

National Association of Small-Scale Industrialists (NASSI): NASSI is a registered government agency that acts as a sourcing agent for government ministries and state and local government, for their desired needs. More important, it exists for the development of small and medium scale business companies in the country and it has the right to represent a registered company abroad for the purpose of investments and also importation. Currently, the Association is operating a 5-year strategic plan that includes the creation of 2 million jobs. Its membership of the Nigerian Association of Chambers of Commerce, Industry, Mines & Agriculture (NACCIMA) which is the umbrella organization for the chamber movement in Nigeria, it enjoys them networking facility of having its voice heard at high quarters on problems facing SME. NASSI seeks to strengthen the participation of the private sector in the new democratic process of policy formulation in Nigeria. Towards this end, it is undertaking a series of policy advocacy workshops in that will bring together representatives of the small business sector and government representatives to discuss the necessary elements of a clear and coherent small business policy for Nigeria.

Manufacturers Association of Nigeria (MAN): Established in 1971, the coming into being of the association was motivated by the desire to have a focal point of communication and consultation between industry on one hand and the government and the general public on the other. MAN is in the business to create a climate of opinion in this country in which manufacturers can operate efficiently and profitably for the benefit of all. MAN promotes and protects manufacturers' collective interest. Its five-pronged objectives includes providing manufacturers all over Nigeria the means of formulating, making known and influencing general policy in regard to industrial, labour, social, legal, training, and technical matters. Although its embrace excludes micro business units, it nonetheless has room for the medium business units as its membership is open to manufacturing companies employing not less than 10 persons in permanent establishment and its interests largely coincide with those of SME. Indeed, SME constitutes the recruitment platform for MAN.

A list of several other public and private sector agencies with responsibility for the SME sector is provided in Appendix 1.

1.3.2 International Development Partners and NGOs

There are a number of international donor agencies and development partners working to promote the growth of SMEs in the country including the World Bank, United Nations Industrial Development Organization (UNIDO), United Nations Development Program (UNDP), Department for International Development, U.K. (DFID), United States Agency for International Development (USAID), Food and Agriculture Organization of the United Nations (FAO), International Finance Corporation (IFC) and others. Those cited here, constitute a sample of those on which information was readily available.

German Technical Cooperation (GTZ): GTZ is the German equivalent of the British DFID, the American USAID in Nigeria. It is an international cooperation enterprise for sustainable development with worldwide operations. The organization's brochure states: "...In a desire for sharper focus, the Nigerian and German governments agreed in 2002 to concentrate the technical cooperation on sustainable economic development from which arose the Employment-oriented Private Sector Development programme (EoPSD) which aims to improve the performance of micro, small and medium-sized enterprises in Nasarawa and Niger States in order to create income opportunities and employment. The EoPSD is directly linked with the MSME through their association and numerous private service providers including microfinance institutions, which EoPSD supports. MSME benefit from its development services, skills training in several sectors and better access to financial services."

The World Bank: While focusing on business development in general, the Bank inevitably takes on board the interests of SMEs. For example, its public presentation of the annual Business Outlook Report provides a useful guide on the Nigerian economy to investors. The World Bank 'MSME Project' in Nigeria aims to increase the performance and employment levels of MSMEs in selected non-oil industry sub-sectors and in targeted states of the country.

National Association of Nigerian Traders (NANTS): Among the array of NGOs with interest in the sector, NANTS appears to be one of the most active and visible. It started out as the umbrella of traders in raw materials, industrial goods and finished goods (both locally made and imported) in Nigeria. However, to encourage and improve the interlink between market access and production of goods, its membership and focus has recently been expanded to include local manufacturers of consumer goods and local farmers networks who are mostly SMEs. In 2008 alone, the Association carried out needs assessment studies of SMEs in two sites in Nigeria; one on farmers in the middle belt comprising Benue, Nasarawa and Plateau States, the second on the industrial cluster in Aba covering makers of shoes, bags and garments. The unifying concern underpinning these studies is

the facilitation of access by the SMEs to affordable finance and other cooperating factors for enhanced productivity and consequent rise in income.

1.4 Review of Government Involvement

1.4.1 Previous Developmental Plans

Over the years Government has also enunciated several national policies that have implications for SME development. During the era of the five-year National Development Plans 1960 – 1975, the general perception was that countries were classified as poor or rich, developed or developing depending on their respective levels of industrialization. The conventional wisdom at the time was to group SMEs with the manufacturing sector all in a bid to achieve the rapid industrial transformation of the economy. Strategies for this included export (oil) driven growth, and employment generation through backward and forward linkages, which was expected to come from the broader policy thrust of import substitution.

Buoyed by the oil windfall from the global crisis of the late 70s, Government embarked on several strategic turnkey projects in the hope that they would promote the transfer of technology. Unfortunately these policies failed to yield the desired results. The global economic crisis of that period brought in its wake distortions in factor prices, which rendered goods and services produced by import – substituting enterprises uncompetitive.

Furthermore, embarking on turn-key projects in itself did not guarantee the transfer of technology which is only possible within a complex matrix of quality basic education, specific skills acquisition, comprehensive infrastructure development, capital deepening and leveraging and enabling legal framework.

The National Development Plans gave way to the Rolling Plans, which were later replaced by NEEDS. It is only with the inception of NEEDS 2 that SMEs were treated as a sector in their own right rather than being grouped under the manufacturing sector. NEEDS unlike previous development plans was formulated in consultation through meetings and workshops to identify what the Nigerian people wanted for the future, what problems they faced and what could be done to overcome them. It is therefore not surprising that NEEDS was the first national policy document to specifically plan for the SME sector. The vision of the SME sector under NEEDS 2 was to deliver the maximum benefits of integration and growth, employment generation and wealth creation in the Nigerian economy. The NEEDS 2 tripartite policy thrust for the development of SMEs is aligned to tap resources from the NEPAD programmes. The NEEDS 2 policy itself aims to make SMEs



increasingly more dominant in the overall economy, provide and strengthen its institutional support systems and increase the access of SMEs to financial markets and credit schemes.

The FSS 2020 program also recognised SMEs as “a major sub-sector of the Nigerian economy and therefore prospective beneficiaries of the gains of the FSS 2020 especially in the area of access to finance”. As part of the FSS 2020 vision for the Nigerian financial system a vision, mission, strategic objectives and initiatives for the SME sector were developed. The FSS 2020 vision for the SME sector is “to be the most productive SME sector among emerging markets by 2020” and the FSS 2020 mission for the SME sector is “to foster a dynamic and globally competitive SME sub-sector that will enhance the productive base of the economy leading to increased job and wealth creation, promote economic growth and improved living standards as well as poverty reduction”.

It is of interest to note that initiatives of the budding SME sector came under the purview and assessment of the African Peer Review Mechanism. The assessment report praised key initiatives, which included the establishment of SMEDAN, and measures to improve access to financing under BOI and SMIEIS. The report however warned that corruption and institutional weaknesses might prevent the funds from reaching intended beneficiaries thereby crippling its operations. Concern was also expressed over the wide regional disparities in gaining access to the SMIEIS fund.

It is hoped that those concerns will be taken into account in the implementation of strategy plan of the SME Sector Vision 20:2020 program.

The target of the Federal Government of Nigeria is for Nigeria to be one of the 20 most industrialized nations in the world. This implies:

- A full development of infrastructural support for industrial growth;
- Reduction in the percentage level of poverty to a single digit;
- Appreciable growth in export for industrial good and services; and
- A well developed information and communication technology.

Nigeria’s SME sector will achieve its ambitions for the year 2020 if there is political will and determination to implement policies and programmes designed to achieve the vision objectives. This should be done bearing in mind the experiences of other countries that are grouped in the category of the 20 most industrialized nations.

1.4.2 Funding Arrangement and Management

There already exists a number of SME funding initiatives that are housed in various financial institutions. These include those undertaken by the CBN viz the Agricultural Credit Guarantee Scheme, the Commodity Surveillance Programme, the Micro-finance programme, the Small and Medium Enterprises Equity Investment Scheme SMEEIS and the Refinancing and Discounting, and Agricultural Credit Support Scheme. Other fund providers include BOI, NBCI, 10% after tax profit of Commercial Banks, World Bank, ADB, UNDP, UNIDO, NERFUND, SMEEIS, NEPC, National Pension Fund and of course investors' equity. There is a need to create a special fund from the Budget to be funded from oil proceeds under a designated SME Trust Fund. There is also need for specific financial institutions with which it would be easier to identify and classify SMEs, facilitate their registration and bring in the many thriving SMEs in the informal sector into the formal sector. This would also enhance data collection and planning for the SME sector.

It is recalled that the Assessment Report of the African Peer Review Mechanism voiced its concerns about the potential of corruption and institutional weaknesses combining to divert funds from intended beneficiaries and undermining the laudable objectives of the SME sector. Furthermore, Commercial Banks are failing to meet their financing obligation to SMEs partly due to the lack of sufficiently trained investment officers.

With regards to preventing corrupt practices in management of these funds, the CBN should strengthen measures to investigate and prosecute fraudulent operations. Further, successful anti-corruption, price intelligence and service delivery components of Due Process and Servicom should be grafted into the operations of these funds.

1.4.3 Incentive Schemes

Cognisant of the fact that SMEs act as a catalyst for economic growth and development, programmes of assistance, especially in the areas of finance, extension and advisory services, as well as provision of infrastructure have been designed by the Nigerian government for the development of SMEs. Specifically, successive governments in Nigeria have in the last three decades shown much interest in ensuring adequate financing for Small and Medium Enterprises (SMEs) by establishing various schemes and specialized financial institutions to provide appropriate financing to the sub-sector. Some of these schemes and initiatives include the establishment of Industrial Development Centres (IDCs), Small Scale Industries Credit Scheme (SSICS), the Nigerian Bank for Commerce and Industry (NBCI), the Nigerian Industrial Development Bank

(NIDB), the World Bank Assisted SME II Loan Project and the National Economic Reconstruction Fund (NERFUND).

A casual glance at these schemes reveals that they are not comprehensive enough and have failed to achieve their goals. Their failure reveals that the problem of SMEs in Nigeria is not limited to lack of long-term financing, but also inadequate management skill and entrepreneurial capacity.

1.5 Overall Targets for the SME Sector

There is generally a dearth of statistics on SME in Nigeria in terms of their current status to be able to project based on baseline information so it was necessary to make some assumptions on realistic goals/ targets for the sector.

On the surface, some of the targets set for the sector within the visioning period may appear rather too high or overambitious. Therefore, it needs to be registered upfront that the choice of these targets, far from being arbitrary, were reasoned out based on three critical considerations, namely:

- i. Observed trends in SME role and performance level in both comparable and more advanced economies points to attainment levels at least as high as the rates by which Nigeria is now being challenged to attain within the visioning period.

For example, when we consider Nigeria's proposed SME target contribution of 50% to GDP by 2015 and 75% by 2020, its realism can be tested against the current contributions of the sector in the following sample of countries: USA-48%, India-40%, Belgium-70%, Malaysia-57.4, China-58.5%.

Currently, Nigeria's SMEs are guesstimated to contribute 30-40% of well below the average for the economies she wants to rub shoulders with by 2020. The key message is that these projected challenging rates are either embraced or the visioning ambition downgraded.

- ii. The ambition of national vision attainment is taken as non-negotiable and must be realized. This throws up the challenge of the goals specified for Nigeria indeed as they represent the minimum level Nigeria must realize if the vision is to have meaning at the end of the day.
- iii. The targets for the sector had to be set bearing in mind the plans for accelerating growth in other countries grouped in the category of the 20 most industrialized nations, especially the Asian tigers, on their path to 2020.

The fundamental growth target for the SME sector as the nation aspires to be one of the leading 20 economies in the world by 2020 is sector contribution to GDP as follows:

1. Economic Contribution

Today	2020
The overall economic activities of small and medium enterprises in Nigeria have been estimated to amount to less than ten percent of the country's Gross Domestic Product (GDP) (SMEDAN 2006).	Contribution of SMEs to GDP is projected to rise from 10 percent to 50 percent by 2020

2. Enterprise Creation

Today	2020
As in most parts of the world, micro, small and medium enterprises currently represent about 87% of enterprises in the country (Chemonics International report for PRISM for USAID)	Basically the aim is to increase the number of SMEs by about 10% to compare with the high levels of 99% recorded in developed and emerging economies

3. Employment Generation and Poverty Reduction

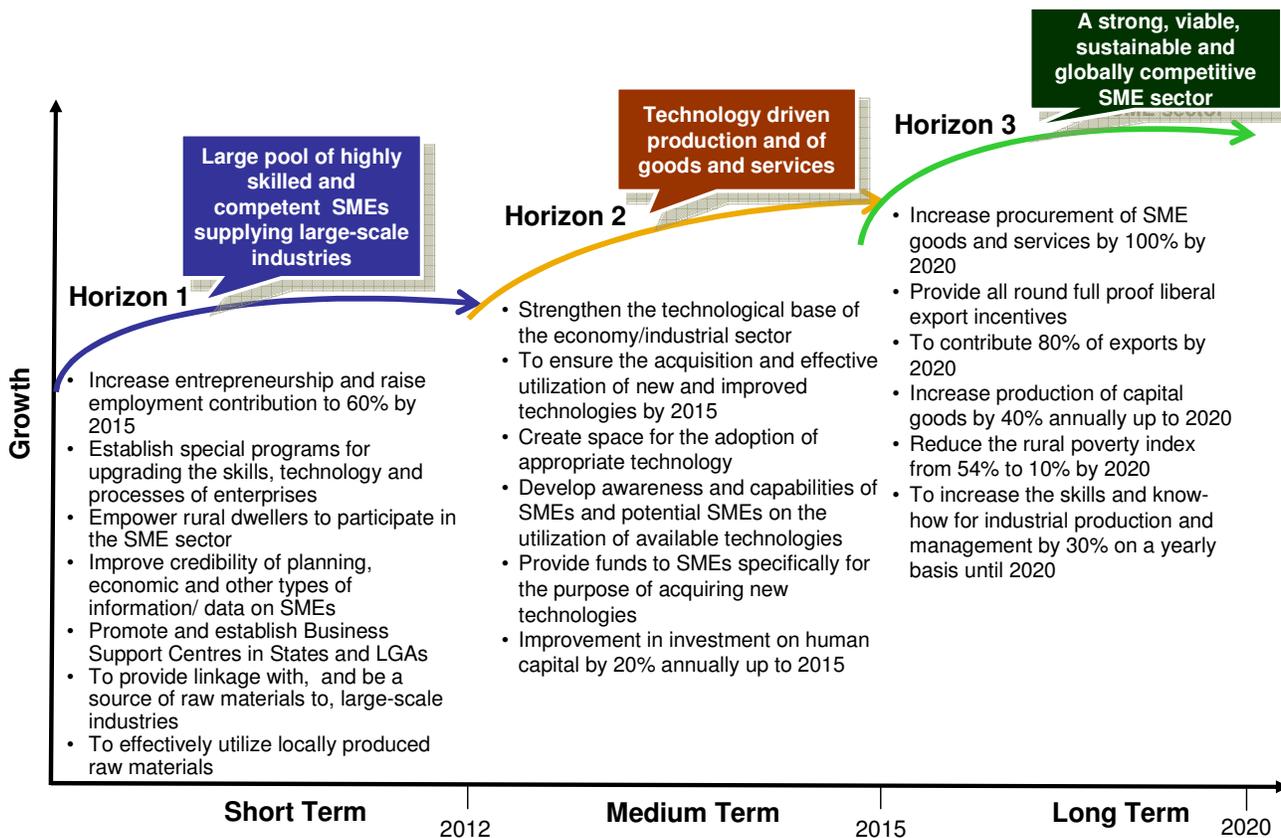
Today	2020
<p>Though Nigeria lacks adequate census on relevant economic indices, it is estimated that Small and Medium Enterprises in Nigeria currently account for over 75% of employment in the country (SMEDAN 2006).</p> <p>This relatively high percentage is however a paradox as 60% of Nigerians still live below the poverty level respectively (UNDP, 2005).</p>	For SMEs to have any significant effect on poverty reduction by 2020, effective employment generated by 2020 will have to grow from about 10 percent to 75 percent of total employment

<p>When the 26 percent of Nigerians that are unemployed and 60 percent living below the poverty line are taken into account, the share of those gainfully employed in the SME sector is more likely to be in the region of 10% as recorded by US Industry Small Business Administration (SBA)</p>	
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4. Export Earnings

Today	2020
<p>The contribution of SMEs to the nations export earnings is a dismal 2 percent. This depicts the lack of competitiveness of Nigeria's SME sector in this regard</p>	<p>With regards to export earnings, SME contribution will rise from the present 2 percent to 35 percent by 2020</p>

Over the eleven year period from 2010 to 2020, other specific goals/ targets must be addressed in the short-, medium- and long- term for culmination of the SME sector's vision. The diagram below depicts expected outcomes at key stages/ horizons in the Vision 2020 program.





2. Assessment of the SME Sector

2.1 Global SME Sector Assessment

SMEs are known to have significant relevance to all the world's economies. In most parts of the world they constitute about 90 percent of all business enterprises. This and particularly their strong forward, backward and intra- linkages with all other businesses, establishes SMEs as the drivers of any economy and the engines of economic development worldwide. With this they are able to generate employment, create wealth and reduce poverty incidence index.

Developed countries realised the potentials of SMEs long ago and undertook initiatives to ensure their productivity and competitiveness. Some of these initiatives at regional and national levels include:

- EU Heads of Government's identification of the SME sector as one of the pillars for transforming the EU into the most competitive and dynamic knowledge-based economy in the world by 2010
- The OECD Bologna Process of 2000 which seeks to foster the entrepreneurship and competitiveness of SMEs in its member countries
- The 2005 APEC Integrated Action Plan on SME Initiative which instituted annual ministerial meetings on SMEs of member countries of that economic group
- SMEs in the US are given a position of prominence in their national policy as the "backbone of the American economy and the path to success for many Americans"
- In Italy, Ireland and Germany, SMEs contribute to R&D in order to enhance their specialisation along the value chain and become successful global service providers.

As a result of SME initiatives such as those listed above, these economies have experienced rapid and sustained growth characterised by substantial growth of exports and rapid demographic transition, agricultural transformation and industrialization. In terms of contribution to the economy:

- In 2003 SMEs in Germany contributed the highest at 57% among developed economies in terms of output in the manufacturing sector;
- With regards to employment in the manufacturing sector SMEs in the Republic of Korea contributed the highest at 81.9 percent among developed economies;

- In Brazil, SMEs represent 81.4 % of 4.6 million enterprises with 54% investing in social responsibility. The SMEs in Brazil have been classified as the real motors behind the nation's economic advancement; and
- Russia's SMEs contribute 13-17% of the country's GDP - a contribution projected to rise to 50% in the next 5-7 years with a plan to encourage 60-70% of Russia's population to become involved in entrepreneurial activity by 2020.

2.1.1 Global Trends

A brief examination of some global trends reveals how they impact on SMEs worldwide.

Globalisation

Globalization is causing some big changes that are expected to drive the expansion of the global economy. These changes are important as globalisation significantly impacts the SME sector through added competition based on innovation, knowledge and cost. Increased trade liberalisation being promoted by the WTO also brings about adjustments and structural changes that are consequent on the changed business environment. These changes necessitate specialisation and repositioning of SMEs to ensure they are resilient enough to participate in both domestic and export markets.

The globalised and liberalised economic environment implicates that Small and Medium Enterprises (SMEs), generally, have to sharpen their competitive edge, i.e. they have to create a fit between both their available resources and their environment. They also have to act on a trans-national level either by strengthening linkages with major global players or internationalizing themselves. Respecting environmental norms have also become important in today's environment.

Competition from Emerging Economies

Emerging economies, particularly China and India have cheaper labour and are therefore low cost producers. They are also innovative as a result of their advances in technology. This is a major reason why India is increasingly a destination for outsourcing by multinationals and why China is able to penetrate the domestic markets of most economies. Some of these global trends and international policies only go to weaken Nigeria's SMEs and impose strong constraints for their development.

Innovation

Nations worldwide are driving innovation in their SMEs sectors by enhancing the role of Intellectual Property (IP) offices beyond the registration function to the promotion of technology. In other nations, Government SME support institutions are beginning to promote innovation in some of their activities and services to SMEs. Cooperation between various SMES support institutions including chambers of commerce and industry, SMES associations, incubators, R&D Centres and universities is being strengthened.

Demographics/ Population Growth

In general, aggregate population trends impact on the fortunes of SMEs. In addition, the demographic structure of a population has implications for the demand profile as a result of the needs of different age groups. As human populations rise, there is a change in the total market power which cannot but affect the supply and demand sides of the operations of SMEs. The importance of this point lies in the fact that SMEs are more responsive to local market needs than their big counterpart operators as the former are less alienated from the general public. However, the degree to which SMEs orient their supply and demand profiles between local and foreign market depends critically on government policy as for example the cassava initiative that was popularized in Nigeria on the assumption of the existence of huge external markets which encouraged local production of the product.

Poverty Incidence

Poverty interfaces with SMEs through its respective dimensions of income, purchasing power and living standard - all of which are of course closely interrelated. The level of poverty experienced by the inhabitants of a country exercises direct influence on the market in terms of effective demand that the people can make and this translates to the possibilities that producers, as economic agents see in from incentive to invest and produce. This is because it is the assessment of the market potential by entrepreneurs that serves as the primary incentive. Where poverty is widespread among a people, the promise of effective demand is weak and the incentive to invest and produce is undermined among SME operators; a similar logic applies to big economic players even if less directly due to the superior access of network enjoyed by the latter.

Climate Change

There is a shared growing concern across the globe on the unfolding implications of climate change for mankind. In this context, SMEs will be affected by the new type of products and services their suppliers will provide and clients will desire. The sustainability of SMEs operations and compliance with increasing environmental laws and regulations will become of growing importance.

The Rise of e-Commerce

The promise carried by e-commerce is huge for big and small businesses. Across finance and other information sharing platforms, e-commerce reduces time and therefore cost while recording increases in accuracy. With particular reference to SMEs, studies and direct experience have demonstrated beyond doubt that e-commerce and the fall out of the internet connectivity has come to change the way SME business is carried out in an irreversible way.

International Trade and SMEs

For SMEs, an expanded market is theoretically an opportunity. However, in practice this market opening or market liberalization could be a real threat to SMEs especially in instances of inferior competitiveness vis-à-vis the local economy and its foreign trading partners. In this context, the various factors and forces that determine the competitiveness of SMEs globally become issues of policy relevance at economic and social levels.

Technology and SMEs

The issue of technology is the key reason for the productivity of industrial organizations or countries. It is widely appreciated that where available and applied, technology is an enabler for business, especially those of SME status. In India's assessment of its SMEs as reviewed in its 2007-2012 Development Plan it is mentioned that apart from other broad limitations of SMEs the most formidable problem faced by the SMEs has been in accessing technology and maintaining competitiveness. This is why, increasingly, serious organizations and countries are giving deserved attention to research and development (R&D) which is the basis for gaining new insights into doing things.

2.1.2 Implications for SMEs

Global wealth has almost doubled since 1990 but nearly half of the world's population subsists on less than US\$2 a day. Poverty remains a major challenge to sustainable development, environmental security, global stability and a truly global market. The key to poverty alleviation is economic growth that is inclusive and reaches the majority of people. Improving the performance and sustainability of local entrepreneurs and Small and Medium Enterprises (SME), which represent the backbone of global economic activity, can help achieve this type of growth.

SME are more likely to be able to play an important role in economic development in countries with:

- Stable financial development, effective and secure financial systems and targeted lending
- Good institutions at all levels of government supporting and promoting SMEs. This will ensure corruption and regulatory burdens are minimised and rule of law, land and property rights, creditors' rights etc. are overseen accordingly.
- Good infrastructure and facilities that encourage SMEs to pool their information and resources
- High level of entrepreneurship and sufficient human capital development
- Promotion of and access to innovation and technology and adequate openness to foreign technology.
- Countries with good policies that encourage stable exchange rates, low inflation, minimize entry regulations and promote attainment of higher levels of education.
- As the economy grows, appropriate rules and regulations that encourage fair competition should be in place to guide the increasing number of companies involved in the domestic and export markets.
- Stable policies targeted at SMEs that provide sustained support and guidance and encourage investment in the sector

2.2 Benchmarking & Best Practice Assessment

Across the world, SMEs are crucial for economic growth, poverty alleviation, wealth creation and the promotion of a more pluralistic and vibrant society. A cursory examination of other countries,

both emerging and developed, shows that they have been able to transform and grow their economies through deliberate and sustainable development of their SME sectors.

This purpose of the benchmarking and best practice assessments is to learn from other economies by analysing the performance of their SME sectors. This will provide a better understanding of how these economies achieved their superior performance levels and provide answers to how gaps in Nigeria’s SME sector can be closed.

2.2.1 SME Benchmarking Assessment

In assessing where Nigeria is today vis-à-vis other countries worldwide the greater concern is given to the developed and emerging economies since they are the nations Nigeria will have to catch up with if she is to become one of the leading 20 economies by 2020.

Enterprise Creation and Employment Generation:

Nigeria’s definition of SMEs compares with the EU single definition. Based on this we can easily assess where we are in this regard with relevant countries as follows:

Table 2.1 – Enterprise creation and employment generation benchmark comparison

Index	UK	Belgium	Ireland	Nigeria*
No of SMEs (%)	99.6	99.8	99.5	87
No of Persons Employed (%)	54.0	66.6	66.5	10
Value Added	51.6	57.4	55.6	NA

Source: European Commission Enterprise and *Industry SBA fact sheet.

With such high number of SMEs and share in total employment, it is obvious that SMEs in Europe form the backbone of the economy. On the whole, SMEs in Europe are more internationalized and have easier access to finance, public procurement and public aid. Nigeria needs to boost the creation of SMEs by at least 10 percent to reach the level of value added by SMEs in developed economies.

GDP Contribution and Export Earnings:

A 2006 CBN publication shows the contribution of SMEs in some advanced and emerging countries and Nigeria with respect to contribution to GDP and export earnings as follows:

Table 2.2 – GDP contribution and export earnings benchmark comparison

2006 Data	US	UK	India	Hong Kong	Japan	Nigeria
GDP contribution (%)	50	50	36	52	50	10
Export earnings (%)	28	25	35	30	35	2

Source: SMEDAN 2006

Nigeria’s SME sector grossly underperforms in contribution to GDP when compared to other countries. Ariyo (1999) suggests that the difference lies in the importance ascribed to the sector, pointing out that while the sector not only forms the bedrock of the UK economy, there is also an age-long, generally acceptability that it is the hub of economic activities in the country. However, in Nigeria, the issue of the SMEs sector and its development have been handled with levity by previous governments.

The Nigerian SME sector contributes just 2 percent to export earnings. The low export contribution is attributed to lack of skills/management capacity, poor product quality, low production capacity, poor access to international markets, and lack of working capital hence the sector has tended to serve the bottom end of the domestic market.

National Funding Arrangements

In a study by the SME team of the Financial System Strategy 2020 (FSS2020), four countries - US, UK, Hong Kong and India - were selected as model economies and their SME strategies benchmarked against those of Nigerian SMEs. In all of these countries the rapidly growing state of their SME sectors contrasted sharply with that of Nigeria. Of interest are their various well-developed and well-managed funding systems strategically designed and targeted to meet the specific needs of SMEs. This contradicts with the practice in Nigeria where SMEs access funds through broad financing agencies as BOI, NBCI etc.

Global Competitiveness

The World Economic Forum defines competitiveness as the “set of institutions, policies and factors that determine the level of productivity in a country”. Nigeria and 133 other countries are assessed and ranked based on twelve pillars or indices of competitiveness including: Government institutions; Infrastructure; Macroeconomic stability; Health and primary education; Higher education and training; Goods market efficiency; Labour market efficiency; Technological readiness; Market size; Business sophistication; and Innovation.

The ranking of Nigeria and other economies, in select global competitiveness indices highly relevant to SMEs, is depicted in the table below:

Table 2.3 – Global competitiveness benchmark comparison

Competitiveness Index	United States (Rank/134)	United Kingdom (Rank/134)	India (Rank/134)	China (Rank/134)	Nigeria (Rank/134)
Government Institutions	29	25	53	56	106
Quality of Overall Infrastructure	7	18	72	47	120
Health and Primary Education	34	19	100	50	126
Goods Market Efficiency	8	19	47	51	56
Technological Readiness	11	8	69	77	94
Innovation	1	17	32	28	65
Financial Market Sophistication	9	5	34	109	54

Competitiveness Ranking of 134 Countries

Source: World Economic Forum – Global Competitiveness Report 2008 - 2009

When Nigeria is compared to other SME driven economies based on the selected indices, it is inferred that the following factors have contributed to the poor performance of Nigeria’s SME sector:

- **Institutional framework:** The UK, ranked 25th in this category, has a superior institutional framework in place and Government has made vast efforts towards the development of SMEs. In Nigeria, on the other hand, institutional framework and government support are

both major drawbacks to the development of SMEs. This includes the legal framework which encompasses business registration, protection of land and property rights, access to construction permits and tax issues.

- **Quality of overall infrastructure:** Nigeria is ranked 120th while the United States with its high quality infrastructure is ranked 7th. Poor infrastructure is the biggest problem confronting SMEs. Power supply is epileptic, road networks are poor, telecommunications facilities are costly and water supply is inadequate both in quality and quantity. It is estimated that infrastructural deficiencies contribute about 40 percent to the cost of doing business in Nigeria and this impacts on the competitiveness of SME products and services.
- **Health and primary education:** Nigeria's poor ranking of 126th, in comparison to an emerging country, like China ranked 50th, is indicative of the low level of human capital development predominant in Nigeria. There is a large pool of untrained and unskilled manpower in the SME sector and the educational system is not structured to satisfy the employment requirements of entrepreneurs.
- **Goods market inefficiency:** Another major drawback to SME performance is trade across borders. Access to international markets is restricted and there is serious competition with cheaper, sub-standard imported goods.
- **Technological readiness:** Nigerian SMEs rely more on traditional labour rather than on the use of modern technology. However the obsolete technologies implemented cannot meet the production challenges of today.
- **Innovation:** Research and development efforts and investment are totally insufficient and there is little coordination between SMEs, innovative centres and universities. The downloading of information is weak and valuable intellectual property remains unprotected. Come 2020, for Nigerian SMEs to maintain a competitive edge over countries like China and India, ranked 28th and 32nd respectively, they must start designing and developing cutting-edge products and processes.
- **Financial market sophistication:** As stated in the WEF global competitiveness report; "Business investment is critical to productivity. Therefore economies require sophisticated financial markets that can make capital available for private-sector investment from such sources as loans from a sound banking sector, well-regulated securities exchanges, venture

capital, and other financial products. In developed countries like the US ranked 9th, and the UK ranked 5th, the financial sector has placed adequate emphasis on supporting and promoting SMEs.

Nigeria's respectable ranking of 54th in financial market sophistication shows that although funding is a constricting factor other issues of infrastructural inadequacy, inadequate legal framework, poor quality of education and technology are more urgent. Notwithstanding, funding and financial services for Nigeria's SMEs are inadequate. Most entrepreneurs resort to utilizing unpredictable and insecure sources of capital such as personal earnings and loans from family, friends and informal loan associations. Those SMEs able to source funds from the banking sector are faced with high interest rates, complex application and approval procedures and provisos of high value collateral.

2.2.2 SME Best Practice Assessment

SME international best practice is itself dynamic however those best practices presented here, stress the fact that higher levels of investment in human and physical capital through SMEs will result in higher rates of growth in per capita income. Other factors that will bring about growth are economic organization, innovation and absorption of technology.

China

In China, SMEs account for 60% of industrial output, 55% of its GDP and 75% of employment. The most remarkable aspect of China's small and medium enterprises is their rapid growth despite their inability to tap the official financial system. Two factors predispose even faster development in the near term. One is their suitability for the post-WTO accession economy. SMEs in China will continue to thrive as more responsive partners of foreign companies than large state firms. They will also have the opportunity to move into market segments once dominated by state firms. The other factor is that the policy environment for SMEs appears to be improving steadily. The SME Promotion Law will help, especially if it leads to better access to bank lending, as would improvement, in and expansion of the credit guarantee system. An important indicator to will be whether the 16th Party Congress builds on the progress made at the previous two Congresses in fostering an ideological framework conducive to SMEs.

An SME promotion law has been instituted codifying the official definition of SMEs and clarifying what support government will be making available to them and in the 1990s the Government created a network of credit guarantee agencies for SMEs which ensures loan repayment to banks and assisting them in relaxing their financial constraints.

India

In laying a solid base for industrial development, the Government of India directed a reasonable part of policy on the development of small scale industries. It provided the small scale industries necessary policy support, needed protection, facilities and incentives.

As early as the 1950s and 1960s, through the Industrial Policy Resolutions, the government provided support for small scale industries on a protective basis by providing subsidies, concessions, small scale industry reservations and direct government support.

With the changes that took place since 1991 when the Government of India announced the Small Scale Industries (SSI) Policy Statement, a great deal of entrepreneurial spirit has emerged, which is being nurtured for future growth. Many of the older restrictions on business ownership have been removed and fewer clearances are now required for foreign partnership and direct investment.

The Indian Government has supported SMEs in the following areas:

- The setting up set up a host of institutions and organizations to nurture the growth and development of SMEs. Some of these institutions and organizations include the Ministry of Small Scale Industries and Agro & Rural Industries, Small Scale Industries Board, Development Commissioner (Small Scale Industries). The Office of the Development Commissioner, also known as the Small Industries Development Organization (SIDO) - is the apex body for formulation, coordination and monitoring of policies and programmes for promotion and development of Small Scale Industries - established under the Ministry of Small Scale industries and Agro & Rural Industries.
- Creation of supportive market conditions in the domestic market.
- Development of exports capability of small scale industries and export of their products.
- Procurement, supply and distribution of indigenous and imported raw materials.
- Development of prototype machines, equipments and tools, which are then passed on for commercial production.



- Supply of both indigenous and imported machines on easy hire purchase terms and special concessions.
- Supply of indigenous and imported machines on lease basis to existing units for expansion, diversification and modernization.
- Capacity development of entrepreneurs and training in several technical grades.

United Kingdom

The UK has a well developed SME sector - 99.9% of businesses are SMEs providing 54.1% of employment and contributing over 50% of the country's annual GDP. There are 3.7 million SMEs in the UK, that is, one enterprise for every ten people of working age. From 1983 to 1988, the British Government administered a credit guarantee scheme of 750 million pounds in business expansion and tax relief to entrepreneurs in quoted companies; and effectively linked SMES with appropriate technologies and educational institutions. 19,000 SMES benefited from the program.

South Korea

The Korean government initially placed the burden of industrial development on the giant industries, but over time the government realized the importance of a dynamic, flexible and efficient SME sector that can provide specialized subcontracting services to the large firms. Laws were passed to promote SMEs, leading to a perceptible rise in their share of economic activity. The system of policy support was crucial to the reversal in their performance. The policy options covered the setting up of specialized banks to finance SMEs and the promotion of subcontracting by large-scale industries:

Taiwan

There are about 700 thousand SMEs in Taiwan, accounting for 70% of employment, 55% of GDP and 62% of total manufactured exports. The industrial structure is dominated by SMEs and programs to promote subcontracting have been of special significance of the country's industrial development.

In 1982, the government set up the Medium and Small Business Administration to coordinate the efforts of several support agencies that provided financial, management, accounting, technological and marketing assistance to the SMEs. The Taiwan Medium Business Bank, the Bank of Taiwan, the Small and Medium Business Credit Guarantee Fund, and the Small Business Integrated Assistance Centre also provide targeted financial assistance to SMEs.

In Taiwan, a large number of small and medium sized enterprises specialize in a variety of skilled intensive and flexible operations aimed at world markets but most are too small to conduct their own research and development. The government helped them with a range of technological support measures:

- One of the most important has been to transfer to SMEs, production-ready technology that the government has imported and adapted.
- There is development in the use of SMEs to implement local content measures, but more effective have been measures to raise the efficiency of local firms through programs of technical assistance and quality enhancement.
- A number of institutions were set up to provide credit, technology and marketing assistance. The China Productivity Centre is the best known for its efforts to promote automation in industry to cope with rising wages and increasing needs for precision and quality.

The High Performing Asian Economies

The recent dynamic growth in East Asia demonstrates what can be achieved with pragmatic government policies and a disciplined, hard-working private sector that responds to the right incentives. Malaysia and Thailand, nations which were poorer than Nigerian in the 1960s managed to double per capita income and dramatically reduce poverty due to the emphasis placed on three major areas relating to SMEs: education and health; industrialisation and international competitiveness; and close partnership between government and the private sector.

Emphasis placed on six areas of policy fundamentals relevant to SMEs is the hallmark of the eight High Performing Asian Economies (HPAEs) of Japan, Hong Kong, the Republic of Korea, Singapore, Taiwan, China, Indonesia, Malaysia and Thailand. Brief descriptions of the six policy areas are as follows.

- *Ensuring low inflation:* Economic stability and low inflation were necessary preconditions for rapid growth in the Asian economies. A key element was the management of fiscal deficit. Moreover, budget rules and legislation requiring that sovereign debt be used for development expenditure helped to ensure that, borrowing funded investment rather than consumption.
- *Building human capital:* Targeted policies on human capital development were regularly introduced and updated based on industry requirements.

- *Creating Effective and Secure Financial Systems:* Financial sector policies in the 8 Asian economies were designed to facilitate two crucial functions - they encouraged financial savings and channelled these savings into activities with high social returns. Specialized development banks were also created to promote the growth of the financial sector by establishing procedures for project financing and monitoring that commercial banks then copied.
- *Limiting Price Distortions:* Despite their many market interventions, relative price distortions were limited and indeed smaller than in most other developing economies. The large weight of exports in total output, duty free imports for exporters and expensive domestic competition meant that all eight HPAE economies had higher proportions of their manufacturing sectors operating at or near international prices.
- *Absorbing Foreign Technology:* While none of the eight economies, except Hong Kong and Singapore, were entirely open to international trade, all were open to foreign technology. Japan, Korea and to a lesser degree, Taiwan and China, relied heavily on licensing, imports of machinery, and reverse engineering during their rapid growth periods. They also welcomed direct foreign investments with relative flexibility.
- *Promotion of Agriculture:* The eight HPAEs promoted agricultural development with high investment in rural infrastructure and limited taxation on agricultural activities.

2.3 Issues Facing Nigeria's SMEs

The issues and challenges facing the SME sector can be broken down into exogenous and endogenous issues. The exogenous issues are those imposed by external circumstances and institutional deficiencies while the endogenous issues are typically human related and are mostly brought about by lack of depth, knowledge and expertise of participants in the sector.

If the SME sector is able to surmount the issues constraining its growth and development, the sector will be better positioned to harness maximum benefit from future initiatives put in place for the sector through the Vision 2020 program.

2.3.1 Exogenous Issues

The major challenges that SMEs are faced with in bracing up to operating in a challenging business environment are briefly enumerated below.

1. **INSTITUTIONAL SUPPORT:**

- **Poor policy framework:** Although a policy on SMEs exists, it is lacking in comprehensiveness.
- **Lack of coordination among various programmes:** Coordination amongst the various SME related programmes are not coordinated and there seems to be no deliberate effort to dovetail activities to meet specific SME needs such as the commercialization of Research and Development findings, upgrading of SME products and services, enhancement of productivity, provision of assistance to participate in trade missions etc.
- **Absence of linkage programmes:** There are as yet no programmes to forge inter-firm linkages amongst SMEs and between SMEs and multinationals. The local content policy needs to be strengthened, training of SMEs in new skills needs to be encouraged and quality control facilities, targeted at suppliers to large firms, need to ensure specifications are met.
- **Inadequate legal framework:** The country's legal framework brings under its ambit, business registration, recognition of individual property rights and dispute resolution. However provisions within this framework are not regularly updated to reflect the current reality and hence are unsupportive of SMEs development. The present framework to grow the SME sector is ineffective, hence there are more SMEs in the informal sector than formal
- **Difficulty doing business:** Policy, legal and institutional deficiencies contribute to the country's poor ranking in World Bank's 'ease of doing business' indicators. Other culprits include multiple charges or taxes, high port tariffs and cumbersome importation procedures. Pervasive corrupt practices have unfortunately also remained a sore issue.
- **Poor data issues:** The absence of readily available and reliable data on SMEs makes planning for them difficult and impedes investment studies for persons intending to participate in the sector. Hence poor data issues have combined to stultify the growth of the SME sector.

2. **POOR INFRASTRUCTURE:** Poor infrastructure is definitely the most significant contributing factor to the sorry state of the SME sector. Energy supply is epileptic, road networks in most areas of the country are dilapidated, rail roads are archaic and hardly reckoned with, water supply - powered in most cases by irregular electricity supply - is erratic and telecommunications facilities are costly. In addition to high operating costs arising from infrastructural deficiencies, SMEs also have to contend with the high cost of imported raw materials, equipment and spare parts. Thus SMEs are uncompetitive when it comes to pricing and are faced with stiff competition from cheaper imported goods It must be pointed out that

infrastructural inadequacies contribute well above 30 percent to the cost of doing business as revealed in a recent study by MAN.

3. **FUNDING CONSTRAINTS:**

- ***Inadequate funds:*** Apart from the insufficiency of funds to match the financing needs of SMEs, specialized funding windows are non-existent. Most developed and emerging countries long ago realised the intricacies of business start-ups, the peculiarities of business slips, the imperatives of credit guarantees and export promotion and the need to make them more resilient. Such countries had taken measures to ensure specialised funds and windows were available to SMEs for each of the stages and aspects of SME development. Nigeria is yet to adopt such practices in sufficient enough depth and breadth for its SMEs.
- ***Poor access to funds and advisory services:*** Access by SMEs to the limited funds available is impaired by their short tenure and high interest rates. This is hardly surprising since these funds, which should ideally have medium to long term tenures, are not tailored to SMEs. Leading banks are not committed to granting SME loans probably because most of them are cash collecting centres with insufficient enough staff, specialised in appraisal and management of SME funding, capable of providing the requisite advisory services associated with SME funding.

2.3.2 Endogenous Issues

Endogenous issues, situated within SME operations, need to be afforded more attention and addressed directly by key aspects of the V20: 2020 strategy plan:

1. **Weak corporate governance, management and accounting practices:** Most SMEs, especially at the micro level, are privately funded and privately owned. Management is at the whims and caprices of the owner and accounting books are not professionally kept. There is little dichotomy between personal and enterprise funds and some SME proprietors deliberately divert loans obtained for project support to ostentatious expenditure. Auditing is only functional to satisfy regulatory demand, where one exists, is often manipulated to avoid taxation and is of no value in enhancing managerial competence. Workers, in most cases, are disregarded and usually work in appalling working conditions hence motivation is low. Key management positions are not subject to merit but are usually occupied by relations of the owner. All these factors combine to signal the eventual collapse of an enterprise.

2. **Social responsibility issues:** The operations of all SMEs contribute to environmental hazards in some form or the other. Unfortunately most SMEs are ill equipped to carry out environmental impact appraisals of their activities and fail to meaningfully engage host communities in dispute and conflict resolution consequent on their activities. In many cases, social responsibility activities are constantly dislocated resulting in loss or closure of the enterprise.
3. **Poor business partnership/ alliance culture:** SMEs are typically linked to more than one business or sector of the economy usually as suppliers. However there is usually a lack of mutual trust amongst business partners. SMEs should be encouraged to create strategic win-win relationships to develop certain aspects of their operations or supply chain and thus grow their activities/businesses. To increase the quality of their products and services and thus their competitiveness, they should also be encouraged to develop links with R&D institutions and partner to leverage more modern technologies.
4. **Low human capital development:** Entrepreneurial skills are poor and insufficient to drive and sustain the sector. SMEs are not equipped with technical management, marketing and ICT capabilities as a result of the low level of training of their operatives. Regular failure to upgrade technical competencies, through training, results in poor utilization of available technology.
5. **Low level of technology:** Many SMEs still employ labour intensive production processes, particularly in the agric sector, and in manufacturing the use of ICT to enhance productivity is limited. Equipment and machinery are in most cases obsolete and cannot cope with modern challenges.

2.4 Opportunities for the SME Sector

If the following opportunities available to the sector are adequately harnessed SMEs will serve as a resource base for multinationals, a potential channel for mobilizing local savings to ensure a more equitable distribution of income and a means to reduce urban-rural migration and arrest the brain drain syndrome affecting the country.

1. **Factor endowment:** The Nigerian economy is factor driven based on its large population and natural resources. Revenues from oil ensure there are budget surpluses which go to swell external reserves. These factors tend to promote macro economic stability which is critical for all businesses including SMEs



2. **Large market:** Nigeria's large population, coupled with rising, albeit slow, living standards provide a huge growing market for SMEs.
3. **Nigeria's strategic location:** Nigeria is so strategically located it can conveniently tap the regional market potentials of West and Central Africa and with access to seaports SMEs should find it easier to participate in export markets.
4. **Penetration of ICT, innovation and other technologies:** The penetration of ICT in Nigeria is remarkable. The country is one of the fastest growing in terms of GSM utilisation. This and recent investments in space technology will bring in their wake great technological advancements that will benefit SMEs.
5. **Research Institutes:** Efforts in research and development provide great opportunities for production of innovative and more competitive products and services. SMEs are needful of the numerous R&D efforts of various research institutes however, to turn them into opportunities, special funds are required to commercialize and utilize any findings.
6. **Size and spread of tertiary institutions:** With the large number of tertiary institutions spread throughout the country, the training and dissemination of entrepreneurial skills can be facilitated to the advantage of SMEs
7. **International SME support organisations:** The importance of SMEs to the global economy is illustrated by the emergence of organizations around the world devoted to helping them thrive. Bodies like the Organization for Economic Cooperation and Development, the U.S. Small Business Administration, the World Bank, the UNDP and others, are all dedicated to helping existing SMEs in Nigeria grow into bigger employers with higher turnovers by helping with areas of particular challenge for SMEs, such as administrative costs, bureaucratic burdens, and financing of new initiatives.
8. **Financial sector reform and funding:** The initial reform and successful consolidation that have taken place in the financial sector could provoke yet another reform that would boost financial intermediation and open new windows for SME funding. Financing options are now diversified with the capitalization of commercial banks and setting up of a number of micro finance banks (MFBs). Similarly, development finance institutions (DFIs) and bank of industry in particular are making funds available to SMEs for their growth and development. Despite the global economic meltdown, the Nigerian capital market is still vibrant enough for SMEs to play a major role.
9. **Pooling of resources:** SMEs can reduce infrastructure and operating costs by pooling their resources in industrial clusters and enterprise zones clustering e.g. Clusters in Aba and Nnewi.

10. **Vast and rich agricultural and mineral resources:** Nigeria possesses vast agricultural and mineral resources to provide abundant raw materials in various SME sub-sectors including: agricultural production, processing and storage; industrial manufacturing; culture and tourism; estate and urban development; mining, metals and fabrication; and professional services delivery.
11. **Business Development Services (BDS):** In developing the required capacities among SMEs to meet new challenges, the government, private institutions and NGOs should devise appropriate mechanism to deliver business development services (BDS) to a large percentage of SMEs so that they continue to grow and develop, contributing to both the economic and social goals of a nation. Business development services should focus on supporting self-employment and facilitating the running of businesses, thus discouraging the eternal dependence of SMEs on private/government institutions' assistance. Some of the new forms of BDS that could help improve the competitive strength of SMEs are technical assistance with quality improvement and technology use, marketing advisory services and awareness building on issues affecting SME businesses.

2.5 Imperatives for Nigeria's SME Sector

Moving Nigeria's economy from its present level to top a 20 world economy by the year 2020 requires major changes involving operational institutional realignments and redefinitions of our national economic goals and objectives. The SME sector must now join the rest of the nation's economy in pooling resources in pursuit of best practice. In this regard, certain factors have been identified as critical for the SME sector.

Innovation

The SME sector needs to put in place effective innovative schemes that can bring together small enterprises in various industries to exploit the immense national business opportunities. After all, the best ideas come from operators (SME workers and managers) and clients. SMES need to be effectively provided with appropriate technologies and access to innovation emanating from educational and R&D institutions.

Information

There is a huge amount of information available to small businesses which is often times wasted. SMEs have little time to wade through the mass of available information that could be vital to their survival. SMEs need to come together and establish business links - a national network of one-stop shops' designed to bring together the existing confetti of agencies and information. SMEs could be encouraged to view business links as potential focal points. Availability of information on access to credit/loan, profitable market, appropriate technology and business support services will spur increase in the number of new business and guarantee the survival of existing ones.

Enterprise Creation and Competitiveness

Increasing the number of new business start-ups annually for the next five years will ensure targets for nationwide employment generation and poverty alleviation are met. Sufficient information on new technology and innovations will ensure global competitiveness in terms of product quality and pricing. This is very important since for Nigeria to be placed amongst the top 20 economies in the world come 2020, we must start early to address issues of quality and prices. The issues of both corporate governance and best practice must be on the SMEs front burner as should be the need for information, communication technology.

Funding

To fuel SME growth and development, stable and secure access to finance and credit/loan facilities is required. Developed economies are still mobilising credit for their SMEs to be used for either business start-ups, expansion or simply for technological upgrades, innovations, and the sourcing of more profitable markets. The government can initiate grants for capital projects, research and development, vocational training and advisory services. This is expected to have multiplier effects on human capital capacity in general, technical skill development and promotion of e-business applications. The end result would be noticeable quality improvements and international standard best practices adopting and adaptation by SMEs.

Energy

Energy, especially sustainable power supply is one other factor making the SME sector tick world over. A review of the top 20 economies revealed drastic changes in the quantum and quality of power supply. Without regular power supply at reasonable cost, SMEs in Nigeria may never be globally competitive. SMEs currently spend significant proportion of their operating costs on electricity alone either involving acquisition of generator, spare parts, fuel and other related costs and in the end suffer significant losses.

Enterprise Clusters, Industrial Parks and Incubation Concepts

Now is the time to take issues of enterprise clusters, industrial parks and incubation concepts seriously as such concepts will encourage SMEs to pool their resources to reduce costs. These concepts will also encourage the provision of other enterprise resources such as Business Development Services (BDS) or Business Support Services. Public-private partnership in this direction can be quite effective since most SMEs may be willing to pay a little extra to have such facilities in a more sustainable manner. The business cluster and incubation concepts will also promote the formalization of the huge informal sector thus enhancing government capacity to generate revenues and rates from the sector. They will also assist government in administering incentives to actual beneficiaries for waste elimination. Business cluster and incubation concepts also have positive implication for profitable market since they allow SMEs to pool products and services to meet export demand and thus guaranteeing a steady or ready market for their products.

Institutional Realignment

In terms of institutional re-alignment, there is a virtual absence of support institutions to coordinate the various efforts targeted at SMEs. Institutions like CBN, BOI, SMEDAN and a host of others, function independently thus making coordination, evaluation and monitoring of SME related activities cumbersome. The result is dearth of expertise necessary to grow the sector and more challenging management of SMEs. In most benchmarked countries in both the developed and emerging economies, a minimum of three major institutions comprising a FG agency with a defined responsibility for policy related issues (formulation, evaluation and monitoring) and coordination of all SME related activities. The second institution is that which brings together all SME stakeholders; government Agencies, SME operators (owners/managers), and other interest groups for what could be known as Nigeria's SME Council to regularly review, update and streamline SME activities.

Enhanced Linkages with the Agric Sector

Another factor which has incredible pull on SME sector is agriculture. In the past, prior to the discovery of petroleum, Nigerian economy was virtually driven by a buoyant agric sector however before the sector could provide the missing link (via demand/supply value additions) most agric processing businesses in the economy lost their focus and became oil crazy to the extent that it became impossible to provide preservation facilities to prolong agric products shelf life that will ensure food security even in the face of the country's teeming population. The spin-off effect of the agricultural sector on SMEs is huge and therefore needs to be promoted to ensure steady supply of

input and generation of new businesses and employment. For the SME sector to take its proper position in the country's economic mainstream, the agric sector needs to be reinvigorated to produce goods and services not only at the right quality but also at the right price to ensure competitiveness and profitability. Improved seedlings and better yield are factors that can promote viability and sustainability in both the agricultural and SME sectors respectively and collectively. Aside from the employment generated by the number of spin-off businesses along the agricultural sector, the supply-demand value chain ultimately stimulates and creates additional multiplier effects on SMEs along the same value chain. All these chain reactions have positive effects on employment, income levels and life expectancy.

Enhanced Linkages with Other Sectors

With regards to linkages, the SME sector cuts across all other sectors of the economy and in its growth and developmental process, has the potential to transform these sectors and set them onto the path of sustained growth. There is no doubt that SMEs need to strengthen their linkages to large-scale enterprises as they are key players in the supply of raw materials and distribution of manufactured goods. High value added regions in the world demonstrate high interdependency between value added manufacturers and SME suppliers of all types. SME suppliers need to be encouraged to adapt products, demonstrate flexibility and support product development to enable their products feed easily into the value-chain of large-scale industries.

Health

The interdependency of the SME sector with the health sector is significant. The SME sector relies on the health sector to provide the healthy workforce needed to drive SME processes and production. An unhealthy workforce will fail to deliver the productivity levels needed to power the expected transformation from an emerging economy and will result in low output.

Capacity Development

Developing entrepreneurs and entrepreneurship is also a priority. As the proposed initiatives for the SME sector are rolled out, it will be increasingly important to deepening the entrepreneurship program of tertiary and other institutions to ensure a large pool of highly skilled graduates are participating in the sector. Capacity building in specific areas, technical skill development in identified industries and e-business application are also recommended. Enterprise development training should be introduced as part of the basic curriculum in both the secondary and tertiary institutions.

Culture, Tourism and Corporate Governance

Culture, tourism and corporate governance are equally critical. Certain cultures impose unnecessary restrictions, especially on women, which discourage hard work and encourage laziness. The number of public holidays, strikes and shutdowns in Nigeria remains high. The issue of work ethics could also be considered a possible drag in our quest to attain the envisaged objectives by year 2020. Thus key factors and laws promoting corporate governance need to be reviewed and kept in line with our national economic aspiration. Tourism in itself stimulates SME development in some countries where tourism flourishes. The tourism sector contributes the greatest number of SMEs. It provides a steady and profitable market for SMEs and encourages capital inflow as visitors to the country are exposed to immense business potentials and may return as investors in the country.

National Reorientation and Social Responsibility

National reorientation is another important aspect worthy of consideration. There is need for attitudinal changes. Work ethics and integrity need to adapt in line with global business dynamics. It also touches patriotism and demonstrates passion for whatever an individual finds his/her hands doing. It also means dignity in labour and being responsible for ones actions and inactions. This has implications on adherence to the principles of social responsibility. Reorientation requiring leadership by example must also occur. There must be humility on the part of government and commitment to goals and aspirations.

2.5.1 Key Strategic Imperatives

The foregoing have thrown up the strategic imperatives for the nation's SME sector to achieve the desired operating levels consistent with an economy seeking to be ranked 20th in the world by 2020.

These imperatives when ranked in order of priority show that finance is not the major factor constraining growth and development of SMEs as is often thought. The respective ranking of the key strategic imperatives is as follows:

- i. Provision of adequate infrastructure
- ii. Sustained and sufficient institutional support
- iii. Education and skills upgrading



- iv. Technological adaptation and innovation
- v. Availability and access to funding and financial services

3. SME Sector – 2020 Vision, Objectives and Goals

3.1 Vision

The Vision for the SME Sector is as follows:

“To be the main engine of economic growth, a driver of sustainable industrial development and a globally competitive SME sector”.

3.2 Objectives and Goals

The objectives and goals for the SME Sector under the Vision 20: 2020 program are as follows:

- **OBJECTIVE 1 - Develop an SME sector that is the driver of national economic growth and development**
 - a. Goal 1: Increase entrepreneurship and raise employment contribution to 60% by 2015 & 80% by 2020
 - b. Goal 2: Centralize management, monitoring, coordination, planning, promotion and development of SMEs
 - c. Goal 3: To contribute 50% of GDP by 2015 and 75% by 2020
- **OBJECTIVE 2 - Develop a strong, virile, viable and sustainable SME sector capable of competing globally in terms of quality products and services at competitive prices**
 - a. Goal 1: To contribute 50% of exports by 2015 and 80% by 2020
 - b. Goal 2: Increase production of capital goods by 40% annually up to 2020
 - c. Goal 3: Improve the business environment by raising the country's rating on Doing Business List to at most 80 by 2015 and to at most 50 by 2020
- **OBJECTIVE 3 - Develop and improve entrepreneurial skills and competencies of existing and potential entrepreneurs**
 - a. Goal 1: Improvement in investment on human capital by 20% annually up to 2015 & 15% in 2020
 - b. Goal 2: Increase productivity at all micro, small and medium enterprise levels by 20%

- **OBJECTIVE 4 - Encourage Rural transformation and reduce rural-urban migration**
 - a. Goal 1: Reduce the rural poverty index from 54% to 30% in 2015 and 10% by 2020
- **OBJECTIVE - 5 Encourage the use of improved technology in the production of goods and services**
 - a. Goals 1: To increase the skills and know-how for industrial production and management by 30% on a yearly basis until 2020
- **OBJECTIVE – 6: Increase access to funding and financial services**
 - a. Goal 1: To increase access to credit by 20% annually until 2015 and 10% yearly up to 2020
- **OBJECTIVE 7 - Encourage forward and backward linkages with other sectors of the economy**
 - a. Goal 1: To provide linkage with, and be a source of raw materials to, large-scale industries
 - b. Goal 2: To effectively utilize locally produced raw materials
- **OBJECTIVE 8 - To grow the domestic market for SMEs**
 - a. Goal 1: Increase procurement of SME goods and services by 60% in 2015 and 100% by 2020
 - b. Goal 2: Increase government procurement from SME sector by 50% annually

3.3 SME Sector – Potentials and Key Growth Drivers

Overcoming the present challenges facing the SME sector is central to strengthening the SME sector and enabling it to play a lead role in Nigerian economic activities by year 2020. Placing adequate emphasis on the SME sector in the Vision 20: 2020 program will serve to grow the Nigerian economy through:

- Diversification of rural and household economies.
- Decentralized production and broad base distribution leading to a reduction in income inequality.

- Increased opportunities for self employment and new start-ups.
- Integration of the formal and informal sector through forward and backward linkages and between economically, socially and geographically diverse sectors.
- Creation of jobs at low capital cost.
- Creation of a breeding ground for entrepreneurial talents.
- Enhancement of ancillaries to large industrials.
- Export enhancement, innovation and product diversification.

3.3.1 Analysis of Potentials across SME Sub-Sector's

Economic growth is critical to the existence and indeed the survival of any economy and by implication a nation. Hence it is a good indicator for assessing the potential of productive or real sectors of the economy. In the Small and Medium Enterprises sector, GDP is an aggregate of several sector's economic performance. These sub-sectors include: manufacturing, solid minerals, metal fabrication, ICT, culture and tourism, transportation, agriculture, trade & commerce and other service related sectors. Consequently, improvement in economic performance requires changes and growth in these critical sectors that impact directly on GDP performance.

It is notable that the improved performance of non-oil real sector over the years has largely been driven by the agricultural sector (comprising crop production, livestock, fishery and forestry) which grew by 7.2%, similarly wholesale & retail trade, building & construction, and services recorded growth rates of 13.7%, 12.1% and 8.9% respectively from 2001 - 2006. These sectoral indices growth rates translate into sectoral share of GDP in 2006 of Agriculture 44%, manufacturing industry 27% wholesale trade 12%, services 15% and building & construction 4%.

Figure 3.1 – Annualized Sectoral Share in GDP (2002 – 2006)



Source: Central Bank of Nigeria

Using the sectoral contribution to GDP as surrogate measures of ‘value added’ in the economy, it is interesting that the sectors with highest contributions to GDP are those sectors that have the highest concentration of SME Players. This implies SME activities made greater contribution relative to large scale enterprises in the country.

Table 3.1 – Nigeria Sectoral GDP Distribution (2008)

Sector	GDP Share (%)
Agriculture	42.07
Crude Petroleum & Natural Gas	17.50
Whole Sale	17.33
Other services	9.63
Manufacturing	4.13
Finance & Insurance	3.79
Telecom / Postal Services	2.90
Building & Construction	1.83
Hotel & Restaurant	0.46
Solid Minerals	0.31

Source: CBN Report

It is observed that employment is highest in the Agric sector, which is predominately made up of small-scale farmers dotted all across the country. Available statistics shows that over 70% of Nigeria’s population is engaged in the Agric sector; hence this sector has the highest employment generating capability. Unfortunately GDP data for the numerous SMEs along different segments of the Agric sector value chain, such as agric processing and agricultural products distribution and marketing, cannot be captured for want of data on their activities. However it can be inferred that

massive wealth has been created from even small-scale farmers whom have contributed excess output for an increasing market.

Similarly wholesale trade is a predominantly SME based sector. The key players are one-man businesses employing 2 to 10 employees. Large scale firms are conspicuously absent in this sector. Retail trading is the hub of self employment in Nigeria absorbing excess labour thrown out from the shrinking manufacturing and public sectors.

The services sector, of course, has a great concentration of SMEs. The major service providers are self-employed professionals, accountants, doctors, lawyers, school proprietors, consultants etc.

Apart from the crude oil extraction, which is dominated by large firms, other solid mineral mining are basically driven by SME participation.

ICT has witnessed explosive growth in the last five years. The liberalization of the communication sector has attracted key mega players nevertheless SME participation is very visible at the secondary distribution level, in software development, hardware assembly and maintenance etc.

The sectoral value added assessment demonstrates the impact of SME participation in the economic activities, which impact would have been greater, if not for the constraints and limitations challenging SME performance.

SME issues and challenges have been well rehearsed; if these issues can be removed through sustainable improvements in business environment, infrastructure, access to credit and technology and other challenges positively addressed, the SME sector will be enabled to convert its huge potential to real achievement. This will drive growth in SME sector contribution-to-GDP via the sub-sectors with highest concentration of SMEs. The V20: 2020 program should therefore place significant effort on ensuring the SME sector plays a lead role in Nigeria's economy come 2020.

3.3.2 Prioritization of Key Growth Drivers

Nine SME sub-sectors were prioritised based on their profitability and potential contribution to employment and GDP by 2020. The result of this prioritization is as follows:

Table 3.2 – SME Sector Growth Drivers

Ranking	Sector	Explanation/Justification
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1 st	Manufacturing (and Agro-Allied)	The vast presence of basic raw material input across the country; the existence of relatively cheap labour and the huge market are key factors that are expected to drive growth and profitability of SMEs in the manufacturing sector
2 nd	Solid Minerals	Minerals are a largely untapped but massive resource endowment. They are widely spread across the country and given the labour-intensive nature of the activity will access labour and create employment
3 rd	Metal Fabrication	There is strong and increasing demand for basic metal products across the country - especially in the area of housing. The high value added of fabricated metals makes the sub-sector a top priority for 2020
4 th	ICT	ICT is the future and if Nigeria is to become a knowledge driven economy ICT is a must. Entry requirements are low - very limited initial capital required in comparison to other sectors - and the required skills are available
5 th	Culture & Tourism	This is already familiar terrain - restaurants, hotels, handicrafts etc. are businesses that have a ready market. There is always room to create a niche and thus have a basis for substantial profit. Nigeria is expected to become a more stable and attractive environment by 2020. This implies an increase in tourists and business men/women visiting the country
6 th	Transportation	Transportation will always be required and drives economic activity across all sectors. It has the ability to generate employment and alleviate poverty
7 th	Agriculture	Agro businesses are a natural refuge which allow for application of improved inputs for enhanced profit-growth. Great opportunities lie to grow the sector vis-à-vis the relaxation of credit access conditions, unlimited market potential, and strengthening of forward and backward linkages with other

		sectors. Agric products will always be in high demand - Nigeria's population, forecast to grow by 2% annually, will always require agro based products and they will increasingly be utilized in the manufacturing and power sectors
8 th	Trade & Commerce	Trade and commerce is already the traditional medium of engagement for entrepreneurs. The modest take-off capital permits new entrants and with increasingly open markets participation in exports can help to grow the sub-sector
9 th	Water & Sanitation	With rising awareness on environmental issues and increasing embrace of the public-private partnership paradigm there is opportunity for growth in profitability of SMEs participating in the sector



4. Implementation Roadmap

4.1 Overview of the Implementation Roadmap

The success of any economy is a function of the measure of success in SME sector development thus systematic implementation of a well monitored implementation roadmap for SMEs is required to ensure that the Vision 20: 2020 program, in its totality, succeeds.

The implementation roadmap for the SME sector details out the following information:

- Strategy(s) for achievement of each goal.
- Initiative(s) for achievement of each strategy.
- Timelines for completion of each initiative, i.e. short- (from 2009 to 2012); medium- (from 2013 to 2016); and long- term (from 2017 to 2020).
- Key stakeholders responsible for executing each initiative including; implementation, collaborating, funding and monitoring agencies.
- Key performance indicators defining indices or factors that will be measured on a regular basis.
- Monitoring frequency for regular measurement and monitoring of key performance indicators.

4.2 SME Sector - Implementation Roadmap

OBJECTIVE 1 - Develop an SME sector that is the driver of national economic growth and development								
Goal 1: Increase entrepreneurship and raise employment contribution to 60% by 2015 & 80% by 2020								
Strategy	Initiatives	Implementing Agency	Collaborating Agencies	Funding Sources	Timeline (Short/ Med/ Long Term)	Monitoring Agency	Monitoring Frequency	Key Performance Indicator
Promote and inculcate entrepreneurship in national psyche as a platform for National Development	Embark on national publicity campaign to raise awareness on the importance of SMEs in national development	NOA	SMEDAN/ NGOs	FGN and SGs	Short	SMEDAN	Quarterly	Number of emerging SMEs
Promote entrepreneurship as driver of National Growth	Re orientation of the public psyche on the benefits of entrepreneurship	NOA	SMEDAN	FGN	Short	Relevant NGOs	Bi-annually	% increase in the number of people becoming aware of the role of SMEs
Enhance entrepreneurial culture in all strata of the Society.	Include entrepreneurship in the curriculum of all schools from primary to tertiary intuitions	SMEDAN/ Min. of Education	SMEDAN/ NOA/ NGOs	FGN	Short	SMEDAN	Quarterly	No of business start ups. Number of emerging SMEs
Establish a capacity for dynamic and sustainable growth among SMEs	Embark on national publicity campaign to raise awareness among SME operators on the need to adapt to new techniques and processes	SMEDAN/ Min of Information/ NDE/ Min. of commerce & Industry	SMEDAN/ OPS	FGN	Short	SMEDAN	Annually	Share of employment generated
Goal 2: Centralize management, monitoring, coordination, planning, promotion and development of SMEs								

Strategy	Initiatives	Implementing Agency	Collaborating Agencies	Funding Sources	Timeline (Short/ Med/ Long Term)	Monitoring Agency	Monitoring Frequency	Key Performance Indicator
Empower SMEDAN to be the centre of all SME activities in Nigeria	Involvement of private sector in the management and monitoring of SMEDAN	SMEDAN	Private sector/ FGN/ State Govt/ LGAs	All tiers of Govt.	Short	NPC	Bi-annually	An efficient, proactive SMEDAN
	Reorganization of SMEDAN to have the capacity to drive SME growth	FGN	OPS	FGN	Short	OPS/BMO	Annually	An efficient, proactive SMEDAN
Ensure promotion, planning and development of SMEs at the FG level	Establish Ministry with direct responsibility for the SME sector	FGN	OPS/ SMEDAN	FGN	Short to Medium	NPC	Annually	Establishment of a Ministry/ FG level agency for SMEs
Put in place laws, regulation and guidelines that support the growth and development of SMEs	Revise existing and create new laws, regulations and guidelines that are business friendly	Corporate Governance Agency/ SMEDAN	Fed Min of Justice	All tiers of Govt.	Short	OPS/ SMEDAN	Bi-annually	Rating on Doing Business
Goal 3: To contribute 50% of GDP by 2015 and 75% by 2020								
Strategy	Initiatives	Implementing Agency	Collaborating Agencies	Funding Sources	Timeline (Short/ Med/ Long Term)	Monitoring Agency	Monitoring Frequency	Key Performance Indicator

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Establish a capacity for dynamic and sustainable growth among SMEs	Embark on national publicity campaign to raise awareness among SME operators on the need, and how, to adapt to new techniques and more efficient processes	SMEDAN/ Min. of Information/ NDE/ Min. of commerce & Industry	SMEDAN/ OPS	FGN	Short	SMEDAN	Annually	Number of employment generated and Contribution to GDP
	Partner with private sector organizations and development agencies to establish training institutions catering to the capacity development requirements of specific SMEs	SMEDAN	SMEDAN/ NAPEP/ NDE/ UNDP/ UNID/ MAN	All tiers of Government	Short	NASSI/ NASME/ SMEDAN	Quarterly	No of training institutions established
Radically and significantly upgrade key infrastructure of power, road, water and security through Public Private Partnership	Involve private sector companies in the development of key infrastructure	FGN/ State Govt/ LGAs	Ministries of Works at Federal and State levels	All tiers of Govt.	Short	FMW	Annually	Volume and Number of infrastructure projects executed
	Establishment of 1 industrial park in each state of the federation	FGN/ State Govt/ LGAs	Ministries of Works at Federal and State levels	All tiers of Govt.	Short	FMW	Annually	Number of industrial parks established per LGA
Improve credibility of planning, economic and other types of information/ data on SMEs	Provide required facility to relevant agencies on data generation on SMEs	NBS/ SMEDAN	SMEDAN/ NPC/ OPS/ NBS	FGN	Short	SMEDAN	Annually	Reports
	Empower appropriate agencies to undertake SME surveys on a	NBS/ SMEDAN	SMEDAN/ NPC/ OPS/ NBS	FGN	Short	SMEDAN	Bi-Annually	No. of agencies empowered to survey SMEs

	regular basis							
	Establish credible database on SMEs to be updated regularly	NBS/ SMEDAN	SMEDAN/ NPC/ OPS/ NBS	FGN	Short	SMEDAN	Quarterly	SME database

OBJECTIVE 2 - Develop a strong virile, viable and sustainable SME sector capable of competing globally in terms of quality products and services at competitive prices

Goal 1: To contribute 50% of exports by 2015 and 80% by 2020

Strategy	Initiatives	Implementing Agency	Collaborating Agencies	Funding Sources	Timeline (Short/ Med/ Long Term)	Monitoring Agency	Monitoring Frequency	Key Performance Indicator
Develop Import Substitution while driving export promotion	Identify the products where Nigeria is competitive	SMEDAN/ NEPC	Banks/ BOI/ NERFUND/ DFISs	Nigerian Banks/ DFISs/ World Bank/ IFC/ ADB	Short	CBN	Annually	Diversity of Products being exported by SMEs
	Aggressive promotion of products where Nigeria is competitive	NOA	SMEDAN/ NEPC	FGN	Short	OPS/BMO	Annually	The no of SMEs exporting and the Volume being exported
	Enhance export scheme incentive scheme to support the key products that Nigeria is promoting	NEPC	SMEDAN/ OPS/ BMO	FGN	Medium	SMEDAN/ OPS	Annually	The volume and Value of Exports by SMEs

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Provide all round full proof liberal Export Incentives	Engineer single digit interest export credit facilities and tax rebates	CBN/ NEXIM	ADB/ World Bank/ IFC	FGN/ AFREXIM/ IFC	Short	SMEDAN/ OPS	Annually	Rate at which SMEs get loan from NEXIM and related institutions
	An export incentive that will be product based to support the contribution of non oil export to the economy. The incentive should be product based and not Factory based to be able to support Small and Medium Enterprises	Fed Min of Finance/ NEPC	CBN/Nigerian Customer Service	Negotiable Duty Credit Certificate	Short	NEPC/ OPS	Quarterly	Volume and Value of Non Oil Export by SMEs
	Provide sufficient export marketing/sales assistances	NEPC	SMEDAN/ Embassies Abroad	World Bank/ ADB/ UNIDO/ UNDP/ FG	Short	SMEDAN/ OPS	Annually	Volume and Value of Non Oil Export by SMEs
	Establish serviced Export Free Zones in each zone of the country	NEFZA/ Min. of Commerce and Industry	Police/ Customs/ Inspection Agencies	FGN	Short	SMEDAN/ OPS	Annually	The no of SMEs using the serviced Export Free Zones

Goal 2: Increase production of capital goods by 40% annually up to 2020

Strategy	Initiatives	Implementing Agency	Collaborating Agencies	Funding Sources	Timeline (Short/ Med/ Long Term)	Monitoring Agency	Monitoring Frequency	Key Performance Indicator
Strengthen the technological base of the economy/industrial sector	Provide an enabling environment for the country's iron and steel industry to thrive	FGN	State Governments/ Ministry of Industry/ MM&S	FGN	Short	Fed. Min of Commerce and Industry	Annually	The no of SMEs producing capital goods

Create world class export products/brands via copy technology	Introduce a strict product standardization and certification framework	SON, NEPC, NAFDAC/ NACCIMA/ MAN	Multinational Trans-national Marketing Companies/ Brands	FG/ Min of Commerce & Industries/ World Bank	Short	SON/ SMEDAN/ OPS	Annually	The quality of goods being produce by SMEs
	Provide world class technology and research infrastructure	Research Institutions- FIIRO/ PRODA/ RMRDC/ Universities	Min of Science & Tech/ Agric/ Multinational/ Foreign Research Institutes/ SMEDAN	FG/ ADB/ World Bank/ UNIDO/ UNDP	Medium	SMEDAN/ OPS	Annually	The number of research outputs being used by SMEs
Ensure cost competitiveness of SMEs	Government to subsidize production of capital intensive goods and services	FGN/ Federal Ministry of Finance	SMEDAN/ OPS/ CBN	FGN/ Private sector	Short	SMEDAN/ OPS	Annually	The no of SMEs producing capital goods

Goal 3: Improve the business environment by raising the country's rating on Doing Business List to at most 80 by 2015 and to at most 50 by 2020

Strategy	Initiatives	Implementing Agency	Collaborating Agencies	Funding Sources	Timeline (Short/ Med/ Long Term)	Monitoring Agency	Monitoring Frequency	Key Performance Indicator
Review existing relevant laws and guidelines by making them more business friendly	Enhance the capacity of NIPC to effectively serve as one stop shop for doing business in Nigeria especially as it relates to cost and time of setting up business	NIPC/ FGN	SMEDAN/ CAC/ Fed Min of Commerce & Industry/ OPS	FGN	Medium	SMEDAN & OPS	Annually	Rating Status
	Remove all multiple and indirect taxation	Joint Tax Board/ FIRS/ State Inland Boards/ LG Revenue	SMEDAN/ DFIs/ OPS	FGN	Short	SMEDAN/ DFIS	Bi Annually	Rating Status

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		Agencies						
	Improve direct business infrastructure of power, road, water and security	FGN/ State Govt/ LGAs	OPS/ SMEDAN	All tiers of Government	Short	OPS	Annually	Number of new infrastructure in place

OBJECTIVE 3 - Develop and improve entrepreneurial skills and competencies of existing and potential entrepreneurs

Goal 1: Improvement in investment on human capital by 20% annually up to 2015 & 15% in 2020

Strategy	Initiatives	Implementing Agency	Collaborating Agencies	Funding Sources	Timeline (Short/ Med/ Long Term)	Monitoring Agency	Monitoring Frequency	Key Performance Indicator
Establish non-formal education and training courses for SME owners, Managers and workers	Partner with private sector organizations to implement cluster-based entrepreneurship training programme	SMEDAN	SMEDAN/ NAPEP/ NDE/ UNDP/ UNIDO	All tiers of Government	Short	NASSI/ NASME/ SMEDAN	Quarterly	No of those trained
Promote and establish Business Support Centres (BSCs) /Business Information Centres (BICs) in states and LGAs	Incorporate entrepreneurial and business skills in the curricular of tertiary institutions	SMEDAN	NUC/ NBTE/ SMEDAN	Federal & State Govts	Long	NASSI/ NASME/ SMEDAN	Annually	Number of institutions running entrepreneurial courses/ programmes

Goal 2: Increase productivity at all micro, small and medium enterprise levels by 20%								
Strategy	Initiatives	Implementing Agency	Collaborating Agencies	Funding Sources	Timeline (Short/ Med/ Long Term)	Monitoring Agency	Monitoring Frequency	Key Performance Indicator
Establish special programs for upgrading the skills, technology and processes of enterprises	Establish small Business Development Centres in all Universities nationwide	NDE	SMEDAN	Federal & State Govts and private bodies	Medium	NASSI/ NASME/ SMEDAN	Annually	Number of Business Development Centres established
Promote ICT knowledge among SME operators for e-commerce participation	Undertake a census of SME operators with ICT needs and conduct training sessions	NITDA	NOTAP/ SMEDAN	ETF/ FGN	Short	SMEDAN	Quarterly	Number of SME Operators trained
Conduct regular skills audit in order to identify skill gaps and measures to mitigate them	Create a data bank on SMEs	SMEDAN	National Bureau of Statistics	FGN	Short	SMEDAN	Annually	Reports

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Design industry specific technical and managerial training modules to take into account the needs of entrepreneurs in special target areas	Establish Small Business Development Centers in all Universities nationwide	SMEDAN	NUC, MAN & NBTE	FGN, Development Partners	Medium	MAN	Annually	Number of Business Development Centres established
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OBJECTIVE 4 - Encourage Rural transformation and reduce rural-urban migration

Goal 1: Reduce the rural poverty index from 54% to 30% in 2015 and 10% by 2020

Strategy	Initiatives	Implementing Agency	Collaborating Agencies	Funding Sources	Timeline (Short/ Med/ Long Term)	Monitoring Agency	Monitoring Frequency	Key Performance Indicator
Empower rural dwellers to participate in the SME sector	Create special credit schemes for the rural areas	CBN & State Governments	SMEDAN/ FMF/ NAPEP	Government at all levels	Medium	OPS/ NASME	Annually	Number of credit Schemes Created
	Improvement of infrastructure facilities in the rural areas	All tiers of government	OPS/ SMEDAN	All tiers of Government	Medium	OPS/ NASME	Annually	Proportion of rural population with access to various infrastructures

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Promote and establish Business support centres/ information centres in all LGA HQ	Propagate the existence of BSCs across all LGAs	SMEDAN	NOA/ State Min. of Information/ NGOs	FGN/State Governments	Long	NGOs	Quarterly	Proportion of rural population with access to information on the existence of BSCs in their LGAs
Establish special programmes for upgrading the skills, technology and processes of enterprises in the rural areas	Develop business curricula for adoption in the rural areas	NDE	SMEDAN/ NDE/ NAPEP	FGN/ State Governments/ Donor Agencies	Long	SMEDAN	Annually	Developed entrepreneurial curricula
Promote all year farming in order to ensure food security and boost commodity export	Establish more mini-dams for farming purposes	Ministries of Agriculture at Federal and State Government levels	River Basin Dev Authorities/ Ministries of Agric and Water Resources at Federal and State Government levels/ SMEDAN	All tiers of Government	Medium to Long term	SMEDAN	Annually	Number of functional Mini-Dams

OBJECTIVE 5 - Encourage the use of improved technology in the production of goods and services

Goals 1: To increase the skills and know-how for industrial production and management by 30% on a yearly basis until 2020

Strategy	Initiatives	Implementing Agency	Collaborating Agencies	Funding Sources	Timeline (Short/ Med/	Monitoring Agency	Monitoring Frequency	Key Performance Indicator
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					Long Term)			
Create space for the adoption of appropriate technology	Provision of serviced continuous extension training services for SMEs	SMEDAN	Youth Development Centres/ NDE/ OPS	FGN/ State Govt/ LGA	Short	SMEDAN/ OPS	Bi Annual	No. of new technologies adopted
	Assist SMEs in accessing local and international technology markets	FGN	State Governments/ Ministry of Industry	FGN	Short	Fed. Min of Commerce and Industry	Annually	No of new technologies adopted
Develop awareness and capabilities of SMEs and potential SMEs on the utilization of available technologies	Partner with local governments and traditional rulers to establish technology-related formal and non-formal education and training courses/ programmes for SME owners, managers and workers in education centres	FME/ SMEDAN	SMEDAN/ NAPEP/ NDE	All tiers of government	Medium to Long	SMEDAN	Bi-annually	No. of technology training institutions established
	Include technology-related formal and non-formal education and training courses in the curricula of technical colleges and secondary schools	SMEDAN/ Min. of Education	SMEDAN/ NOA/ NGOs	FGN	Short	SMEDAN	Quarterly	No. of institutions with upgraded curricula
	Embark on national publicity campaign to raise awareness among SME operators on the need to utilize new technologies	SMEDAN/ Min of Information/ NDE/ Min. of commerce & Industry	SMEDAN/ OPS	FGN	Short	SMEDAN	Annually	Share of employment generated

Goal 2: To ensure the acquisition and effective utilization of new and improved technologies by 2015

Radically and significantly upgrade use of new technologies through partnership with private sector and SI&T institutions	Large-scale private sector companies and R&D institutions to promote the use of new technology to SMEs	FGN/ State Govt/ LGAs	FGN/ Private sector/ NOTAP	All tiers of Govt.	Short	SMEDAN	Quarterly	Volume and Number of infrastructure projects executed
Provide funds to SMEs specifically for the purpose of acquiring new technologies	Low interest rate technology-acquisition SME fund to be introduced with single digit interest rate and charges to be at a maximum 3%	SMEDAN/ OPS	FGN/ Private sector	Short	DFIs, Commercial Banks, Micro Finance Banks, Private Sector and Government	Annually	The No of SMEs drawn down facilities	SME fund to be made available through DFIs, Commercial Banks, Micro Finance Banks at a single digit interest rate and Cost of perfection of the facility and charges to be at a maximum 5%
Provide tax incentive for SMEs procuring new technologies	Harmonize and reduce the statutory payments imposed on SMEs for procurement of new technologies	Joint Tax Board/ FIRS	Boards of Inland Revenue Services at various levels of government	All tiers of Govts.	Long	OPS/ NASME	Bi-annually	Percentage reduction in tax burden

	Create database on technologies being used by SMEs	NBS/ SMEDAN	SMEDAN/ NPC/ OPS/ NBS	FGN	Short	SMEDAN	Annually	Database
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OBJECTIVE 6 - Increase access to funding and financial services

Goal 1: To increase access to credit by 20% annually until 2015 and 10% yearly up to 2020

Strategy	Initiatives	Implementing Agency	Collaborating Agencies	Funding Sources	Timeline (Short/ Med/ Long Term)	Monitoring Agency	Monitoring Frequency	Key Performance Indicator
Develop special credit guarantee scheme for SMES	Get CBN to work with lenders to SMEs in making the Credit Guarantee scheme effective by guaranteeing a substantial percentage of credit to SMEs	CBN	Commercial Banks, DFISs, Insurance Companies	FGN	Medium	Relevant NGOs/ CBN	Annually	Number and amount of credits guaranteed
Create a N500b SME fund	SME fund to be made available through DFIs, Commercial Banks, Micro Finance Banks at a single digit interest rate and Cost of perfection of the facility and charges to be at a maximum 5%	Reorganized DFIs, Commercial Banks & Micro Finance Banks	SMEDAN/ OPS	FGN/Private sector	Short	Private Sector and Government	Annually	The No of SMEs drawn down facilities

	Collateral for loans not to exceed the value of the loan being requested by SMEs	CBN	SMEDAN/ OPS	FGN/Private sector	Short	SMEDAN/ OPS	Annually	The No of SMEs drawn down facilities
Provide tax incentive for SME sector focused Venture Capital funds	Harmonize and reduce the statutory payments imposed on SMEs	Joint Tax Board/ FIRS	Boards of Inland Revenue Services at various levels of government	All tiers of Govts.	Long	OPS/ NASME	Bi-annually	Percentage reduction in tax burden borne by SMEs

OBJECTIVE 7 - Encourage forward and backward linkages with other sectors of the economy

Goal 1: To provide linkage with, and be a source of raw materials to, large-scale industries

Strategy	Initiatives	Implementing Agency	Collaborating Agencies	Funding Sources	Timeline (Short/ Med/ Long Term)	Monitoring Agency	Monitoring Frequency	Key Performance Indicator
Design a linkage programme to strengthen the absorptive capacity of domestic enterprises	Adopt and a policy framework/guideline on raw material sourcing	Government	RMRDC/ FIIRO	FGN	Short	SMEDAN/ SON	Bi-annual	Passage of relevant law

Goal 2: To effectively utilize locally produced raw materials

Effective implementation of local content policy	Create incentives for compliance with local content policy	Government	SMEDAN/ RMRDC/ FIIRO	FGN	Short	SMEDAN	Annually	The quantity of local raw materials being used by SMEs
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	Create a functional data bank on availability of raw materials in the country	Government	SMEDAN/ RMRDC/ FIIRO	FGN/ Private sector	Short	SMEDAN	Bi-annually	Existence of functional data bank
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OBJECTIVE 8 - To grow the domestic market for SMEs

Goal 1: Increase procurement of SME goods and services by 60% in 2015 and 100% by 2020

Promote patronage of locally manufactured goods	Institute a public sensitization programme focusing on patronage of local products	NOA	SMEDAN	FGN and State Governments	Short	NGOS/ OPS/ BMO	Quarterly	Contribution of SMEs to GDP
	Re orientation of the public psyche on the benefits of procuring SME goods	NOA	SMEDAN	FGN	Short	Relevant NGOs	Bi-annually	Contribution of SMEs to GDP

Goal 2: Increase government procurement from SME sector by 50% annually

Ensure LG, SG, and FG agencies procure their consumables from SMEs	Mandate and equip LG, SG, and FG agencies to procure a critical minimum of 15% of requirements from SMEs	FGN/State Govt/LGAs	MDAs, Security agencies, (all public sector agencies)	All tiers of Govt.	Medium	FMW	Bi-annually	% increase in government procurement of SME goods and services
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- CBN Annual Report (CBN) Annual Report 2006
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Appendix

Appendix 1 - Stakeholders in SME Development

S/N	Ministry	Agency/ Department
1	Federal Government	SMEDAN National Planning Commission National Bureau of Statistics NAPEP NEPAD NEPAD NIGERIA NIPC
2	Federal Ministry of Agriculture	Department of Rural Development Cooperative Colleges Department of Cooperatives NACRDB
3	Federal Ministry of Science and Technology	FIRO NOTAP RMRDC NASENI PRODA ECN NABDA TIPN NACETEM NITDA NBTI NABDA NNMA
4	Federal Ministry of Finance	CBN NEXIM Budget Office



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S/N	Ministry	Agency/ Department
5	Federal Ministry of Labour and Productivity	National Directorate of Employment Entrepreneurship Development Centre
6	Federal Ministry of Commerce and Industry	Corporate Affair Commission Nigerian Export Promotion Council Nigerian Export Promotion Council Nigerian Export Promotion Zone Commodity Associations NEPZA Standard Organisation of Nigeria Small and Medium Industries Department Bank of Industries ITF
7	Federal Ministry of Women Affairs and Youth Development	Department of Women Affairs National Youth Service Corps National Centre for Women Development Citizenship and Leadership Training Centre
8	Federal Ministry of Health	NAFDAC
9	Other Federal MDAs	Ministry of Inter Governmental Affairs, Special Duties and Inter governmental Affairs Citizenship and Leadership Training Centre National Assembly Ministry of Education Ministry of Environment Ministry of Health Department of Public Health Pharmacist Council NIPRD NAMDA State Ministries of Commerce, Industry and Agriculture, Tax, Land, Property/Physical Development Investment Agencies



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Source: National Policy on MSME – SMEDAN, UNDP