

# Strategic Framework and Implementation Plan on MSME Re-categorisation & Enhanced Local Content Development & Implementation Strategy

Prepared for:



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## Project identification and contract details

<b>1. PDF II Project Code:</b>	054 MITI JU
<b>2. Project Title</b>	MSME Recategorization & Enhanced Local Content Development & Implementation Strategy
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<b>4. Beneficiary Organisation:</b> The Federal Ministry of Industry Trade and Investment	
<b>5. Name and title of the beneficiary organisation representative:</b> Ms Aisha Abubakar, Honourable Minister of State for Industry Trade and Investment Mr Adewale Bakare, Director, Industrial Development Department, Federal Ministry of Industry, Trade and Investment	
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## Report approval

Approval of the report must be done by the authorised representative of the beneficiary organisation:

**Name:**

**Title:**

**Signature:**

**Date:**

## **Overview of the MSME policy framework**

In recognizing the role of MSMEs as the engine for economic growth, the Nigerian government established an agency, the Small and Medium Enterprise Development Agency of Nigeria (“SMEDAN”), with the core task of driving development and growth for the entire sector. Adding to the efforts of SMEDAN, other government agencies also have mandates to deploy intervention funds directed primarily at MSMEs with the objective of activating the sector’s potential as a catalyst for economic growth.

However, despite the interest and committed resources, the sector’s demographics have remained largely unchanged and is still characterized by high rate of exclusion from the economic mainstream, as well as enterprise sizes that are dominated by entities at the bottom of the pyramid with little or no path for scalability.

The government recognizes that active engagement of the MSMEs in the formal economy is critical to the sector’s growth and has identified participation in government procurement as a key means of engagement and a critical path for creating opportunities for growth. However, the high informal nature of the sector has forestalled efforts at engagement and have tempered the rate of anticipated engagement gains, as the outcome has been low participation by the MSMEs and low awareness of such engagement programs.

To understand the current state of the MSME sector, and in particular how the sector’s stratification might affect awareness and involvement in government procurement, a market analysis of the sector was conducted to identify the issues stifling MSME competitiveness and to seek ways for improvement

The market analysis was conducted to provide answers to the following:

- The characteristics of the MSME segments;
- Understanding of the government intervention funds and the level of MSME participation;
- Understanding of the government procurement process and analysis of the opportunities and challenges facing the MSMEs

Key findings of the reclassification report revealed high levels of informality in MSME operations as the major deterrent to their ability to access government funds, interventions and policies required to upscale. We also observed a correlation between levels of formality & size with higher levels of participation in government interventions and procurement. Notably, medium sized MSMEs, who in comparison to the other segments exhibit higher levels of formality, are more aware of government intervention funds and participate more in government procurement than other MSMEs categories. Consequently, it appears the benefits of government interventions disproportionately flows to medium sized businesses to the detriment of other MSME classes.

To correct this imbalance, we have recommended the introduction of restricted tendering for MSMEs and inclusion of contract value as a complementary category driver for MSME procurement purposes in our MSME reclassification report. We recognize that most government procurement is driven by the size of the contract – as this provides a clear and transparent way to estimate the potential capacity of the contractor for each respective opportunity - as well as assure a pipeline of opportunities for each category of the MSME value chain.

As part of the study we also recognized the need to create a Nano classification for MSMEs, as the Micro class encompassed a separate group of MSMEs with a distinct set of characteristics. As such this framework seeks to maximize opportunities for Micro (including Nano), Small and Medium Enterprises (MSMEs) to participate in public procurement by targeting the sector with procurement opportunities and reducing the compliance burden required to participate in the delivery of goods and services to the Government.

To enhance MSME growth, government needs to target the Nano, micro and small enterprises, as these businesses offer the greatest multiplier effect on the economy. Consequently, this strategic framework is focused on strengthening the Nano, micro and small MSME segments in order to support upward migration through the value chain.

### **Policy objectives**

The objective of the policy framework, developed through extensive market study and consultation with MSME stakeholders, including BPP, SMEDAN, CBN, BoI etc. and MSMEs operating in different sectors of the economy, is designed to significantly enhance the competitiveness of MSMEs bidding for public procurement opportunities through the following initiatives:

1. Incentivize MSMEs to formally register their businesses with the CAC, which is a key qualifying criterion for public procurement. Amongst others, specific incentives include:
  - i. reducing the cost of registration
  - ii. simplifying the registration process and
  - iii. reducing tax compliance requirements.
2. Increase direct opportunities for MSMEs to compete for government procurement by creating a restricted procurement range for MSMEs
3. Minimize barriers to participation in government procurement opportunities through more targeted communication of procurement opportunities using a variety of channels, such as MSME online portals, social media, stakeholder meetings, industrial clusters and MSME facilitation centres.

The underlying premise of the policy framework is that MSMEs involvement in public procurement will be greatly enhanced from a procurement process that is easier, simpler and transparent, while also benefiting the government through better service delivery and value for money from a more competitive and innovative MSME base.

### **Implementation strategy**

The implementation strategy to deliver strategic policy framework consists of six initiatives segmented into two categories of implementation interventions:

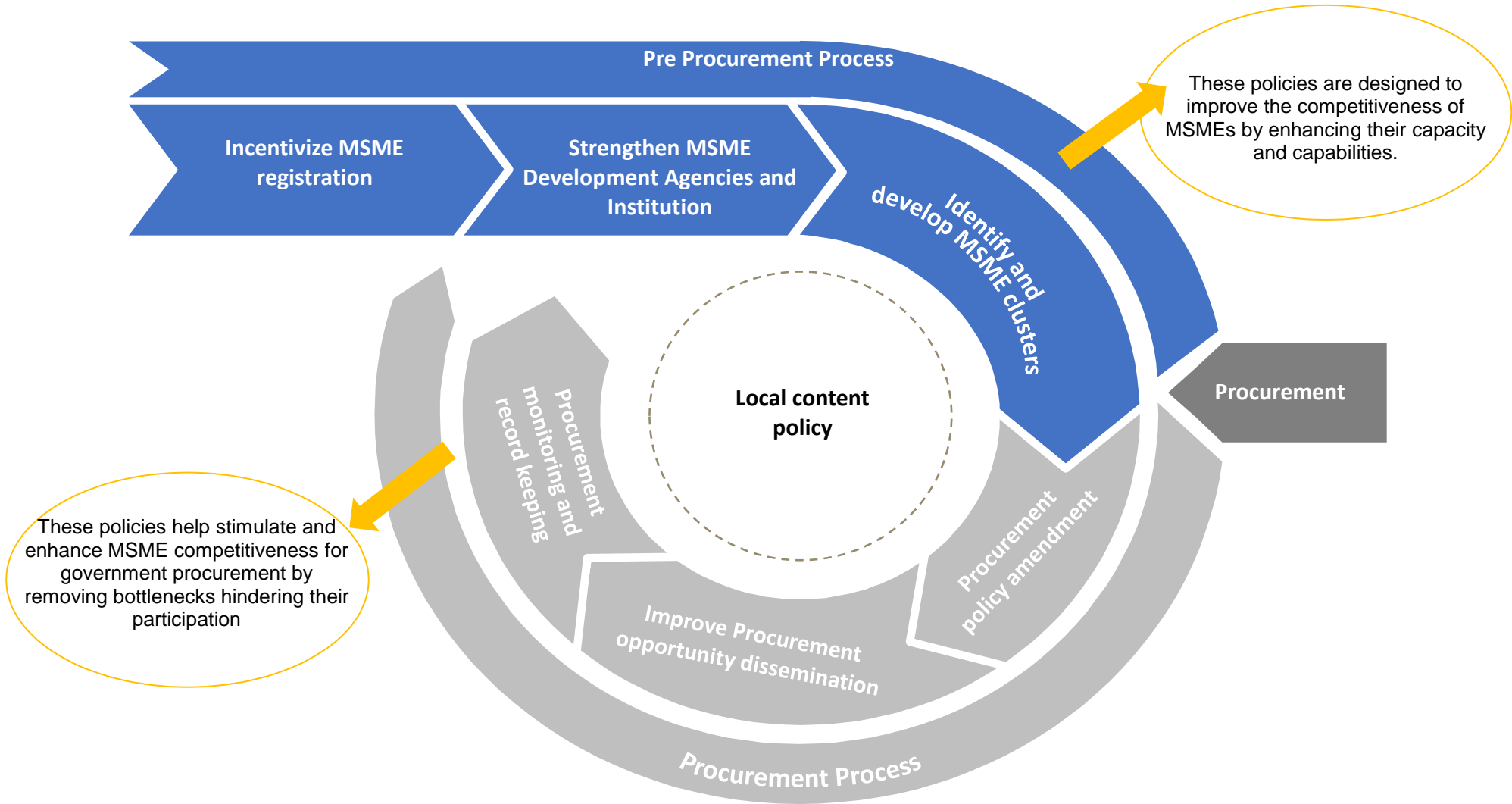
#### **A. Pre-Procurement intervention programs**

1. Use incentives to encourage MSMEs to register and formalize their businesses
2. Strengthen Ministries, Departments and Agencies (“MDAs”) focused on MSME development to realize better outcomes.
3. Identify and map MSME clusters and eco-systems to enable targeted investments that will aid the growth of these clusters and eco-systems through synergies, economies of scale, and knowledge sharing & spill-overs,

#### **B. Procurement Specific Interventions**

1. Amend specific provisions of the public procurement policy that places undue barriers to MSMEs participation in Government procurement,
2. Improve awareness among MSMEs of public procurement opportunities,
3. Develop performance metrics to monitor and evaluate the performances of the MDAs and outcome of the various MSME programs and initiative against the stated objectives.

# Strategic framework



### **1 Incentives to increase MSME registration**

- Currently 70% of MSMEs are not registered with the CAC, which is a key requirement for participating in public procurement.
- To reverse this trend, incentives that reduces the cost and compliance burden of registration is recommended. Examples include (i) registration fee discount for MSMEs; (ii) Using registrations with an MDA as a proxy registration license, (iii) sensitization outreach on the benefits of formalization

### **2 Strengthen MSME Development Agencies and Institutions**

- Across all tiers of the Nigerian government, MSME development agencies and institutions need to be strengthened and adequately financed to provide the necessary trainings and capacity development to MSMEs.
- A key MDA (e.g. SMEDAN) should be prioritized as the main MSME development agency and all other MDAs such as BOI, DBN and CBN should synchronize their efforts with SMEDAN.

### **3 Enhance MSME competitiveness through creating economic clusters (industrial, innovation, incubators) around MSME eco-systems**

- The identification and development of MSME clusters like the Aba leather cluster, Lagos ICT cluster, Alaba international market etc. could serve as a catalyst for the development of MSMEs in Nigeria.
- Incubation centres could also serve as a knowledge pool for innovative start-ups and enabler for business linkages among MSMEs or between MSMEs and Larger enterprises

### **4 Review Public procurement laws**

- The PPA of 2007 does not have any provision for the inclusion of MSMEs. Bids are subject to the principles of effectiveness, efficiency and value-for-money. Despite the EO-003, the BPP does not have any provision in its binding Act to ensure agencies procure from MSMEs, as such the MSMEs are crowded out by larger companies with relative economies of scale.
- There is a need to create a captive market for MSMEs and an enabling regulatory environment for their inclusion

### **5 Improve information dissemination channels**

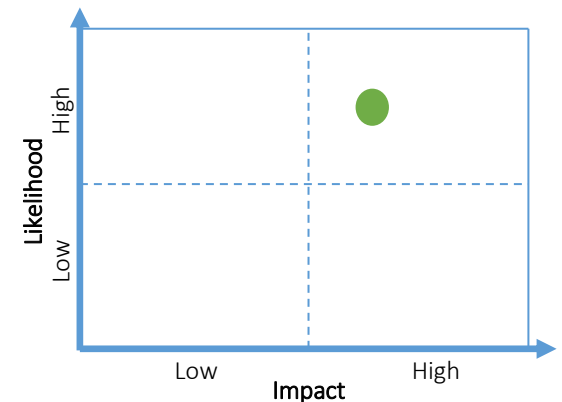
- Innovative ways of disseminating information on procurement opportunities across local, state and federal levels should be developed.
- Aside from publishing on National newspapers and the public notice boards, efforts could be directed towards leveraging ICT to directly disseminate information to the target suppliers/contractors.

### **6 Procurement monitoring and record keeping**

- Implement a continuous improvement audit process that will involve a routine monitoring, evaluation and reporting of public procurement activities against stated objectives.
- Develop key performance indicators to use as a benchmark for performance and identifying areas for improvement.

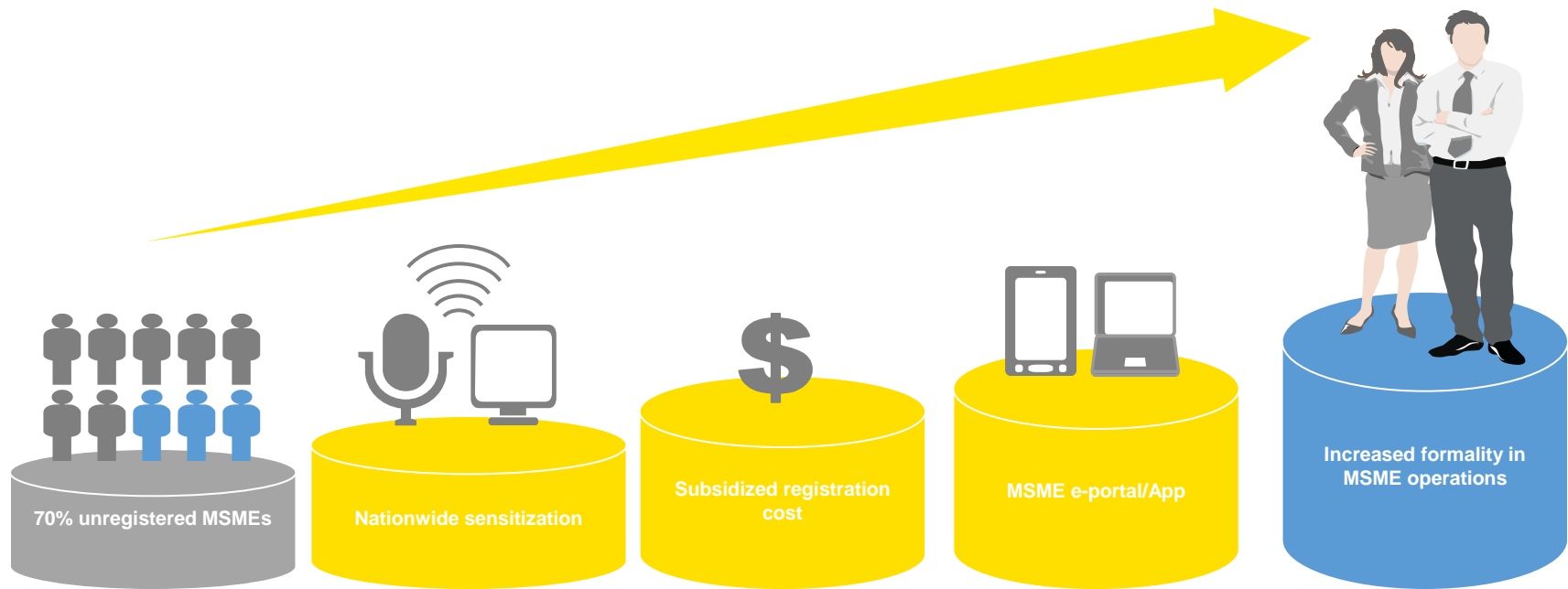
## Section 1: Formalizing MSME operations

Area	Stakeholders	Policy recommendation and rationale	Advantages	Disadvantages
<b>Incentivizing registration</b>	MSMEs, SMEDAN, CAC	<p>According to survey findings, we noted that business registration is the major deterrent for MSMEs in accessing government intervention funds and participating in public procurement. With over 70% of MSMEs unregistered, incorporating them into government procurement process faces a huge challenge, therefore we have recommended the following:</p> <ol style="list-style-type: none"> <li>1. Make permanent the 90-day special window for MSME registration, which cuts registration cost by 50% to N5,000 and expired on 31 December 2018. We recommend an additional cut of 25% (i.e. 75% of total) to be granted to the small enterprises and a full cost waiver to the micro classification, as registration cost may have a regressive effect on this segment. Broadly, a registration discount helps reduce the cost burden on MSME owners, while serving as an incentive for registration.</li> <li>2. Use registration with the SMEDAN MSME e-portal as a temporary proxy license for business registration with CAC, particularly for Micro and Small businesses with less than 20 employees. The proxy license will be valid for specific period (e.g. 1-year) and can be presented to bid for public procurement opportunities, application for intervention funds, bank requirements; etc. pending full registration with the CAC.</li> <li>3. Conduct nationwide sensitization on the advantages of business registration in improving opportunities for public procurement and government intervention funds.</li> <li>4. Create a simplified tax compliance process for MSMEs, and micro enterprises in particular. A 2-year tax holiday may be granted to Micro enterprises in exchange for CAC registration.</li> </ol>	<ul style="list-style-type: none"> <li>➤ Increased MSME registration</li> <li>➤ Development of SMEDAN's MSME database</li> <li>➤ Alleviate the fear of multiple taxation that may come with formalization of businesses</li> <li>➤ Increased tax income to the Government in the long run</li> </ul>	<ul style="list-style-type: none"> <li>➤ Increased governance cost</li> <li>➤ Reduced income from business registration</li> </ul>





## Formalizing MSME operations



As highlighted above, a significant portion of MSMEs operate informally and this precludes them from government procurement amongst other opportunities. From the survey, we noted that some MSME owners operated informally because of perceived lack of value in registering, cost of registration and ease of registration. Hence the following recommendations:

A nationwide sensitization (re-sensitization) on the need for business registration. Sensitization through mass media advertisement on national television and radio stations, social media, trade associations and other stakeholder meetings on the opportunities available to a registered enterprise, as well as the option to use registration on the SMEDAN e-Portal as a proxy license, will lead to a boost in business registration.

Similar to the current initiatives of the Federal Government, we recommend a 50%-75% subsidized registration cost through SMEDAN to help alleviate the cost burden of registration (currently N10,000) on MSME owners. This would concurrently prove MSME registration and SMEDAN's MSME database.

In addition to the subsidized cost, we recommend updating the SMEDAN e-portal/App to capture pertinent data about MSMEs that can serve as a one-stop shop interface for MSMEs to use for administrative compliance purposes, government for monitoring and evaluation purposes, business linkages with larger companies and application for interventions administered by commercial banks and financial institutions

## EY policy recommendation Vis-a-vis current government policy

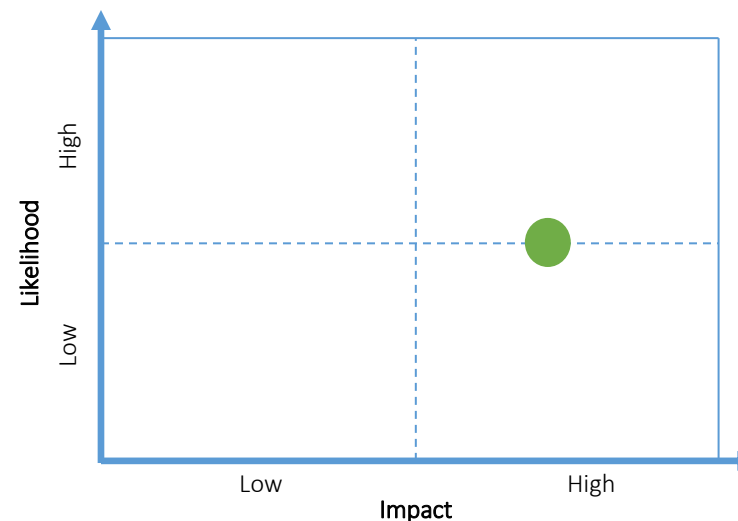
EY policy recommendation	Current Government practice	Weakness in current Government practice	Outcome
<ul style="list-style-type: none"> <li>➤ Waive the business registration fees for micro enterprises but require E-registration in SMEDAN e-portal for them and reduce the registration fees for small business to N2,500</li> </ul>	<ul style="list-style-type: none"> <li>➤ The 90-day reduced business registration window launched by the VP, Professor Osinbajo</li> </ul>	<ul style="list-style-type: none"> <li>➤ The expiration of the window may be a disincentive to registration by the MSMEs</li> </ul>	<ul style="list-style-type: none"> <li>➤ Improvement in registration exceeding 60% of formalization for the MSMEs</li> </ul>
<ul style="list-style-type: none"> <li>➤ Use registration with the SMEDAN e-Portal as a proxy for CAC business registration for a limited one-year period for the micro enterprises.</li> </ul>	<ul style="list-style-type: none"> <li>➤ SMEDAN MSME e-portal requires registration with CAC before accessing the SMEDAN e-portal</li> </ul>	<ul style="list-style-type: none"> <li>➤ Registration on the e-portal does not serve as a proxy for business registration</li> </ul>	<ul style="list-style-type: none"> <li>➤ Higher business registration due to reduced compliance burden.</li> </ul>
<ul style="list-style-type: none"> <li>➤ A three-year tax waiver for micro enterprises with registration in SMEDAN e-portal</li> <li>➤ A simplified tax regime and special tax rates for the small and medium enterprises</li> </ul>	<ul style="list-style-type: none"> <li>➤ A 20% tax reduction for enterprises with less than N1m annual revenue.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Taxing MSMEs like other large businesses puts a strain on their growth</li> </ul>	<ul style="list-style-type: none"> <li>➤ Decrease in tax avoidance behaviour among the MSMEs, and also increase in formalization and growth</li> </ul>

## Implementation

Recommendation	Action steps
<b>Nationwide sensitization</b>	<ul style="list-style-type: none"> <li>➤ Engage CAC and SMEDAN to pool resources towards sensitization of MSMEs on the need for registration</li> <li>➤ Contract a media consulting firm to develop a public media advertising strategy.</li> <li>➤ Host periodic (e.g.) quarterly stakeholder meetings in each geopolitical zone, highlighting need of business registration and opportunities available to the registered business. Participants should include MDAs, Trade Associations, Unions, MSMEs, etc.</li> <li>➤ Include subsidized cost strategy in sensitization materials</li> <li>➤ Synchronize registration with SMEDAN’s MSME database</li> </ul> <p><b>Timeframe: Quarterly</b></p>
<b>Business registration reform</b>	<ul style="list-style-type: none"> <li>➤ Engage a consulting firm to conduct a market study analysing the current business registration policy and the effects of a business registration reform on entrepreneurial activity, formalization behaviour and economic growth.</li> <li>➤ Use the results of the market study to define a business registration policy that encourages entrepreneurial activity and to determine an optimal business registration cost that does not have a regressive effect on the Micro enterprises at the bottom of the MSME pyramid</li> </ul> <p><b>Timeframe: 6 months – 1 year</b></p>
<b>Develop MSME App</b>	<ul style="list-style-type: none"> <li>➤ Engage CAC and SMEDAN on a joint effort to update the SMEDAN e-portal to a robust, but user-friendly online application. The e-portal should be enhanced to be a “one-stop shop” that captures information that meets the basic requirements for business registrations and qualification for public procurement and government intervention funds.</li> <li>➤ Engage a consultant to develop a “mobile App” version of the e-Portal.</li> <li>➤ Include the SMEDAN e-portal and the mobile app in the sensitization materials</li> </ul> <p><b>Timeframe: 3-6 months</b></p>

## Section 2: Strengthening MSME support agencies

Area	Policy recommendation	Advantages	Disadvantages
<b>Strengthening MSME Development Agency</b>	<p>Assessing other jurisdictions, we recommend a strengthening of SMEDAN – the primary agency in charge of MSME development. The following recommendations will further enhance their ability to offer innovative and proactive support to MSMEs nationwide:</p> <ol style="list-style-type: none"> <li>1. Synchronize all existing MSME data (CBN, BOI, DBN and other MSME focused agencies) with SMEDAN.</li> <li>2. Develop SMEDAN facilitation centres across local government offices to improve access to MSMEs.</li> <li>3. Establish SMEDAN as the fund manager for related MSME intervention funds. This will improve the disbursement rate and provide MSMEs with the required finance as identified by their development agency.</li> </ol>	<ul style="list-style-type: none"> <li>➤ Development of SMEDAN's MSME database</li> <li>➤ Increased MSME access to finance and business development support</li> <li>➤ Improved monitoring and evaluation of intervention funds and programmes</li> <li>➤ Improved access to MSMEs</li> </ul>	<ul style="list-style-type: none"> <li>➤ Increased governance cost</li> <li>➤ Increased scope of SMEDAN operations may result in a strain on its resources</li> </ul>



## Strengthening SMEDAN for MSME support

1

### Local Government spread

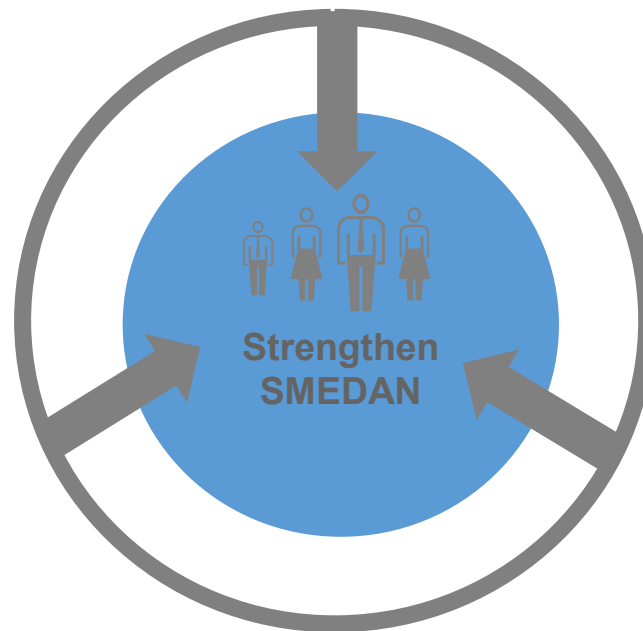
Due to the fragmented nature of MSMEs, we recommend the location of SMEDAN facilitation offices at the local government levels in Nigeria. This would improve access for MSMEs as it will bring government support and services closer to their area of operation. This would involve supporting existing MSME facilitation centres with funds & equipment and ensuring each Local government office has a designated MSME facilitation centre set up

2

### National MSME database

Data captured as part of the various government MSME initiatives and located at different MDAs should be synchronized into a Single Monitoring & Evaluation Data Platform to facilitate proper monitoring and evaluation of these initiatives at the national level by providing a single point for tracking progress of government action against established benchmarks. Additional positives include:

1. Enables the coordinating agency or SMEDAN to see pain points of MSME in real time and take remedial measures
2. Enable data analysis for timely course correction
3. Enables the use of such data and patterns for input into new policy initiatives



3

### MSME intervention funds

To improve MSME's access to government intervention funds, we recommend that these funds should be managed by SMEDAN – the primary agency in charge of MSME development. SMEDAN would be responsible for determining the qualifying criteria while BOI, DBN and CBN would oversee fund disbursement. As SMEDAN would be operating across local government areas, they would be better equipped to determine the financing needs of MSMEs and best positioned to determine the qualifying criteria to fit the capacity of the target MSME recipients.

## EY policy recommendation Vis-a-vis current government policy

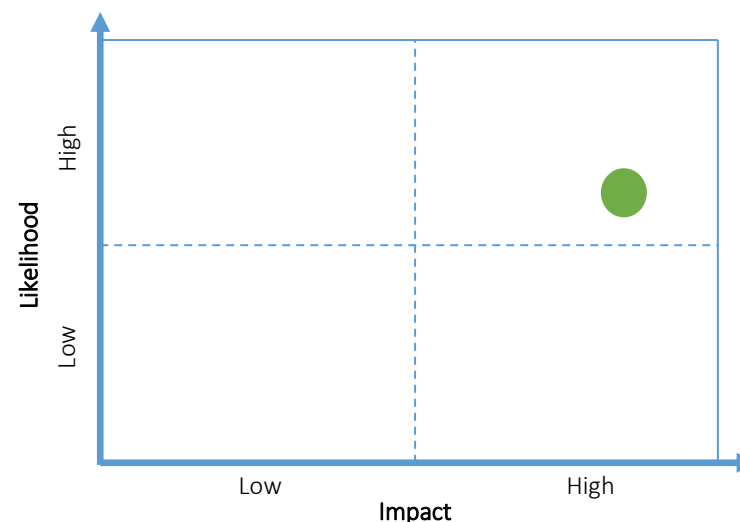
EY policy recommendation	Current Government practice	Weakness in current Government practice	Outcome
<ul style="list-style-type: none"> <li>➤ Synchronizing all existing MSME data into SMEDAN database</li> </ul>	<ul style="list-style-type: none"> <li>➤ Multiplicity of Government agencies with different MSME database</li> <li>➤ SMEDAN, NBS proposed collaboration on the creation of MSME database</li> </ul>	<ul style="list-style-type: none"> <li>➤ Difficulty in accessing MSME information from the different agencies.</li> <li>➤ Duplicity of effort among government agencies</li> </ul>	<ul style="list-style-type: none"> <li>➤ Single database would help tailor needed MSME interventions by the government and the private sector.</li> <li>➤ Improve monitoring and evaluation of programme</li> <li>➤ High effectiveness of programme implementation</li> </ul>
<ul style="list-style-type: none"> <li>➤ Establish SMEDAN business support centres (BSC) at the LGA level</li> </ul>	<ul style="list-style-type: none"> <li>➤ SMEDAN's BSC currently located at the state level</li> </ul>	<ul style="list-style-type: none"> <li>➤ Inaccessibility of the SMEDAN BSC by the MSMEs who are far away from the state capitals</li> </ul>	<ul style="list-style-type: none"> <li>➤ Quicker access to MSME support services and a more engaged MSME constituency</li> </ul>
<ul style="list-style-type: none"> <li>➤ Establish SMEDAN as the first screening and verification agent for all MSME intervention funds</li> </ul>	<ul style="list-style-type: none"> <li>➤ Non-inclusion of SMEDAN in the implementation of the various fund programmes of the intervention agencies.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Low awareness (c.34% of MSMEs) of intervention programmes of the government by the MSMEs</li> </ul>	<ul style="list-style-type: none"> <li>➤ Greater awareness of the intervention programmes by the MSMEs, leading to higher participation levels and better MSME outcomes</li> </ul>

## Implementation

Recommendation	Action steps
<b>National Council for MSMEs</b>	<ul style="list-style-type: none"> <li>➤ In order to facilitate MSME related policies and recommendations, we recommend that a National Council for MSME be established to be chaired by the Vice President and driven primarily by SMEDAN. This council would be the driving force for SMEDAN’s legislative powers and policies</li> </ul>
<b>Local government spread</b>	<p><b>Timeframe: Continuous</b></p> <ul style="list-style-type: none"> <li>➤ Locate MSME facilitation centres at the local government level to aid in information dissemination, business development support and a one-stop shop for all administrative tasks for MSME programs.</li> <li>➤ Some facilitation centres can be managed by SMEDAN accredited business development service providers (BDSPs)</li> <li>➤ These offices will contribute in reducing the administrative burden and the inefficiencies of running multiple MSME programmes across different MDAs, as well as reducing the compliance burden on MSMEs on having to visit multiple government offices to avail themselves of MSME incentives.</li> </ul>
<b>National MSME database and Single Monitoring &amp; Evaluation Data Platform</b>	<p><b>Timeframe: 2 years</b></p> <ul style="list-style-type: none"> <li>➤ Engage related stakeholders (SMEDAN, CBN, BOI, DBN etc.) on the need for congruency in approaching MSME development in Nigeria.</li> <li>➤ Available data on MSME size, skill level, finance, trainings and other support should be synchronized and collated in a Single Monitoring &amp; Evaluation Data Platform to be administered by SMEDAN.</li> <li>➤ Using these collated data, SMEDAN should engage consultants for the development of a Geographic Information System (GIS) for mapping MSME activity across the country. This would assist in the identification of MSME eco-systems and clusters and potential locations for siting formalized industrial clusters, incubation centres and innovation hubs.</li> <li>➤ The GIS should be linked to the MSME e-portal/App to help incorporate newly registered MSMEs.</li> </ul>
<b>MSME intervention funds</b>	<p><b>Timeframe: 6 months – 1 year</b></p> <ul style="list-style-type: none"> <li>➤ Engage related MDA stakeholders (SMEDAN, CBN, BOI, DBN etc.) on the need for congruency in approaching MSME development in Nigeria.</li> <li>➤ Related fund owner would have oversight of monitoring and evaluating SMEDAN on disbursement of funds while SMEDAN would have monitoring and evaluating responsibility for MSMEs accessing the funds</li> </ul> <p><b>Timeframe: Continuous</b></p>

### Section 3: Industrial and Investment centres

Area	Policy recommendation	Advantages	Disadvantages
<p><b>Identify, select and develop existing clusters with strong scalability potential</b></p>	<p>Industrial clustering is a common growth strategy used in countries like India, Mexico, Brazil etc. and these clusters help serve larger companies within and beyond the borders of these countries.</p> <p>The development of industrial clusters is regarded as a major catalyst for the growth and development of MSMEs internationally. Industrial clusters can help establish business linkages between MSME and large enterprises</p> <p>The clusters also help MSMEs build competitive advantage through economies of scale and knowledge sharing. They could also act as key information dissemination centres.</p> <p>We recommend the following:</p> <ol style="list-style-type: none"> <li>1. Expand on the six industrial clusters being developed by SMEDAN to include creating industrial eco-systems around MSME clusters with strong scalability potential.</li> <li>2. Develop MSME incubation centres to foster collaboration and knowledge sharing towards creating bigger innovative capabilities and enabling business linkages between innovative MSMEs and larger businesses</li> <li>3. Enhance the SMEDAN e-portal to be a vibrant, interactive, self-sustainable technology platform for collaboration, information dissemination and transactions</li> <li>4. Use public-private partnership (“PPP”) arrangements to develop and operate the</li> </ol>	<ul style="list-style-type: none"> <li>➤ Improved MSME capacity and opportunities</li> <li>➤ Reduced MSME operation cost</li> <li>➤ Improved access to MSMEs for procurement opportunities.</li> <li>➤ Creation of potential vendor development programme and other strategic alliance schemes</li> </ul>	<ul style="list-style-type: none"> <li>➤ Increased governance cost</li> <li>➤ Increased pressure on existing government infrastructure</li> </ul>

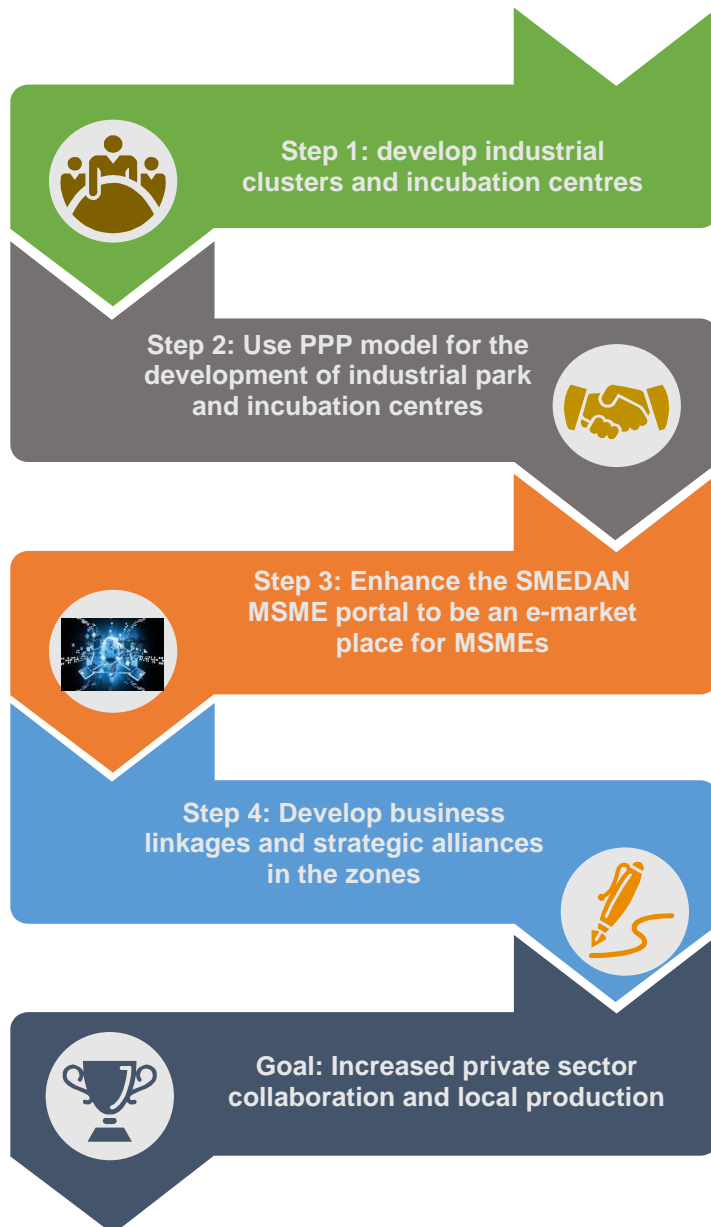




industrial clusters, incubation centres and  
online market place

5. Attach a skills acquisition or training centre to the industrial centres to meet the competency requirements of the clusters.
6. Attach accredited BDSPs to industrial clusters to support and assist MSME growth and strategy formation.

## Increasing local capacity through targeting economic clusters around MSME zones



- In Nigeria, identifying and developing industrial clusters in states (such as the leather and textile cluster in Aba, ICT cluster in Lagos etc.) could serve as the major catalyst for the development of MSMEs, as these clusters would provide:
  1. Economics of scale through reduction in overhead costs for MSMEs
  2. Ease of targeting for government procurement opportunities
  3. Convergence points for possible off-take agreements and other commercial arrangements

- Private-public partnership agreements could be established for the development and management of investment clusters for the MSME eco-systems identified. DFIs such as UNIDO, World bank, AfDB are potential donor funders that may be interested in financing the development of MSME focused industrial clusters in Nigeria
- This would involve contracting advisors on developing an optimum financing structure for the efficient operational management of the clusters

- Creating an online market place that provides access for MSMEs to technology & business advisory services as well as skilled workers through systems of connected buyers and sellers. Key positives include:
  - Leveraging IT to enable start-ups virtually without having to leave the house
  - Help existing MSMEs expand their business by linking buyers and sellers through a technology platform
  - Portal for dissemination of public procurement opportunities to be targeted at MSMEs, as well as enabling MSMEs to obtain procurement requirements and market their products accordingly.

- The establishment of these industrial clusters could facilitate the promotion of business linkages and alliances such as the Anchor Borrowers Programme across other sectors

## EY policy recommendation Vis-a-vis current government policy

EY policy recommendation	Current Government practice	Weakness in current Government practice	Outcome
<ul style="list-style-type: none"> <li>➤ Develop economic clusters and incubation centres around MSME ecosystems</li> <li>➤ Use PPP models for the development of this clusters</li> </ul>	<ul style="list-style-type: none"> <li>➤ A number of other investments targeting the MSME eco systems such as the creation of the new special economic zones company limited by the federal government of Nigeria</li> </ul>	<ul style="list-style-type: none"> <li>➤ No holistic approach towards making cross investment clusters around the MSME ecosystem</li> </ul>	<ul style="list-style-type: none"> <li>➤ Development of business linkages, strategic alliances in the zones</li> </ul>
<ul style="list-style-type: none"> <li>➤ Enhance the SMEDAN MSME portal to be an e-market place for MSMEs</li> </ul>	<ul style="list-style-type: none"> <li>➤ The prospective national MSME e-portal</li> </ul>	<ul style="list-style-type: none"> <li>➤ Bureaucracy and red tapism has limited the creation of a national MSME e-portal</li> </ul>	<ul style="list-style-type: none"> <li>➤ Will lead to enhancement in connectivity between the MSMEs and the relevant stakeholders</li> <li>➤ Real time access of MSME challenges to the stakeholders</li> </ul>

## Implementation

Recommendation	Action steps
<p><b>Identify MSME eco systems for development into industrial clusters, incubation centres or innovation hubs</b></p>	<ul style="list-style-type: none"> <li>➤ Conduct a mapping of the clustering of MSME eco-systems in Nigeria to identify major product/service clusters existing in the different states and regions.</li> <li>➤ Conduct feasibility study to identify the viable MSME eco-systems for transformation into industrial clusters, incubation centres or innovation hubs to harness and scale their capability and capacity as engines of economic growth.</li> </ul> <p><b>Timeframe: 3 months – 6 months</b></p>
<p><b>Enhance or develop a national portal to be a trade for MSME products and services</b></p>	<ul style="list-style-type: none"> <li>➤ Conduct a market study and develop a business case for a national e-portal to facilitate and enable actual trade focused on MSMEs. Considerations should include               <ul style="list-style-type: none"> <li>○ Estimate total and target market size</li> <li>○ Leveraging the existing investments by SMEDAN and other MDAs and leverage the capabilities existing in the market for delivery of various services and facilitation of trade</li> <li>○ Consider the variety of services envisaged to be offered from the portal and possibly partnering options (PPP, single or multiple vendors, etc.)</li> </ul> </li> </ul> <p><b>Timeframe: 3 months – 6 months</b></p>
<p><b>Establish PPP agreement for the development of industrial clusters</b></p>	<ul style="list-style-type: none"> <li>➤ Conduct a business case assessment to use PPP to finance, develop and operate the development structure (i.e. Industrial clusters, incubation centres or innovation hubs) for the selected MSME eco-systems.</li> <li>➤ Develop targeted investment structure around the selected MSME eco-systems with growth potential</li> </ul> <p><b>Timeframe: 6 months – 2 years</b></p>

## Implementation

**Develop templates for legal and commercial agreements governing business linkages (e.g. off-take agreements, Anchor vendor agreements, etc)**

- Conduct market study on the major product/service output of industrial cluster and the large corporations requiring these products as inputs
- Develop possible off-take agreements or Vendor development programmes for these identified products/services (similar to the Anchor Borrower Programme)

**Timeframe: 3 – 6 months**

**Attach skill acquisition centres to the industrial clusters**

- A long-term education strategy is needed to build the next generation of entrepreneurs, incorporating training across the education system – including business placements, management apprenticeships, and skills training for the MSME.
- Create an education eco-system linking existing technical colleges and universities to the industrial clusters to offer capacity building and skill acquisition services (e.g. road construction, digital and ICT designing, manufacturing, auto-servicing and equipment repairs etc.) tailored to fit the competency needs of their respective clusters
- Develop job placement and apprenticeship programs between the education institutes and the MSMEs

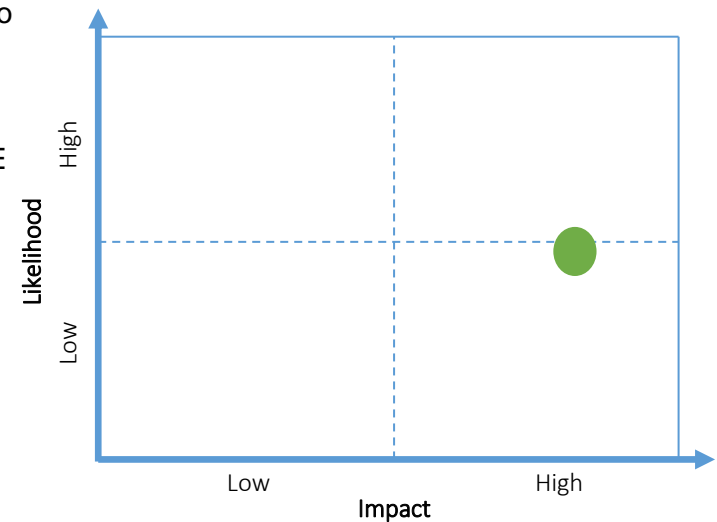
**Timeframe: 1 year – 4 years**

**Attach SMEDAN accredited BDSPs to each industrial cluster**

- Business development service providers accredited by SMEDAN should be attached to each industrial centre to support and help upscale MSMEs
- BDSPs would assist MSMEs design bankable business plans, provide advisory support and help link MSMEs to financing opportunities required for their growth

## Section 4: Procurement policy amendment

Area	Stakeholders	Policy recommendation	Advantages	Disadvantages
<b>Procurement Policy amendment</b>	MSMEs, MDAs, BPP, Tax authorities, and other procuring MDAs	<p>From our market assessment of MSMEs and their participation in public procurement, we noted key barriers such as</p> <ul style="list-style-type: none"> <li>➤ Registration as an entity and with the procurement agency</li> <li>➤ Tax compliance requirement</li> <li>➤ Preparation of financial statements</li> </ul> <p>In addition to the promotion of business registration recommendations previously stated, we recommend the following:</p> <ol style="list-style-type: none"> <li>1. Establish a restricted tendering process to protect micro and small enterprises in government procurement and provide a captive market for their products and services.</li> <li>2. Waive tax compliance requirement for the Micro enterprises and lessen the requirement for the Small enterprises for procurement purposes.</li> <li>3. Establish local content quota for public procurement opportunities to encourage MSME partnerships with larger companies.</li> </ol>	<ul style="list-style-type: none"> <li>➤ Increased MSME participation in government procurement</li> <li>➤ Increased business linkage schemes.</li> <li>➤ Increased local production and exports</li> </ul>	<ul style="list-style-type: none"> <li>➤ Increased government transaction costs</li> <li>➤ Increased tax evasion</li> </ul>



## Amending procurement policy for increased MSME participation

### Step 1: Restricted tendering process across recommended procurement bands

In order to effectively achieve the objectives of the EO-003, we recommend that some procurement opportunities be reserved exclusively for micro and small business (see recommended table below). This provides micro and small businesses with a protected market thus boosting their capabilities and capacities. The local content desks at procuring MDAs would be responsible for ensuring that these opportunities are reserved for MSMEs

### Step 2: Establish local content quota for large procurement contracts

In line with the EO-003, we recommend there should be a local content quota mandating the use of minimum 10% MSME input in executing procurement opportunities above the recommended bands. This would help:

1. Increase business linkages between large transnationals corporations and MSMEs
2. Incorporate local content into government procurement contracts

### Step 3: Waive tax compliance requirement for micro (and small) entities

While the need for a disciplined regulatory environment is noted, in order to increase MSME participation in public procurement, consideration should be given to waiving the tax compliance requirements, particularly for certain procurement bands – especially micro enterprises. The overall aim is to focus on aiding the growth of these enterprises rather than inhibiting their growth with tax burden and adding to the already high mortality rate experienced in the sector. Subsequently, the growth would benefit both the enterprises and the government – through tax returns of an established enterprise.

Category	Procurement range	Major procurement opportunity
Micro enterprises	Less than N500,000	❖ “National shopping” window at the State and Federal levels
Small enterprises	N500,000 – N2.5 million	❖ National window at the National level ❖ State government procurement Class A
Medium enterprises	N2.5 million and above	❖ Federal government procurement Class E ❖ State government procurement Class B

## EY policy recommendation Vis-a-vis current government policy

EY policy recommendation	Current Government practice	Weakness in current Government practice	Outcome
<ul style="list-style-type: none"> <li>➤ Establishment of restricted tendering process for the MSME</li> </ul>	<ul style="list-style-type: none"> <li>➤ The national shopping windows</li> </ul>	<ul style="list-style-type: none"> <li>➤ Lack of detailed information on the implementation of the national shopping programme</li> </ul>	<ul style="list-style-type: none"> <li>➤ Increase MSMEs participation in government procurement</li> <li>➤ Increase MSME competitiveness and growth</li> </ul>
<ul style="list-style-type: none"> <li>➤ Waive need for tax compliance in public procurement for the Micro enterprises</li> </ul>	<ul style="list-style-type: none"> <li>➤ Requirement for tax compliance certificate before participation in government procurement</li> </ul>	<ul style="list-style-type: none"> <li>➤ Unfavourability of the policy to the MSMEs as majority of the MSME are taxed in an informal way</li> </ul>	<ul style="list-style-type: none"> <li>➤ Greater inclusion of the MSMEs in government procurement</li> </ul>
<ul style="list-style-type: none"> <li>➤ Establish MSME participation plan for the larger firms on federal procurement</li> </ul>	<ul style="list-style-type: none"> <li>➤ National Policy on MSMEs, PPA, EO-003</li> </ul>	<ul style="list-style-type: none"> <li>➤ None of these policies have a margin of preference for MSMEs in public procurement</li> </ul>	<ul style="list-style-type: none"> <li>➤ The participation plan would encourage the large firms to work alongside the MSMEs in the delivery of government contracts</li> </ul>

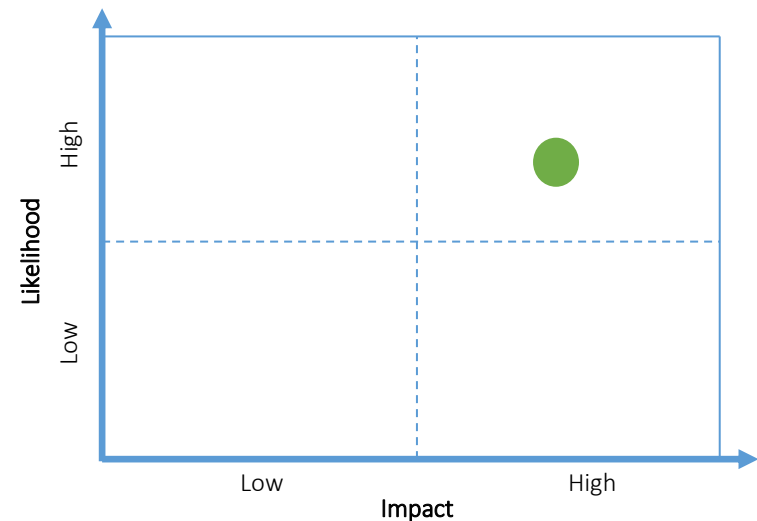


## Implementation

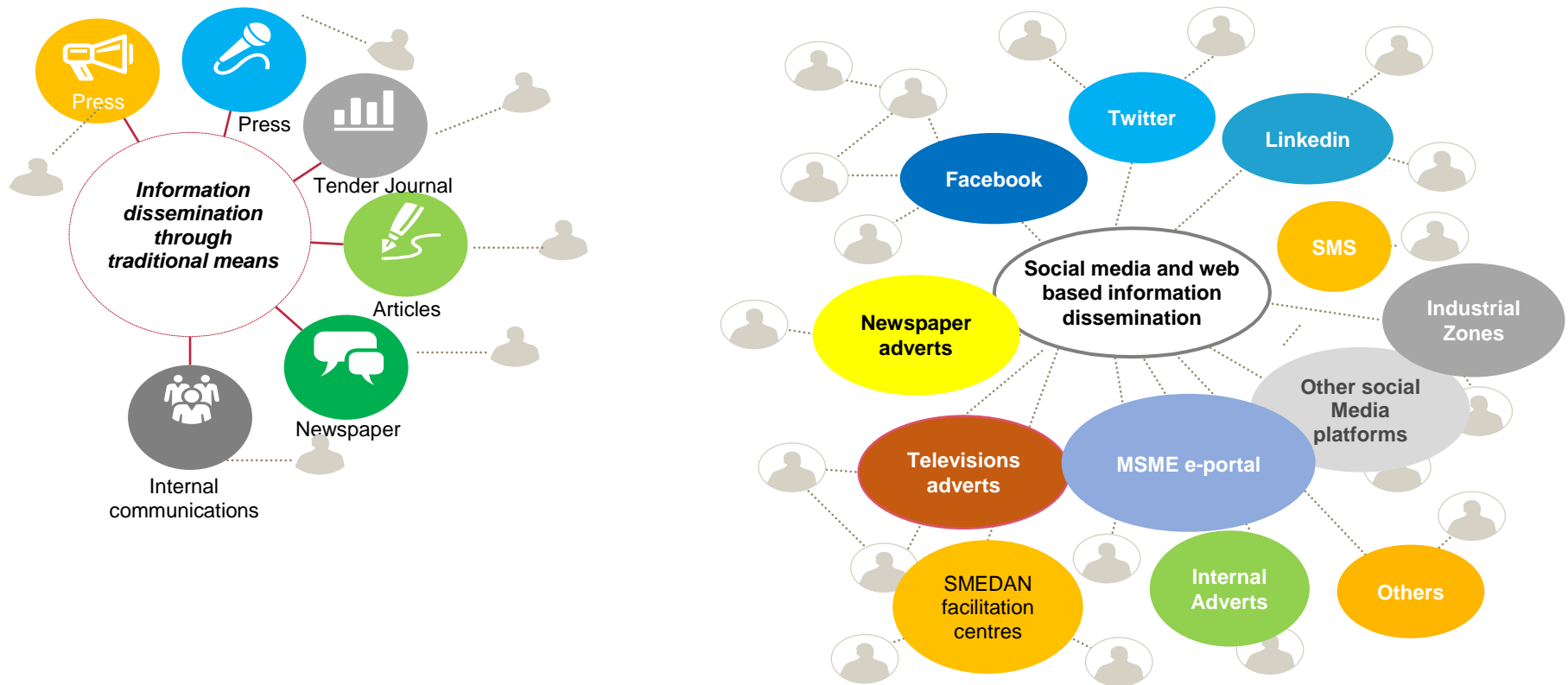
Recommendation	Action steps
<p><b>Established restricted tendering process across recommended procurement bands</b></p>	<ul style="list-style-type: none"> <li>➤ Promulgate a public procurement policy requiring the reservation of specified contract values for MSMEs.</li> <li>➤ Establish the publishing of an annual procurement opportunity forecast for the year by each MDA with specific opportunities earmarked for MSMEs identified.</li> <li>➤ Assign Local Content desk for monitoring and evaluation of the procurement policy.</li> </ul> <p><b>Timeframe: 2 – 4 months</b></p>
<p><b>Establish local content quota for large procurement contracts</b></p>	<ul style="list-style-type: none"> <li>➤ Issue a policy statement requiring the inclusion of MSMEs in execution of large procurement opportunities by transnational companies.</li> <li>➤ Assign BPP and Local Content desk to monitor and evaluate procurement bids to ensure compliance.</li> </ul> <p><b>Timeframe: 3 months – 1 year</b></p>
<p><b>Waive tax compliance requirement for micro (and small) entities</b></p>	<ul style="list-style-type: none"> <li>➤ Engage the procurement officers of MDAs and tender boards of State and Federal government to waive the tax clearance certificate requirement for participation of micro and small entities in the vendor selection process.</li> </ul> <p><b>Timeframe: 2 – 4 months</b></p>

## Section 5: Improving information dissemination

Area	Policy recommendation	Advantages	Disadvantages
<b>Procurement information dissemination</b>	<p>Survey results also indicated that information dissemination of public procurement opportunities and MSME focused intervention programmes require improvement. With c.66% of MSMEs unaware of intervention policies targeted at them, government needs innovative information dissemination channels to increase MSME involvement in public procurement. The following are recommended:</p> <ol style="list-style-type: none"> <li>1. Leverage the use of ICT channels (e.g. Social media apps) and specifically the development of MSME mobile App, which can serve as a portal for MSME registration as well as for the dissemination of procurement information,</li> <li>2. Direct dissemination of procurement opportunities to identified industrial clusters and trade associations,</li> <li>3. Adopt SMEDAN as an initial filtering agent for procurement opportunities to ensure that best targets are prioritized</li> </ol>	<ul style="list-style-type: none"> <li>➤ Increased MSME participation in government procurement</li> <li>➤ Increase in job creation and development of the economy</li> <li>➤ Increased local content and reduced dependence on imports</li> <li>➤ Improved competition and efficiency in government procurement</li> </ul>	<ul style="list-style-type: none"> <li>➤ Increased government transaction costs</li> </ul>



## Information dissemination for increased MSME participation



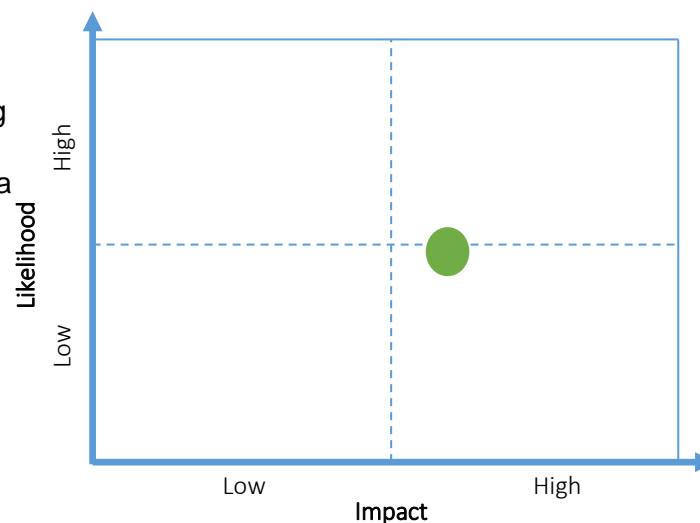
- Currently, procurement information are published on National newspapers and the BPP's Tender Journal. This however limits the information spread and MSME owners who cannot afford to spend such administrative costs are often disadvantaged.
- ICT provides a significant alternative for the improvement in the dissemination of government procurement opportunities across Federal, State and Local government level.
- Dissemination could be done through:
  1. Virtual channels like the proposed MSME e-portal/App and social media platforms like Facebook, Instagram etc.
  2. Direct contacts such as the Local government SMEDAN facilitation centres

## EY policy recommendation Vis-a-vis current government policy

EY policy recommendation	Current Government practice	Weakness in current Government practice	Outcome
<ul style="list-style-type: none"> <li>➤ Leverage the use of social media in the dissemination of procurement information</li> </ul>	<ul style="list-style-type: none"> <li>➤ Direct communication with the vendors by the procurement agents except for very large projects for which MSMEs cannot bid for.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Limited awareness of government procurement opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Greater inclusion of the MSMEs within government procurement ecosystem.</li> </ul>
<ul style="list-style-type: none"> <li>➤ Direct dissemination of procurement opportunities to identified industrial clusters and trade associations</li> </ul>	<ul style="list-style-type: none"> <li>➤ No known deliberate policy of government to provide information to the MSMEs using the instrumentality of the clusters</li> </ul>	<ul style="list-style-type: none"> <li>➤ N/A</li> </ul>	<ul style="list-style-type: none"> <li>➤ Government should make it a policy imperative to disseminate procurement information to the identified clusters in Nigeria.</li> </ul>

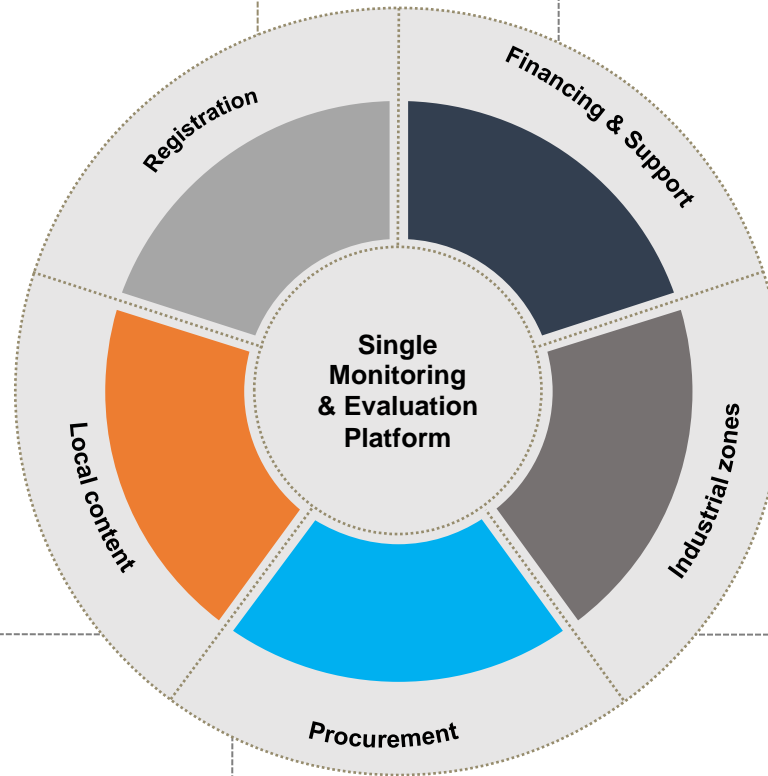
## Section 6: Monitoring and evaluation

Area	Stakeholders	Policy recommendation	Advantages	Disadvantages
<b>Establishment of a Single Monitoring &amp; Evaluation Data Platform</b>	MSMEs, MDAs, BPP, Large Enterprises in Anchor Vendor Programs, Local Content desks and other procurement agencies	<p>For accountability and effective monitoring of the above policies, we recommend that:</p> <ol style="list-style-type: none"> <li>1. The public-private partnerships managing the respective MSME clusters are charged with the responsibility of monitoring and reporting the performance of the Zones against established benchmarks into the Single Monitoring &amp; Evaluation Data Platform.</li> <li>2. SMEDAN will be responsible for tracking MSME access to intervention funds and their participation in government procurement (from the supply side)</li> <li>3. Local content desks established by FMITI will be responsible for tracking MSME participation in government procurement (from the demand side)</li> <li>4. SMEDAN and the National Bureau of Statistics (NBS) will have the responsibility for developing the Single Monitoring &amp; Evaluation Data Platform to facilitate, at a national level, the data collection, analysis and dissemination of information on the performance of the various MSME schemes and initiatives.</li> </ol>	<ul style="list-style-type: none"> <li>➤ Identification of increased MSME participation in government procurement by sectors</li> <li>➤ Identification of key sectors where MSMEs lack competitive advantage</li> </ul>	



## Monitoring and evaluation

**Primary agency:** CAC  
**Supporting agency:** SMEDAN  
**Key KPIs:**  
 1. Number of MSMEs registered  
 2. Improved MSME database  
**Key output:** Quarterly report on number of business registered and sectors of their operation.



**Primary agency:** SMEDAN  
**Supporting agencies:** CBN, BOI, DBN, BOA, DBN  
**Key KPIs:**  
 1. Number of MSMEs financed  
 2. Disbursement rate  
 3. Increased MSME capacity  
 4. Increased local production  
**Key output:** Annual report on MSMEs highlighting key achievements and growth of the MSME sector

**Primary agency:** BPP  
**Supporting agencies:** FMITI, SMEDAN, BPP, MDAs of strategic sectors  
**Key KPIs:**  
 1. Increased MSME contribution in the value chain of key strategic sectors (e.g. agriculture)  
 2. Increase in number of Anchor vendor relationships  
**Key output:** Annual local content report highlighting participation of MSMEs against established local content benchmarks.

**Primary agency:** FMITI's (LC Desks)  
**Supporting agencies:** BPP, SMEDAN  
**Key KPIs:**  
 1. Increased MSME participation in government procurement  
 2. Percentage of MSME contribution to total procurement  
 3. Increased local content in government procurement  
**Key output:** Quarterly public procurement report highlighting MSME participation and performance against target.

**Primary agency:** BPE  
**Supporting agencies:** FMITI, CBN, SMEDAN, NIPC  
**Key KPIs:**  
 1. Increased local production  
 2. Volume of off-take and business partnership agreements  
 3. Number of jobs created  
 4. MSME scalability  
 5. Exports  
 6. FDIs in MSMEs  
**Key output:** Annual report on Industrial zones highlighting major off-take agreements, public and private entities supplied

### Benefits to the Government

1. Government platform that provides transparency to all.
2. MDAs have stronger leverage on their programmes.
3. No adverse impact on efficiency of MDA operations.
4. Increase public confidence.
5. Potential increase in donor funding to aid the development of the platform.
6. Increase MSME satisfaction that results in increase political good faith.
7. The monitoring and evaluation infrastructure (M&E), will be digital. Therefore the benefit from linkages with other web based platforms of the government.
8. Socio economic and development impact resulting from smart implementation.

### Benefit to the MDAs

1. Removes the resource requirement for developing MDA specific M&E programs
2. Provides MDAs with the data and analytics capability to address early identification of issues and take corrective action
3. Improves enumeration and proper MSME classification
4. Better services provided to MSMEs by MDAs.
5. Reduction in fund leakages and misdirection of funds.
6. The solution will result in the MDAs ability to accelerate program implementation and ultimately improve service delivery through a world class digital system

### Benefits to the MSMEs & Public

1. Reliable and accurate information on procurement opportunities, intervention fund disbursements, etc.
2. Public trust regained due to objectivity of government programs
3. Increased visibility and awareness of procurement and intervention activities so MSMEs can track and monitor their bids and submissions in near-real time and receive notifications via SMS.
4. Improved services to MSMEs from MDA
5. Increase in overall competitiveness of MSMEs due to an overall improvement in procurement participation, access to intervention funds, business linkages, etc.

## Indicative cost of select recommendations

S/N	Recommendations	Assumptions	Indicative cost
1	Nationwide sensitization on Business registration	<ul style="list-style-type: none"> <li>Contracting an Advertising Agency to design a sensitization strategy and content @ N15m</li> <li>2 minutes TV advert on 3 major TV stations @ N1.5m each for an initial run of 1-2 months. Subsequent promotion of other MSME programmes</li> <li>Quarterly FMITI meeting with MSME associations and stakeholders @ N5m/meeting over 2 years across the 6 geopolitical zones</li> </ul>	N50 million – N70 million
2	Subsidized registration cost	<ul style="list-style-type: none"> <li>Contracting a market study consultant for analysis of existing business registration policy and possible impact on MSME formalization @ N15m- N30m</li> </ul>	N15 million – N30 million
3	MSME e-portal/App	<ul style="list-style-type: none"> <li>Contracting a digital consultant for the development of a robust "one stop shop" MSME e-portal and App @ N50m</li> <li>Subsequent maintenance and development of UX/UI of e-portal @ N10m/annum</li> </ul>	N50 million – N100 million
4	MSME facilitation centres in Local government offices	<ul style="list-style-type: none"> <li>Estimate cost of setting up MSME facilitation centre in LG offices @ N1m/centre</li> <li>Staff cost: MSME Liaison officer @ N1m/annum</li> </ul>	N1 billion – N1.2billion
5	National MSME Database	<ul style="list-style-type: none"> <li>Contracting a digital consultant for the development of a robust database system using existing data with various MSME institutions @ N30m</li> <li>Subsequent maintenance and development of UX/UI of database grid @ N10m/annum</li> </ul>	N30 million – N50 million



<p><b>6</b></p>	<p>Development of MSME eco-systems viable for development into Industrial clusters</p>	<ul style="list-style-type: none"> <li>• Contracting a digital consultant for GIS mapping of MSMEs using MSME database @ N10m</li> <li>• Setting up required supporting infrastructure for located clusters in the six geopolitical zones</li> <li>• Annual cost of BDSP @ N50million</li> </ul>	<p>Minimum indicative cost of N100million</p>
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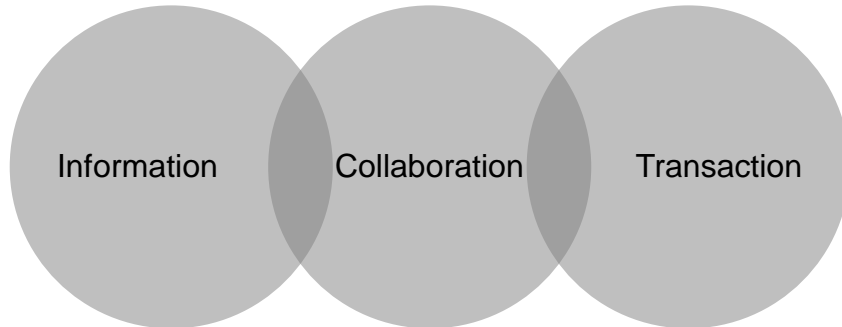
The image consists of a dark grey background. A diagonal stripe of a lighter blue color runs from the top-left towards the bottom-right. The stripe is wider at the top and tapers as it goes down. On the left side of the stripe, the text "Appendix 1 – MSME e-portal" is written in white, bold, sans-serif font. The text is positioned to the left of the stripe, with the first line "Appendix 1 –" and the second line "MSME e-portal" stacked vertically.

**Appendix 1 –  
MSME e-portal**

## Brief overview

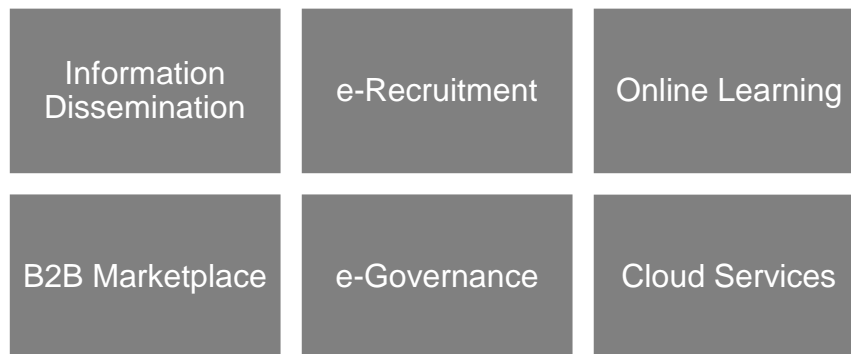
### Objective of the Portal

To create a self-sustainable technology platform that supports:



### Services Offered

Services will be offered in 6 broad areas



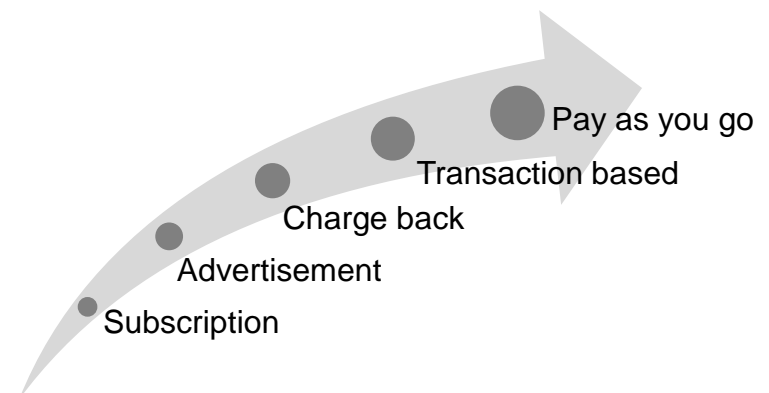
### Primary Beneficiary

Primary beneficiaries of the portal will be



### Monetization Model

Various potential revenue models have been identified



## Voice of MSMEs

*We interviewed a large number of MSMEs to understand their key concerns*



MSME-  
Seller

- ▶ I produce goods that are in demand in the market but I am unable to **find clients** for my products
- ▶ In light of the “Public Procurement Policy”, I am unable to **connect with MDAs** and find out their requirements and market my products to them.



MSME-  
Business  
Manager

- ▶ How can I find a **trusted service provider** for logistics and warehousing, IT, product design?
- ▶ How can I find a facility and administration service provider?



MSME:-  
Recruiter

- ▶ I find it difficult to **find employees** for my unit.
- ▶ There are no placement agencies specifically for MSMEs.
- ▶ How do I do a **background check** before hiring someone?



MSME-  
Finance  
Officer

- ▶ I cannot afford to hire a **good bookkeeper** on a fulltime basis
- ▶ How can I find the best **accounting software** that is tailor made for the size of business?



MSME - Legal

- ▶ What statutory and **regulatory compliances** do I need for **starting/closing** my MSME unit?
- ▶ Where can I find a **trusted legal rep** for providing the necessary services to meet these compliances?



MSME -  
Entrepreneur

- ▶ I have a great idea for a business model but am unable to find a **bank or private investor for funding** the project.
- ▶ Can there be **simplified procedures** for quickly setting up my business?



MSME-  
Trainee

- ▶ Where is the **nearest training institute** where I can apply for training? What are the batch size and when is the next course starting?
- ▶ There are no training institutes in close proximity to me? How can I get the right training?



MSME as  
a Service  
Provider

- ▶ I offer customized services for the MSME sector but do not know how I can effectively reach out to the **larger markets** for my services/products?

## Articulating the key principles for the national e-portal

1

The portal shall leverage existing investments of the MDAs and Institutions and leverage the capabilities existing in the market for delivery of various services

2

Enabling delivery of services from the portal will require technology and best of breed products

3

The variety of services envisaged to be offered from the portal will necessitate partnering with multiple service providers and therefore single vendor model may not be possible

4

Adequate promotion may be required to enable adoption of website ("national portal") so developed

5

The portal should facilitate, as well as enable actual trade to happen between buyers and sellers

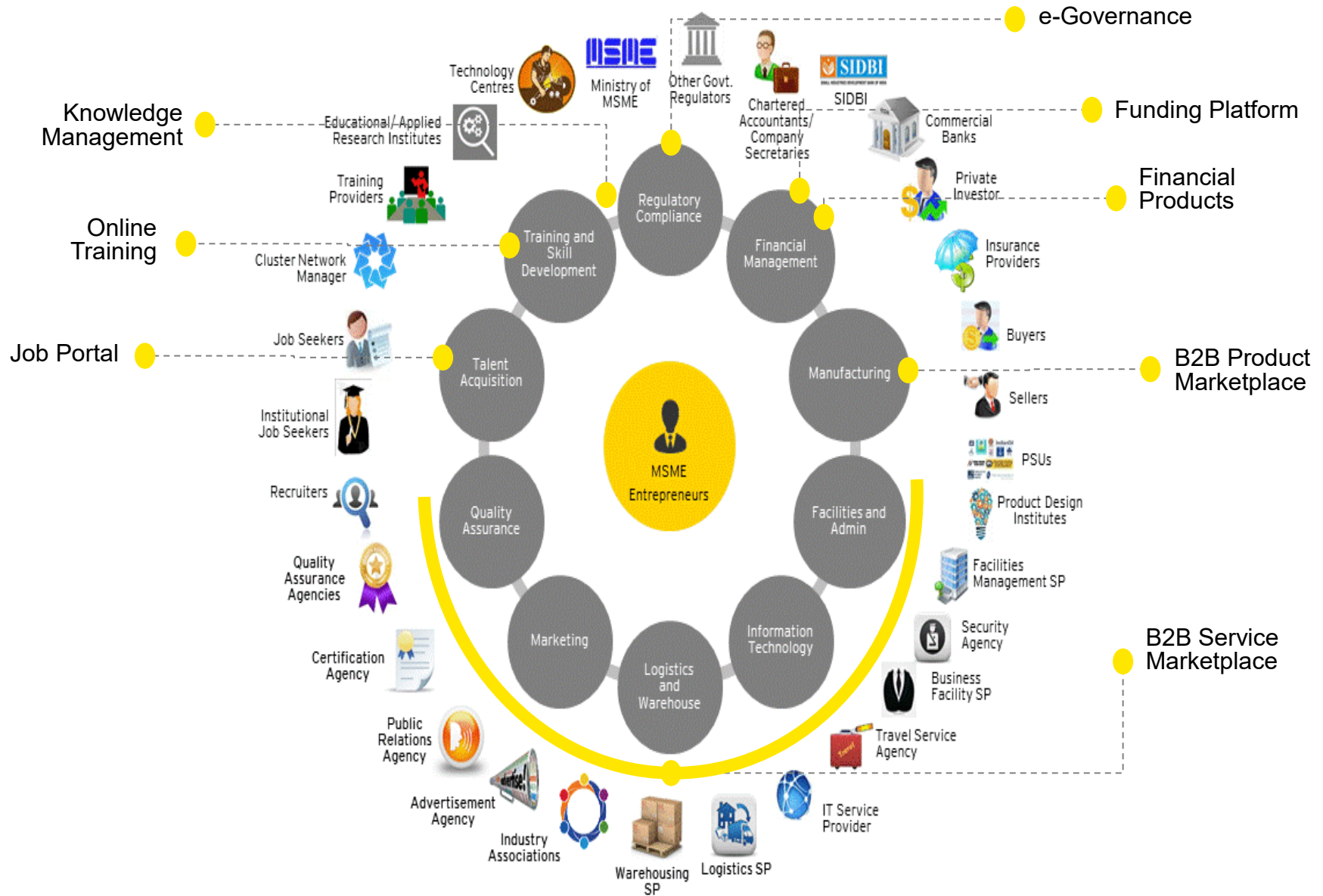
## Key service delivery components of the portal...

National MSME e-portal	
<b>Service categories</b> B2B market place	<ul style="list-style-type: none"><li>• Product and service market place</li><li>• Collaboration and support</li><li>• Manufacturing support</li></ul>
E-learning	<ul style="list-style-type: none"><li>• Education and training</li><li>• E-learning</li></ul>
E-recruitment	<ul style="list-style-type: none"><li>• Resume and job listing</li><li>• Online recruitment</li><li>• Ancillary services</li></ul>
Regulatory services	<ul style="list-style-type: none"><li>• Regulatory database</li><li>• Registration</li></ul>
Financial services	<ul style="list-style-type: none"><li>• Funding platform linking MSMEs with potential financing options</li><li>• Financial products from Financial institutions tailored to MSMEs requirements</li></ul>
E-governance	<ul style="list-style-type: none"><li>• Monitoring and evaluation</li><li>• Scheme appraisal platform</li></ul>

## Enabling access to the MSME ecosystem...



## .... Translating the access into service offerings

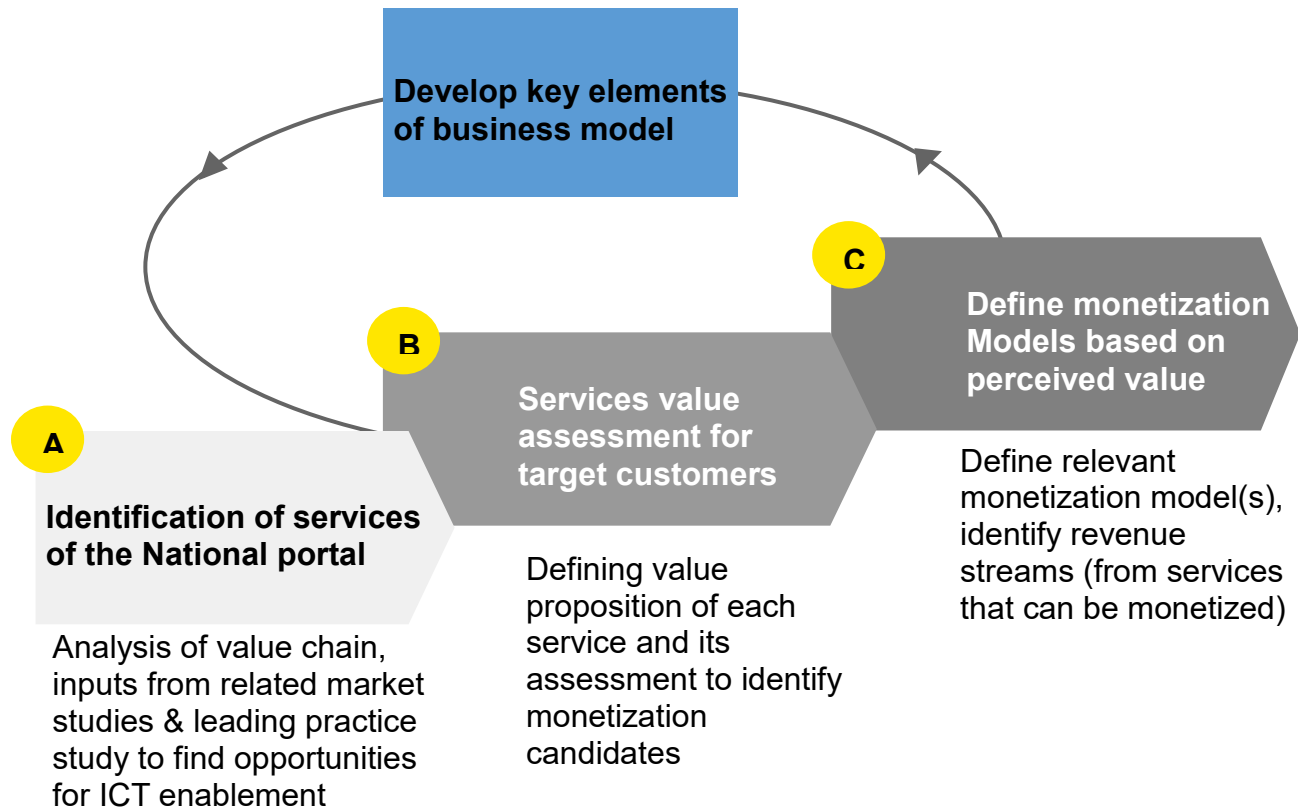




## Understanding ecosystem ICT requirements based on “MSME value chain” ...

To identify ICT requirements of the MSME ecosystem and arrive at the bouquet of services that the national portal could offer using the Porter’s Value Chain framework to analyse the overall MSME industry and associated activities.

The approach shall comprise of three key steps:



### Key elements of business model

Market opportunity (size, services & customers)

Value proposition

Competitive environment analysis (existing ICT initiatives)

Market strategy – partnerships & promotions

Revenue model

Implementation plan

## Possible revenue models

Monetization options	
<b>B2B market place</b>	<ul style="list-style-type: none"><li>• Subscription based model</li><li>• Transaction charge for online transactions</li></ul>
<b>E-learning</b>	<ul style="list-style-type: none"><li>• Fee for online courses / simulations</li><li>• Transaction charge per online registration</li></ul>
<b>E-recruitment</b>	<ul style="list-style-type: none"><li>• Subscription based model</li><li>• Transaction charge for key transactions</li></ul>
<b>Internal office automation</b>	<ul style="list-style-type: none"><li>• Charge-back model – Technology cost apportioned to Technology centres (TCs) based on usage / other metrics</li></ul>
<b>Cloud IT</b>	<ul style="list-style-type: none"><li>• Pay-as-you-go – on-demand independent model</li></ul>
<b>Advertising</b>	<ul style="list-style-type: none"><li>• Revenue from Banner or Email marketing</li></ul>

## Case study: Dubai Trade

Towards employing innovative automated solutions in trading by eliminating barriers and to enable smooth

Name (URL)	Country	Ownership	Portal type
Dubaitrade.ae	Dubai	Government consortium	B2B portal

### Scale of operations

Established in (No. of years)	Registered traders	Annual volume of tx ('000)	Annual Value of Tx (USD Mn)
2006 (12 years)	Buyers and Sellers: 57,000+	12 million in 2011	Not available

### About the portal

Product Categories	Web Presence	Call Centre	Training / L&D
No. of product Categories: >500 Approx No. of products:	Internet: IE6 Mobile: iOS   Android   Mobile browser	Availability: Yes, for all customer grievances and help	Modes: Online/CB Purpose: Trade in Dubai, portal
Social Media Presence	Facebook: Yes Twitter: Yes LinkedIn: Yes		

## Case study: Dubai Trade

### Common Services to Sellers & Buyers

Service	Paid / Free
Online product listing, Online business directory	Free
B2B auctions, co-branding promotions and market campaigns	Free
Insurance for purchase	Paid
Buy/Sell assistance	Free
Learning and development training	Paid

### Services for Buyers

#### Service and Description

Access to registered supplier database for particular products

Online purchase facility

Insurance coverage for order in transit

Order tracking services via air/ship/land route

ESCROW services to park money until the product is delivered

Access to Customs/Port/Vessel data

### Services for Sellers

#### Service and Description

Display of products and services on the portal to be viewed by customers at global, national and internal levels

Subscription to buyer database and trends

Integration with transport operators or land/.air/shipping

Learning and developmental services to enhance business operations



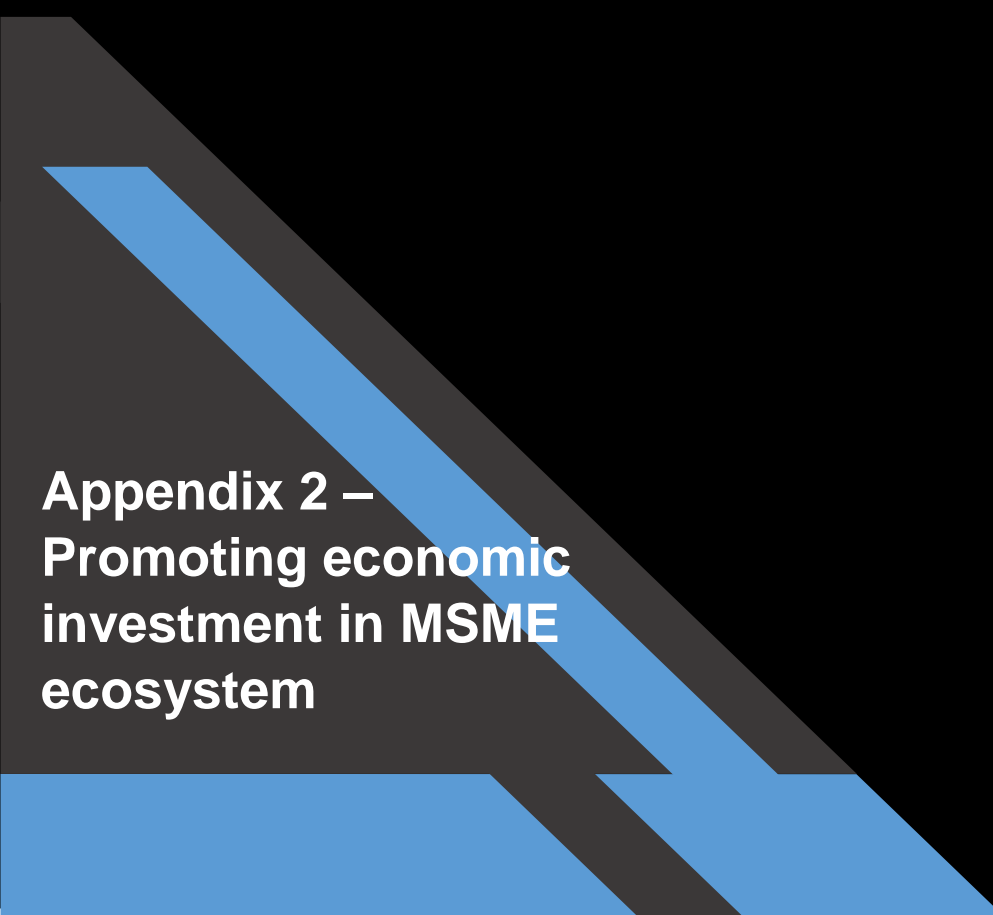
### Other users of the portal providing online services through DT



## Case study: Dubai Trade

### Key Outcomes of the Portal: Growth in Trade

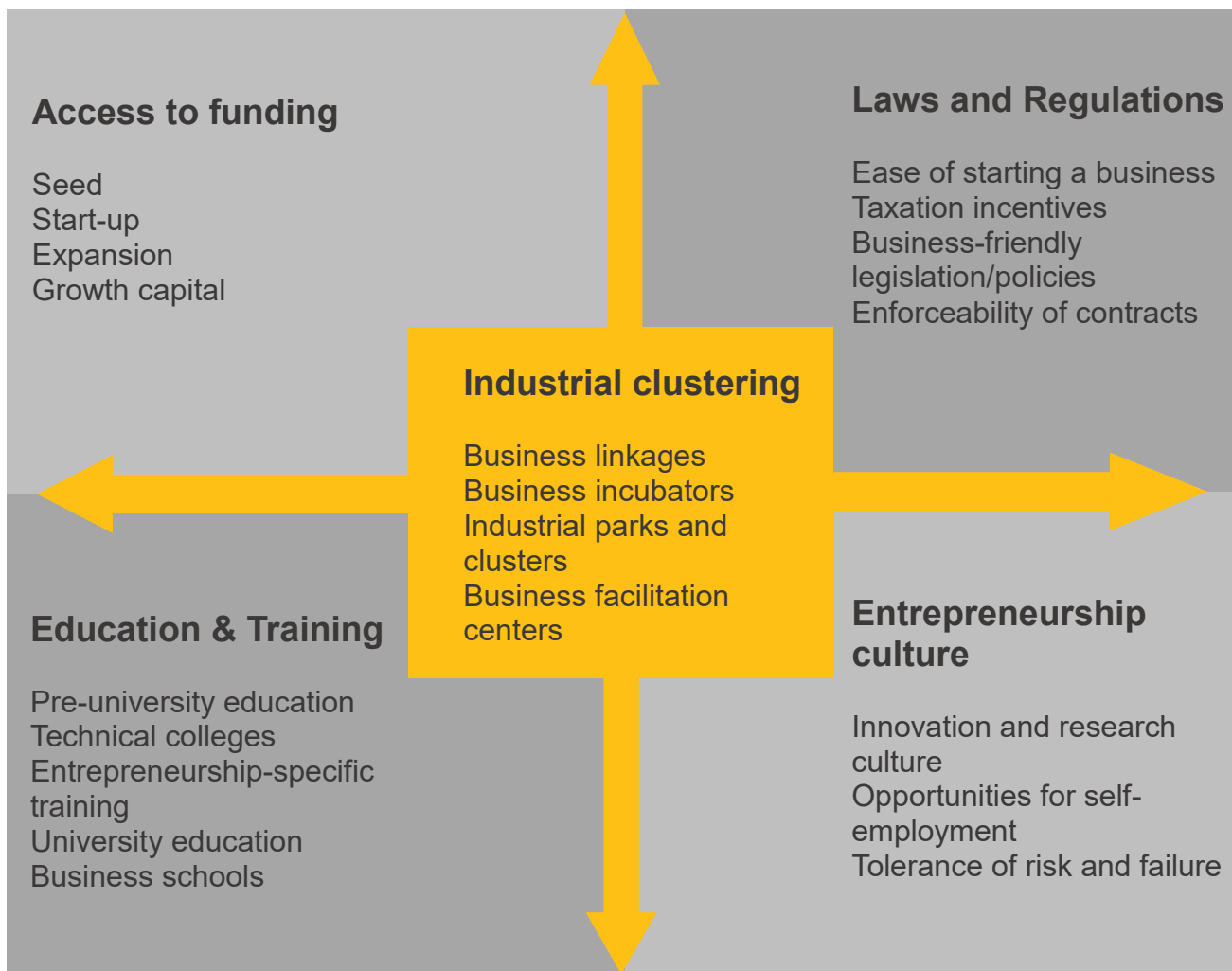
- ▶ Over the past two decades, trade in Dubai has increased at a rate of over 12 times that of global growth.
- ▶ Globally, from 1994 to 2009 total world exports increased 120% from US\$5 trillion to US\$ 11 trillion; during that same time period, Dubai's exports rose by 1500%, to a value of US\$14 billion.
- ▶ The spectacular rise trade growth rates, even compared to high international growth, demonstrates that the UAE's policies for openness to trade are working and that it is taking advantage of globalization; factors that cannot be explained without taking into account the trade facilitation efforts of *Dubai Trade*.
- ▶ The trade-to-GDP ratio (Import + Export=Trade/GDP) often called the "trade openness ratio", represents a country's interest and ability to facilitate trade within the opportunities of a globalized economy.



**Appendix 2 –  
Promoting economic  
investment in MSME  
ecosystem**

**There are five pillars in the MSME development framework that foster entrepreneurial ecosystem**

Access to funding, lack of effective support programs and the current state of infrastructure are some of the major impediments to growth of start-up in the Country.

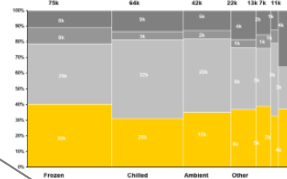


# Comprehensive review of the current and future market conditions to inform and guide the development of Industrial clusters around an MSME Eco-System

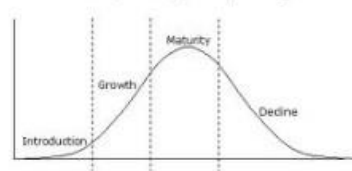
## Policy and Incentives Analysis



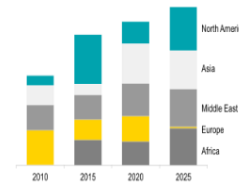
## Industry / Product Clustering



## Industry Lifecycle Analysis



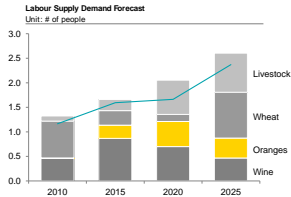
## Supply Analysis



## Value Chain Analysis

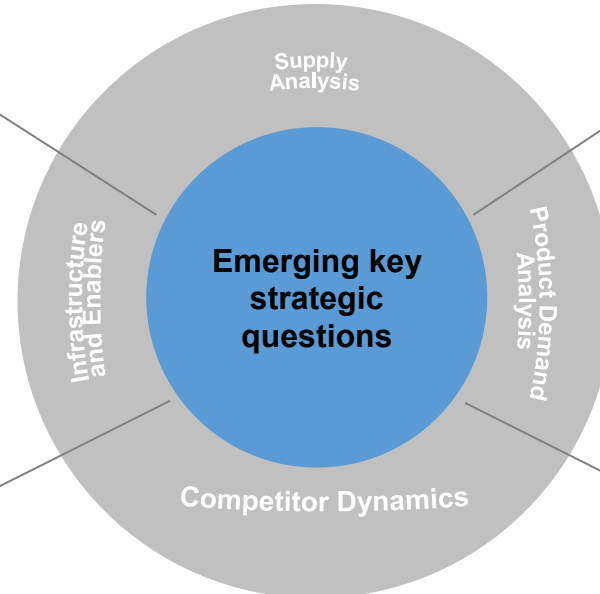


## Enabler / Infrastructure Supply Trend and Demand Analysis

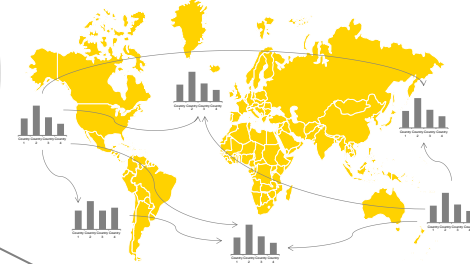


## Enablers analysed

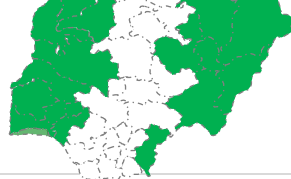
- ▶ Water
- ▶ Power
- ▶ Capital
- ▶ Logistics
- ▶ Labour
- ▶ Innovation, R&D



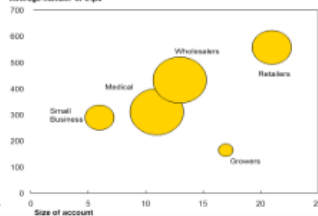
## Product Demand Geographical Analysis



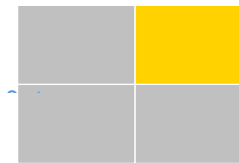
## Competitor Geographical Analysis



## Relative Market Sizing

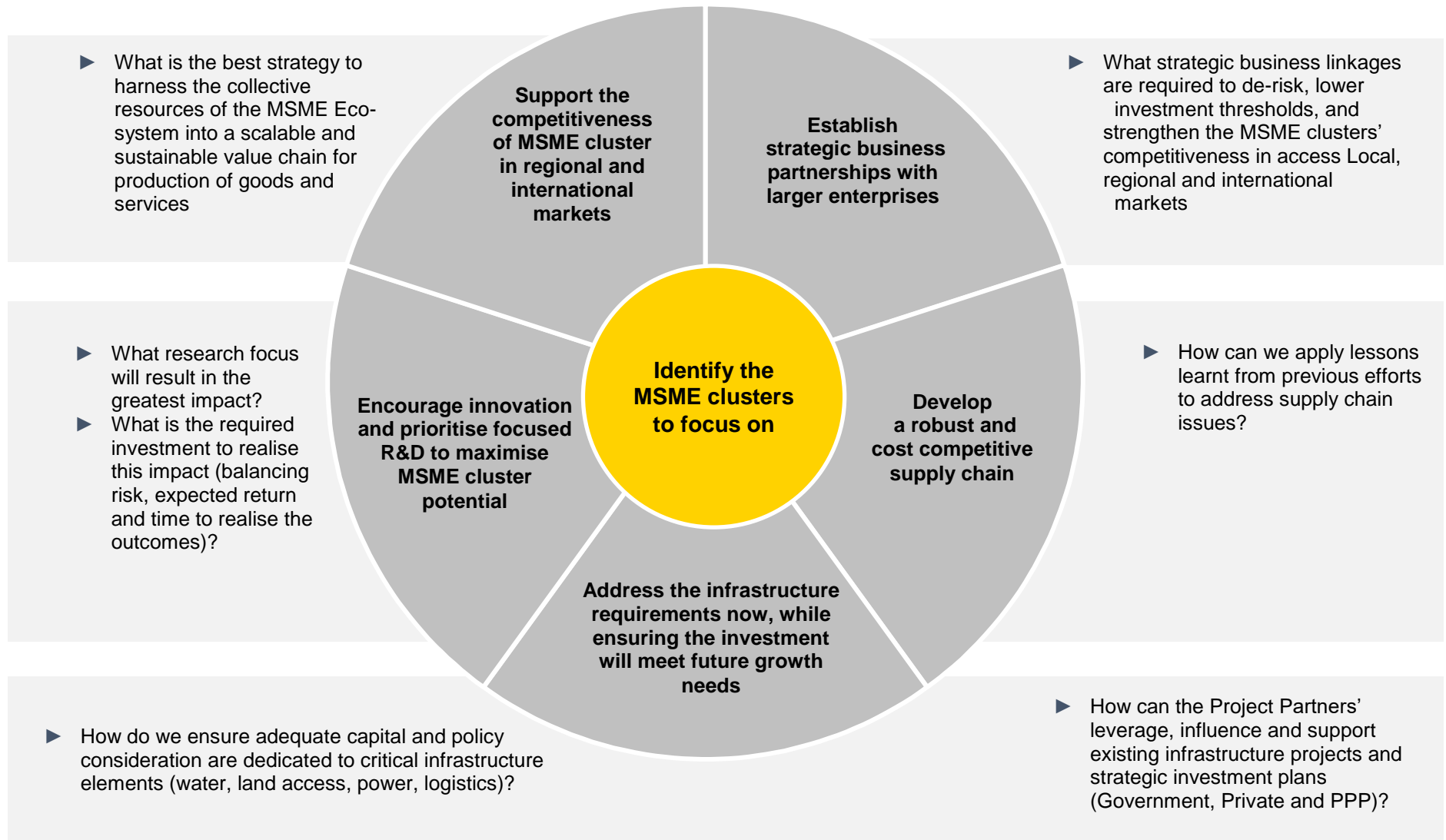


## Competitive Advantage Analysis



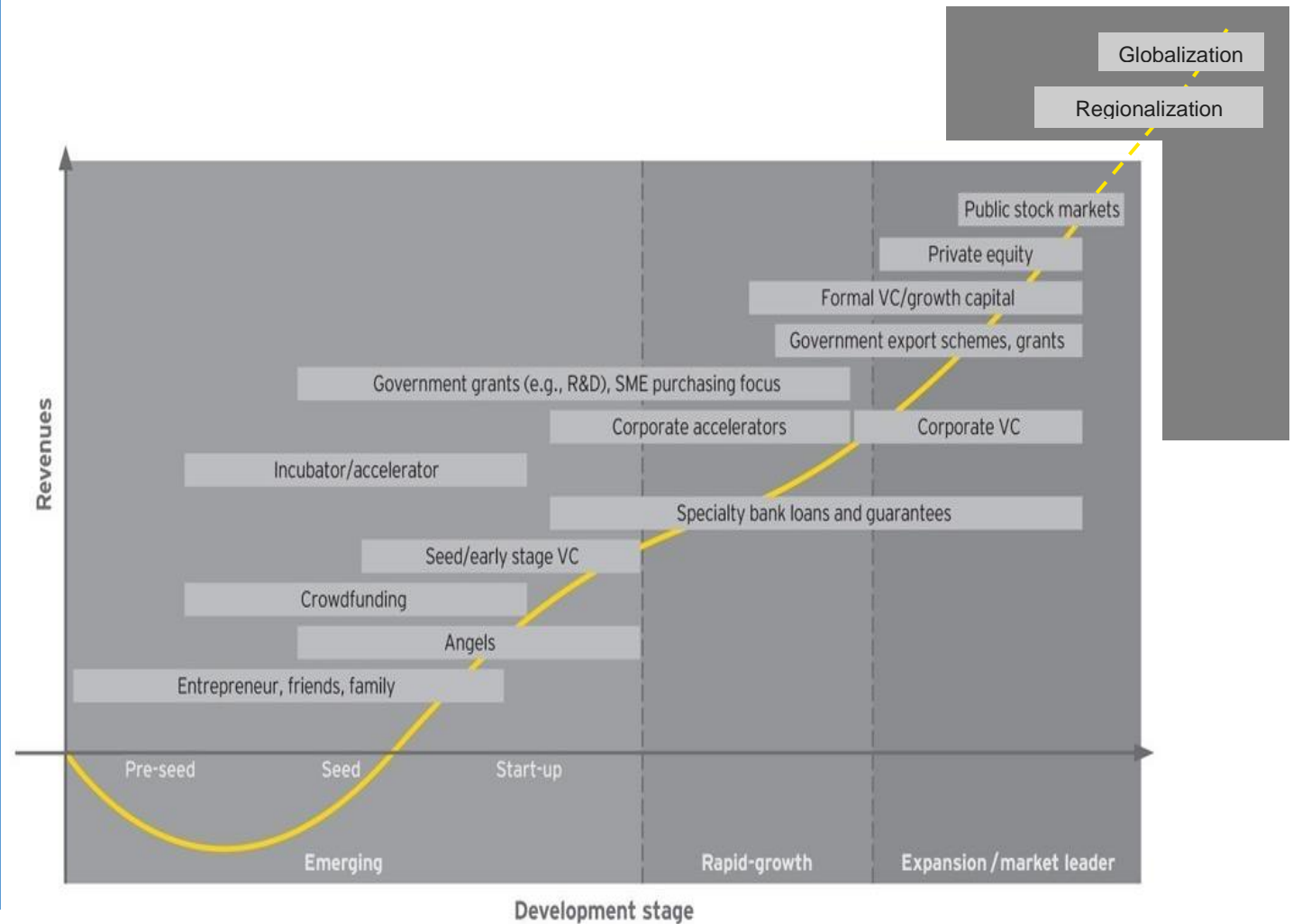


## Six strategic imperatives needed to realize the potential of the MSME industrial clusters

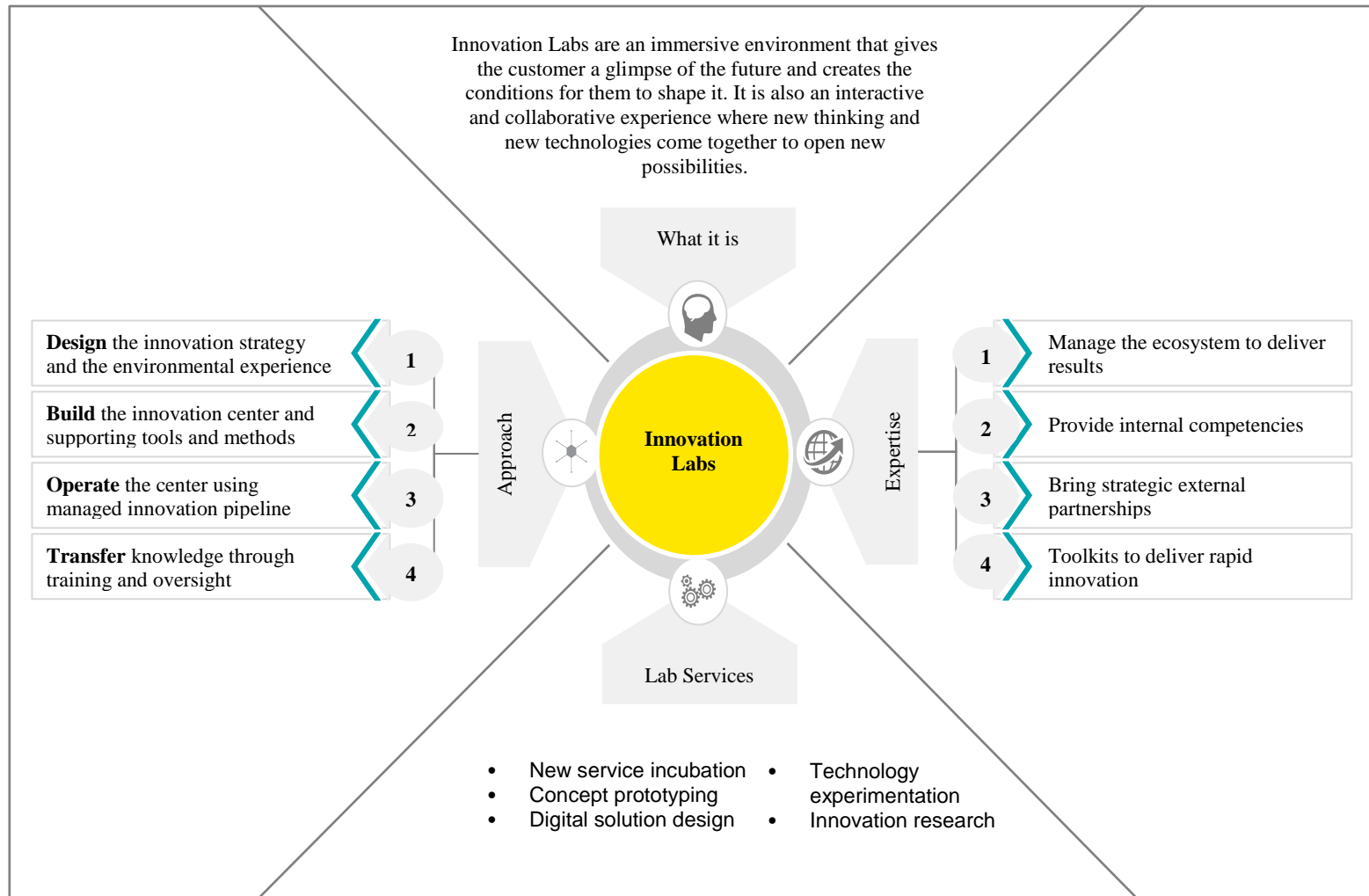


## MSME at different development stage







As entrepreneurial businesses grow and develop, the sources of finance they rely on changes. Many MSMEs are unable to access the required capital to grow and struggle to break out of the Emerging stage. It is therefore essential that governments create a range of mechanisms and institutions that provide entrepreneurs with the capital they need to support their businesses through every stage of the growth journey.



## Driving growth through Innovation/Incubator labs











## What other Governments incubators have done...

Name of Program	Country	Key Characteristics of the Program	Key Differentiators
Innovative Future Fund (Netherlands)		Through its Future Fund the government is making additional money available for innovative SMEs and vital research for the future	Focus on a wide array of sectors other than tech such as horticulture, agri-food, water, health...
USAID LAUNCH (USA)		LAUNCH is an open innovation platform to identify and foster breakthrough ideas for a more sustainable world	A collaboration with giants such as NASA, Nike and USAid to support innovation
Seoul Innovation Bureau (South Korea)		The Seoul Innovation Bureau created a hub to bring together ideas, people, and organizations through intermediaries such as the Seoul Innovation Park	The overriding principle is that citizens are the main catalysts and sources of innovation
TEKES (Finland)		Besides funding technological breakthroughs, Tekes emphasizes the significance of service-related, design, business, and social innovations	Every year, Tekes finances some 1,500-business research and development projects
Innovation (Norway)		Innovation Norway develops Norwegian enterprises and industry. Innovation Norway supports companies in enhancing innovation.	A comprehensive guidance from ideation to internationalization
Khalifa Fund for Enterprise Development (UAE)		Khalifa Fund for Enterprise Development was launched on 3 June 2007 to help develop local enterprises in Abu Dhabi	Khalifa Fund offers counselling and capacity building services in addition to funding

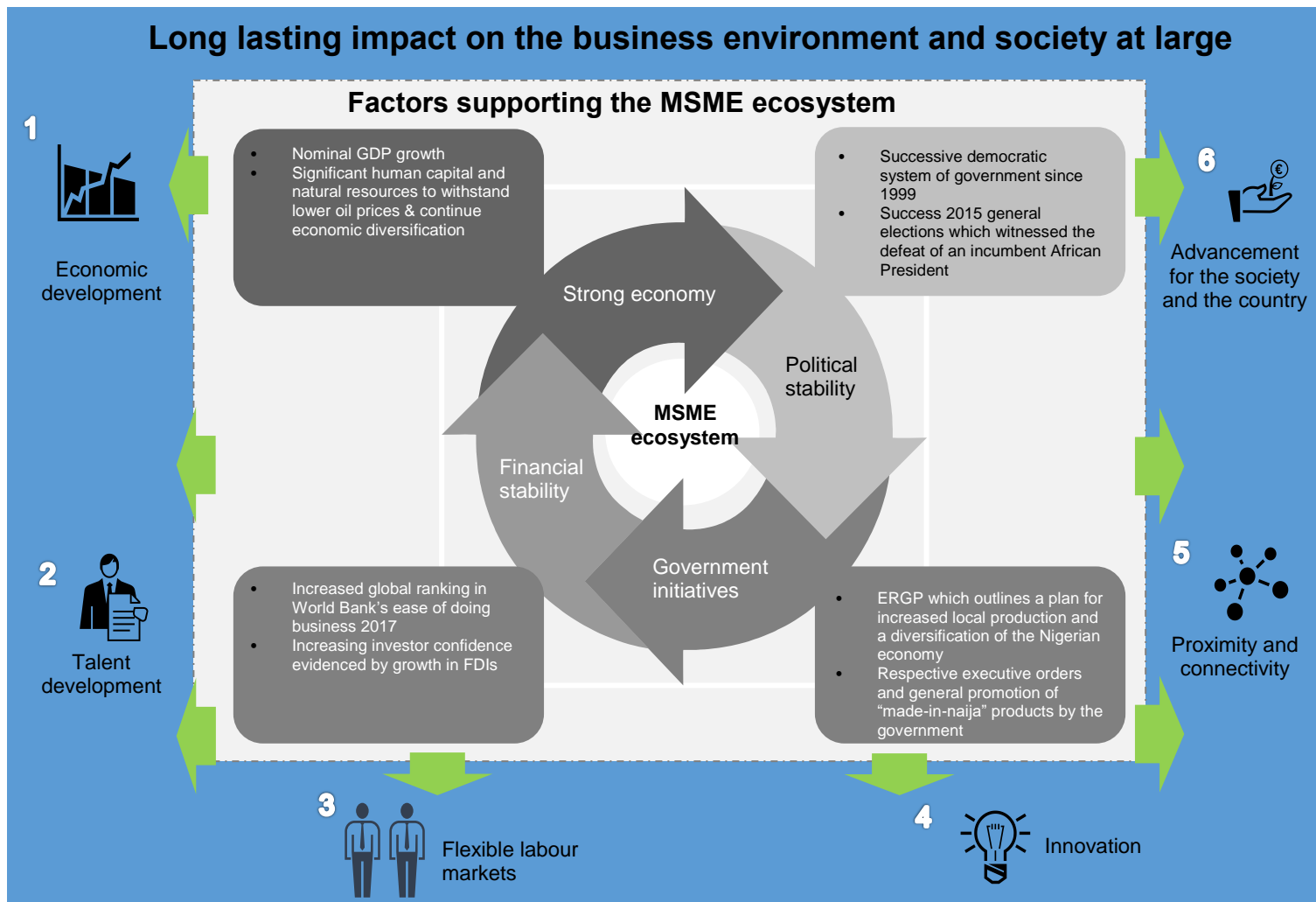
Dubai Future Accelerators (UAE)		Dubai Future Accelerators is a 12-week program pairing technology companies with leading government agencies	Applicants do not need to submit a business plan for their company
Mohammed bin Rashid Fund for SME (UAE)		Mohammed Bin Rashid Fund for SME aims to finance innovative pilot projects – both small and medium enterprises - for Emirati investors	Applicants can only be Emiratis
Badir Technology (KSA)		BADIR is a Technology Incubator Program to accelerate the growth of emerging technology based businesses	Its main focus is on technology
Tasmu (Qatar)		Tasmu will focus on five sectors, including transport, logistics, environment, health, and sports	Human centered design at the heart of the digital playbook

## Select Private sector owned Incubators

Name of Incubator	Country	Key Characteristics of Incubation Program	Selection Ratio	Success Stories	Key Differentiators
Angelpad		Intense 3 months program with only 12 companies selected and tailored made advice from Angelpad founders	0.6% (12/2,000)	Vungle, Mofub	Highly exclusive and tailored made programs
Y Combinator		Intense 3 months program with a focus on web/app companies and exposure to Y Combinator's network	1.6% (117/7,200)	Stripe, Airbnb, Dropbox	Vast alumni network and help to hire human capital
Techstars		A wide catalogue of programs based on sector/trend (e.g. digital health), city (e.g. Dubai) and sponsor (e.g. Barclays)	<1%	Uber, PillPack, DataRobot	Global network of entrepreneurs
Alchemist		6 months program for enterprise businesses (B2B and B2B2C)	N/A	Assemblage, MobileSpan	Focus on tech and enterprise businesses
Amplify LA		Focus on the Los Angeles network in collaboration with tech giants such as Facebook and Snapchat	N/A	Winc, Clutter	Flexible timing and no structured calendar
The Cribb (Dubai)		4 key programs: visibility and culture, corporate venture capital strategy, innovation lab and VC funding	30% (150/500)	Profusion, Inc Middle East	A wide offering for startups with specific programs
Oasis500		3 months program including acceleration, mentorship, funding and networking	N/A	Reserveout, tamatem, jamalon	2 tracks: Oasis Tech Industries and Oasis Creative Industries
Seqnce		6 months program with a onetime investment per year	2.6% (8/300)	Cinemoz	Teams need a business person, a

					developer and a designer
Flat6Labs <sup>3</sup>		4 months program offering industry specific training, legal and networking advice	5% (25/500)	Nafham, Washmen, jumpsuite	Academic training provided along with legal advice
Berytech		Access to mentoring, coaching, business advisory, markets, soft landing and training	N/A	Carpolo, Bright Outsourcing	No structured program

## Nigeria is rightly positioned to embark on an initiative to further build and strengthen its MSME ecosystem...

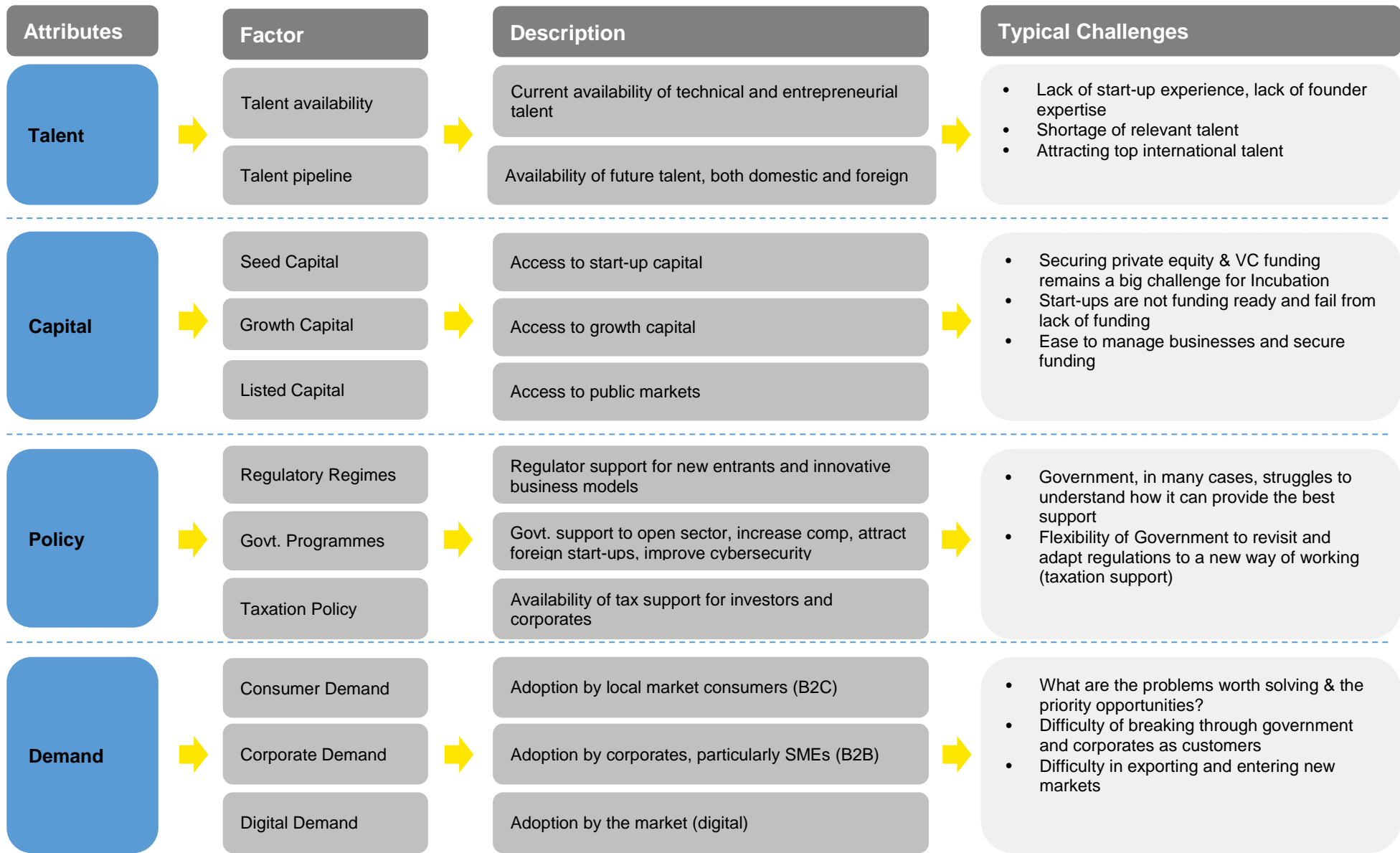


## Key impediments to overcome

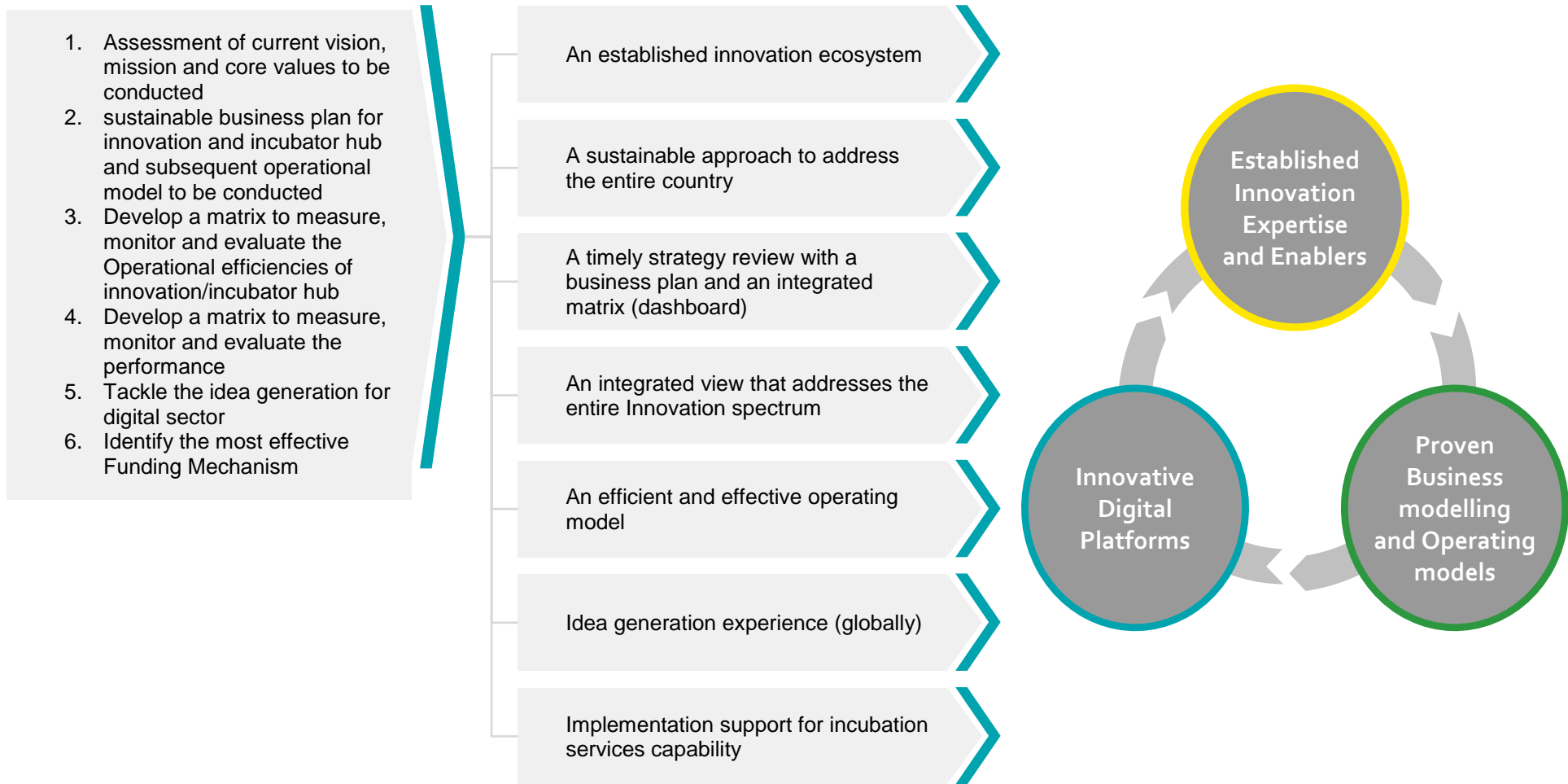
- Bridging the Financing gap
- Bridging the infrastructural gap
- Improving doing business rankings
- Enforcing contracts,
- Resolving insolvency,
- Improving educational outcomes
- Improving labour regulations
- Fostering the use of ICT

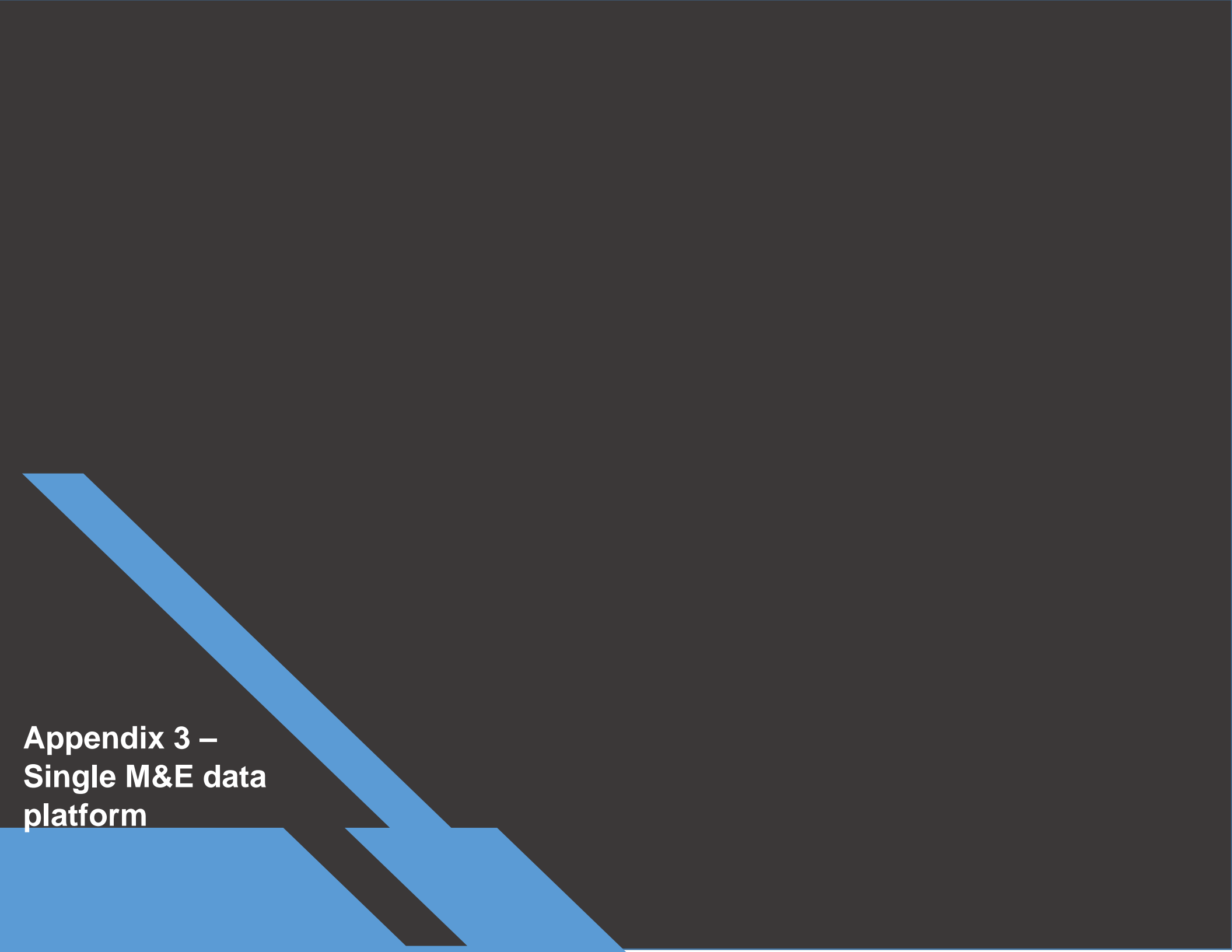


**... however, there are several areas to address to create and maintain a thriving Digital Incubation ecosystem**



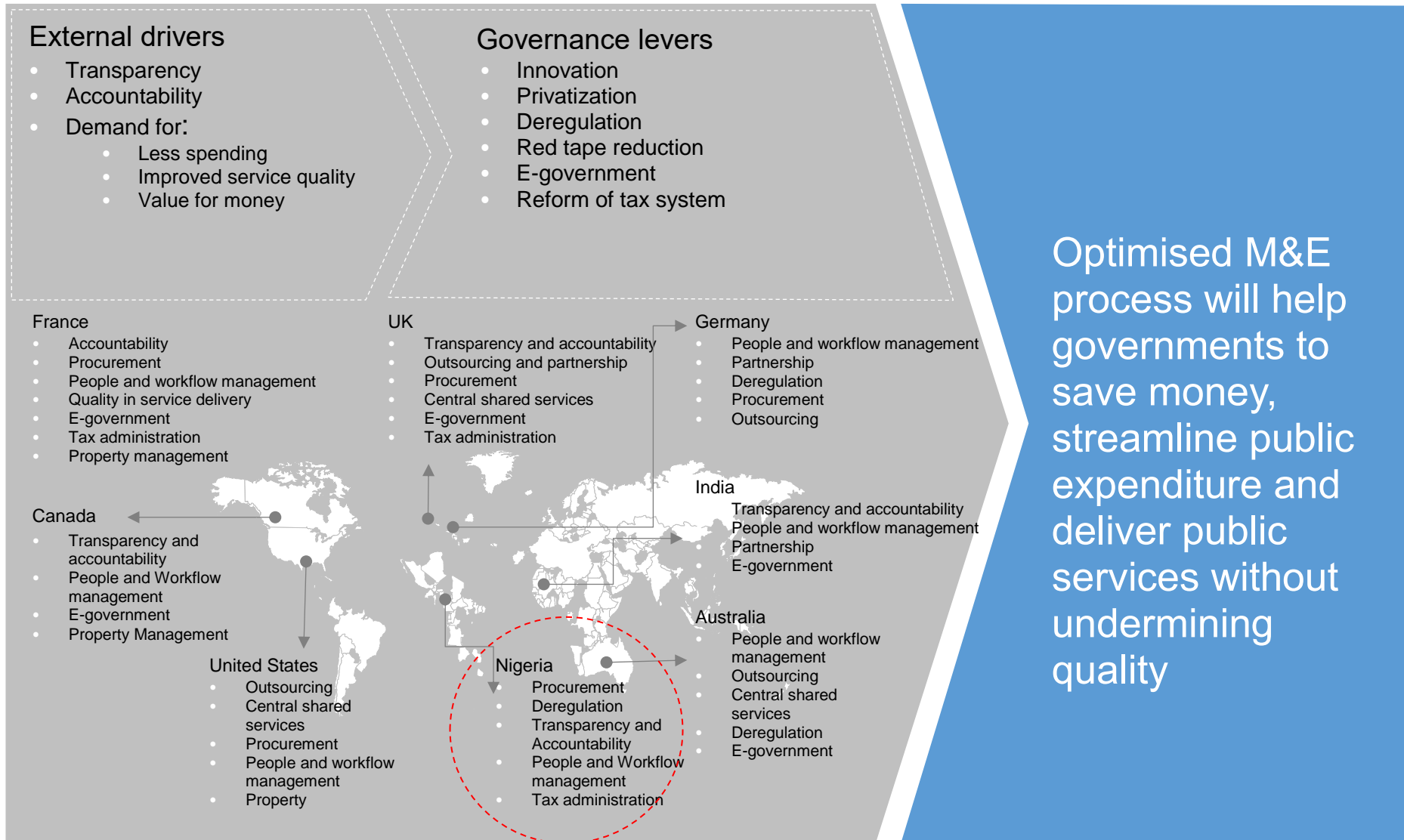
## What is required to achieve the objective...



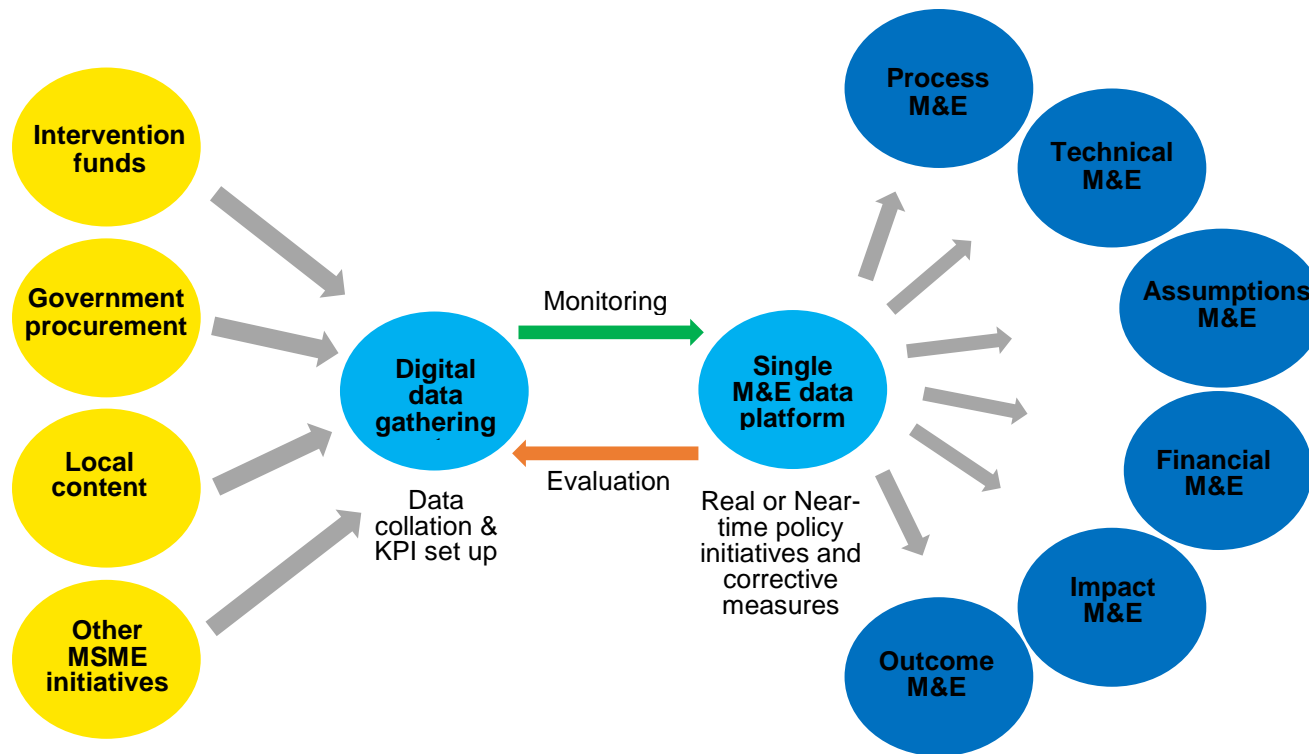


**Appendix 3 –  
Single M&E data  
platform**

## Major trends shaping governance programs around the world...



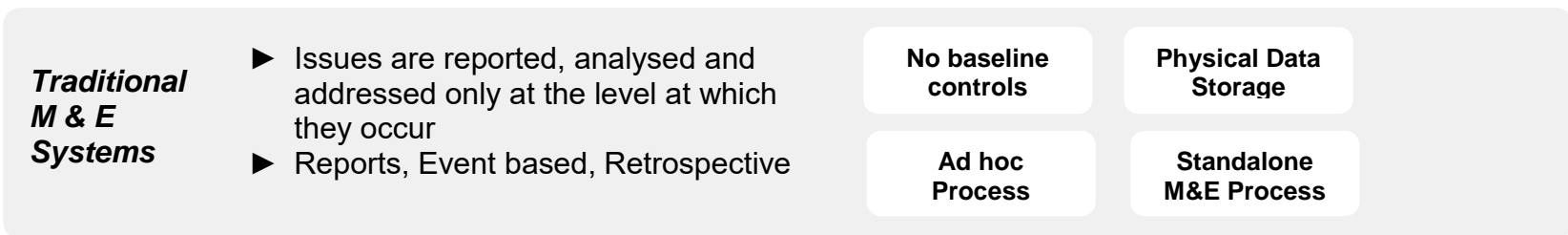
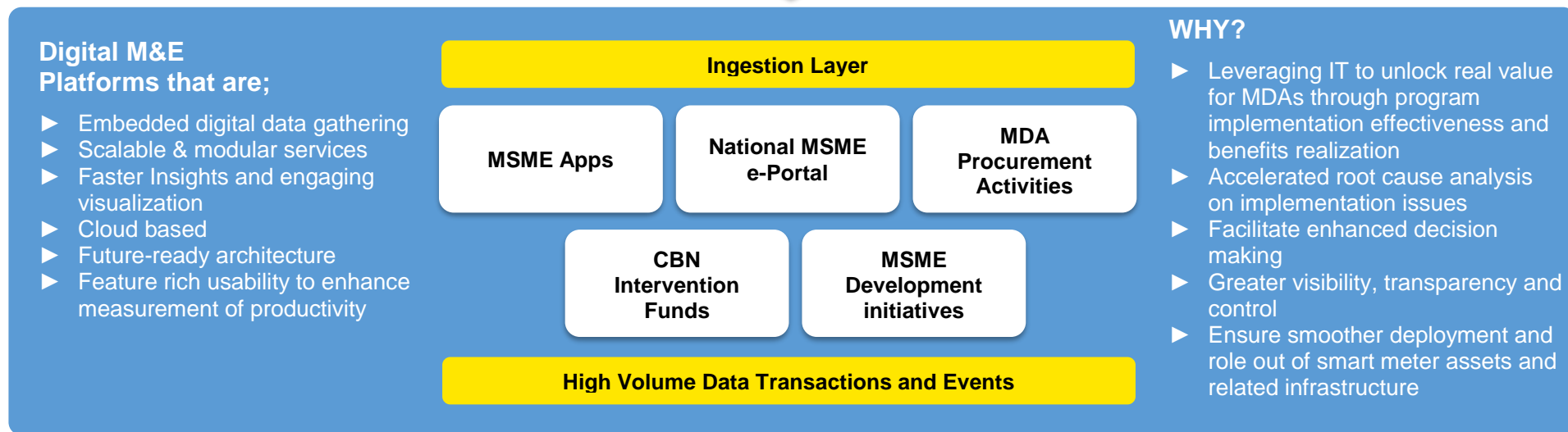
## What future governance programs should look like...



Governments face mounting pressure to redesign public services to deliver better value for money and meet rising citizen expectations

Moving toward a new M&E process, augmented and interconnected by digital technologies, where both policy development and corrective interventions can happen in real time

# Enabling the paradigm shift in the way M&E governance systems are delivered



## Vision of the Single M&E Data Platform

### Challenges

Governments are under pressure to deliver solutions to achieve substantial efficiency gains, increased processing capacity, reduced costs and improved service delivery

### Vision for Single M&E System

Moving toward an integrated M&E process that seamlessly captures, validates, authenticates data and information for easy monitoring and assessment

### Strategic priorities for the “platform” are:

- 1** Leveraging IT to authenticate the progress of the project towards the intended results
- 2** Enable MSMEs for all their regulatory compliance requirements, electronically and seamlessly
- 3** Enable the coordinating Agency to see pain points of MSME in real time and take remedial measures
- 4** Enable data analysis for timely course correction
- 5** To use such data and patterns for input into new policy initiatives

**A platform for information, communication, transaction and collaboration for all stakeholders**

# Measuring and Monitoring...

Implement, assure or improve project measuring and monitoring capabilities by aligning key controls and KPI's (setup to be real time or near real-time)

Innovative thinking is required around how governments deliver public services, especially if improved outcomes are to be achieved for less cost to the taxpayer in a tightening fiscal position

**Key**

- Are your reports telling you the right information?
- Are your metrics aligned to stakeholder needs?
- Is the link between your KPI's and desired outcomes clear and complete?
- What are the top 10-15 controls you need to drive your KPI's?
- What data do you need to inform your key controls?
- How well are you using automation and analytics to turn data into information and insight?
- Is your assurance real, or near real time?
- How are you driving innovation and continuity?

**Value**

- ▶ **Confidence in management information for decision making**
- ▶ **Being informed early enough to influence an outcome**
- ▶ **Successful management of stakeholders**
- ▶ **Confidence that the programme will deliver on ROI**



## Increased oversight and transparency while increasing MSME participation

### Benefits to the Government

1. Government platform that provides transparency to all.
2. MDAs have stronger leverage on their programmes.
3. No adverse impact on efficiency of MDA operations.
4. Increase public confidence.
5. Potential increase in donor funding to aid the development of the platform.
6. Increase MSME satisfaction that results in increase political good faith.
7. The monitoring and evaluation infrastructure (M&E), will be digital. Therefore the benefit from linkages with other web based platforms of the government.
8. Socio economic and development impact resulting from smart implementation

### Benefit to the MDAs

1. Removes the resource requirement for developing MDA specific M&E programs
2. Provides MDAs with the data and analytics capability to address early identification of issues and take corrective action
3. Improves enumeration and proper MSME classification
4. Better services provided to MSMEs by MDAs.
5. Reduction in fund leakages and misdirection of funds.
6. The solution will result in the MDAs ability to accelerate program implementation and ultimately improve service delivery through a world class digital system

### Benefits to the MSMEs & Public

1. Reliable and accurate information on procurement opportunities, intervention fund disbursements, etc.
2. Public trust regained due to objectivity of government programs
3. Increased visibility and awareness of procurement and intervention activities so MSMEs can track and monitor their bids and submissions in near-real time and receive notifications via SMS.
4. Improved services to MSMEs from MDA
5. Increase in overall competitiveness of MSMEs due to an overall improvement in procurement participation, access to intervention funds, business linkages, etc.
- 6.

