MSME Aggregation and Growth Study

March 2021

PwC

Caveat

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The information highlighted in this report are based on information provided in the project terms of reference as well as other information sources proprietary to PwC.

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Acronyms	
1D1F	One District One Factory Initiative
ABP	Anchor Borrowers' Programme
ACA	African Cashew Alliance
ACE	Agricultural Commodity Exchange for Africa
AfCFTA	Africa Continental Free Trade Area
AFEX	Africa Commodities Exchange Limited
AHKs	German Chambers of Commerce Abroad
AltX	South African Alternative Exchange
AMIS	Agricultural Market Information System
ANC	Adjusted Net Credit
APPEALS	Agro-Processing, Agricultural Productivity Enhancement and Livelihood Improvement Support
APROCOT-CI	Cotton ginners association
BOA	Bank of Agriculture
BOI	Bank of Industry
CACS	Commercial Agriculture Credit Scheme
CAGR	Compound annual growth rate
CBI	Centre for the Promotion of Imports
CBN	Central Bank of Nigeria
CCA	Conseil Coton Anacarde
CIS	Collective Investment Scheme
CPO	Crude Palm Oil
CPSE	Central Public Sector Enterprises
CPSE	Central Public Sector Enterprises
CSR	Corporate Social Responsibility
DBM	Development Bank of Mauritius
EDF	Export Development Fund
EEG	Export Expansion Grant
EPZ	Export Processing Zone
ETDZ	Economic and Technological Development Zones
EU	European Union
EXIM	Export- Import
FC WAMCO	FrieslandCampina WAMCO
FDI	Foreign direct investment
FEC	Federal Executive Council
FFSs	Farmer Field Schools
FIIRO	Federal Institute of Industrial Research Oshodi
FIRS	Federal Inland Revenue Service
FLO	Fairtrade Labelling Organisations International
FMARD	Federal Ministry of Agriculture and Rural Development
FTZ	Free Trade Zone
GAX	Ghana Alternative Market
GBL	Global Business Licence
GDP	Gross Domestic Product
GEMS	Growth Enterprise Market Segment
GEPA	Ghana Export Promotion Authority
GES	Growth Enhancement Scheme
GTAI	Germany Trade and Invest
GVCs	Global Value Chains

HIDZ	High-Tech Industrial Development Zones
ICRC	Infrastructure Concession Regulatory Commission
ICT	Information, Communication and Technology
IDH	Sustainable Trade Initiative
IFC	International Finance Corporation
JSE	Johannesburg Stock Exchange
KTDA	Kenya Tea Development Agency Limited
LAKAJI	Lagos-Kano-Jibiya
LGA	Local Government Area
MDAs	Ministries, Department, Agencies
MEDIA	Mauritian Export Development and Investment Authority
MEPZ	Mauritius Export Processing Zone
MEs	Micro-scale enterprises
MITD	Mauritius Institute of Training and Development
MNCs	Multinational Companies
MOTI	Ministry of Trade and Industry
MSME	Micro, Small and Medium-scale Enterprises
MT	Million Tonnes
NACOTAN	National Cotton Association of Nigeria
NAFDAC	National Agency for Food and Drug Administration and Control
NAMEL	Nigeria Agricultural Mechanisation Equipment Leasing Company
NAQS	Nigeria Agricultural Quarantine Service
NASARI	National Semi-Arid Resources Research Institute
NASENI	National Agency for Science and Engineering Infrastructure
NASME	Nigerian Association of Small and Medium Enterprises
NBL	Nile Breweries Limited
NBS	National Bureau of Statistics
NCAN	National Cashew Association of Nigeria
NEDS	National Export Development Strategy
NEPC	Nigerian Export Promotion Council
NESS	Nigerian Export Supervision Scheme
NEXIM	Nigerian Export-Import Bank
NEXTT	Nigeria Expanded Trade and Transport
NFSMC	Nigeria’s National Food Safety and Management Committee
NFSMC	Nigeria’s National Food Safety and Management Committee
NIMASA	Nigerian Maritime Administration and Safety Agency
NIPC	Nigeria Investment Promotion Council
NIRSAL	Nigeria Incentive-Based Risk Sharing System for Agricultural Lending
NSIA	Nigeria Sovereign Investment Authority
NTE	Non-Traditional Export
NUC	National University Commission
NXP	Nigeria Export Proceeds
OECD	Organisation for Economic Co-operation and Development
OFIS	Olam Farmer Information System
PDF	Policy Development Facility
PDFBridge	Policy Development Facility Bridge
PEARL	Partnership for Enhancing Agriculture in Rwanda through Linkages
PERD	Planting for Export and Rural Development
PKC	Palm Kernel Cake
PKO	Palm Kernel Oil

PPP	Public Private Partnership
PSL	Priority Sector Lending
PVC	Photo Voltaic Cell
PwC	PricewaterhouseCoopers
R&D	Research and Development
REC	Regional Economic Community
RECs	Regional Economic Communities
RMRDC	Raw Materials Research and Development Council
SAFEX	South African Futures Exchange
SAFEX	South African Futures Exchange for South Africa
SBA	Small Business Act
SCPZ	Staple Crop Processing Zone
SEWA	Self-Employed Women's Association
SEZ	Special Economic Zone
SME	Small and Medium-scale Enterprises
SMEDAN	Small and Medium Enterprises Development Agency of Nigeria
SON	Standard Organisation of Nigeria
STIPS	Science and Technology Industrial Parks
TEU	Twenty-foot Equivalent Units
TFA	Trade Facilitation Agreement
TFZ	Tanger Free Zone
TOR	Terms of Reference
TTP	Truck Transit Park
USA	United State America
USAID	United State Agency for International Development
USD	United State Dollars
USDA	United State Department of Agriculture
WTO TFA	World Trade Organisation Trade Facilitation Agreement
YES	Young Entrepreneurs in Science
ZAMACE	Zambia Agricultural Commodity Exchange

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1 Report Structure

1.1 Overview

This report is organised in nine sections and two parts. The first two sections serve as report summary and background while the remaining six sections, split into two parts, addresses the project scope as laid out in the Terms of Reference (ToR). The report also contains an appendix with some supplementary information.

Part one consists of four sections and examines the MSME landscape in Nigeria, their contributions and challenges, the governments (through its ministries, department and agencies) efforts / initiatives to address MSME challenges, performance of these efforts / initiatives, review of efforts from selected countries in growing their MSME sector and improving their export capacity. The approaches employed by these countries was assessed for their fit in the Nigerian context. Part one concludes with a section which details recommendations to support the achievement of export trade objectives.

Part two consists of two sections and discusses the existing models employed across the world for MSMEs integration and aggregation specifically. It also recommends models for MSME commodity aggregation for the top 5 commodities with significant export potential value chain and concludes with critical success factors to support the successful implementation of the recommended models.

1.2 Section Highlights

Section 1 is titled **Report Structure.** This section lays out the structure of the report and provides a brief highlight of subsequent sections. The purpose is to guide readers on the flow of the report.

Section 2 is titled **Executive Summary**. This section provides a summary of the most pertinent issues and recommendations across the document.

Section 3 is titled **Introduction and Project Overview**. This section introduces the project and details the rationale for the project, project objectives, scope, methodology and project limitations

Part One

Section 4 is titled **MSME Landscape in Nigeria**. This section provides additional background for the project. It discusses the current state of Nigeria's MSMEs landscape, shedding light on the contribution of MSMEs to Nigeria's economy, as well as challenges MSMEs face operating in Nigeria. This section does not include recommendations to these challenges as it only seeks to provide insights on constraints mitigating against MSMEs growth in Nigeria.

Section 5 is titled **Government's Efforts towards Developing MSME and their Export Capacity.** This section addresses **ToR project scope 3** which seeks to map the existing development initiatives of Federal and State Government agencies against MSMEs export capacity development requirement for a select number of products and services out of the 35 products identified in the Impact and Readiness Assessment Report and the five services sectors for liberalisation under AfCFTA Phase 1 Agreement.

This section also identifies quantitative criteria for selecting 10 commodities from the 35 commodities identified in the Impact and Readiness Assessment Report. In addition, this section details MSMEs export capacity development and market accessibility requirements, reviews various government development initiatives aimed at developing the 10 commodities selected and 5 services areas against the MSME's export capacity development requirement exploring the performance of the initiatives and identifying gaps where available.

This section does not proffer recommendations to improve government's existing and future initiatives vis a vis MSMEs requirements. Recommendations which are as a result of learnings from the review of MDA's development initiatives are contained in section 7.

Section 6 is titled **Approaches across Countries and Key Actions of Export Promotion Agencies to Develop MSMEs and Improve Exports**. This section addresses **ToR project scope 1** which requires us to *conduct a review of exiting approaches in developing SMEs and key actions of export promotion institutions that have resulted in increased exports, drawing on international best practices and* **ToR project scope 4** which seeks to *highlight the roles of State Enterprises in selected countries in growing and maintaining a viable local ecosystem of MSMEs and producers for the export market.*

This section contains a review of case studies from developed and developing countries as well as export promotion institutions to understand the practices, approaches and actions taken to not only develop MSMEs generally but also improve their export capacity significantly. This section, just like the previous section, does not provide recommendations based on best practices identified to address the challenges set out in section 4 but merely states the actions employed across countries to develop and improve MSMEs export capacity.

In this section, we also review state enterprises across developing countries and highlight the approaches employed by these state enterprises to provide the much-needed support for MSMEs to thrive and develop their export potential.

This section does not highlight learning points for Nigeria. Recommendations which are as a result of learnings from the case study review are contained in the subsequent chapter.

Section 7 is titled **Recommendations to support the Development of Programmes to Achieve Export Trade Objectives.** This section address **ToR Scope 6** which seeks *to propose specific policy recommendations to enable specific implementation agencies build programmes that will achieve the desired export trade objectives.*

In this section, we use MSMEs challenges (documented in section 4), export trade objectives, requirements for MSMEs export capacity development (see section 5) and the key learning points from reviewing other country's efforts at MSME development (see section 6) to proffer recommendations. This information was used to recommend short, medium- and long-term initiatives aimed at ensuring Nigeria achieves its set out trade objectives and is equipped with action points to boost MSME export capacity and market accessibility.

Part Two

Section 8 is titled **Existing Models for MSMEs Integration and Aggregation.** This section addresses **ToR project scope 2** which seeks to *identify and assess the efficacy of models that are been employed by selected large corporates and multinational companies to grow the ecosystem of MSMEs and integrate them into their local, regional, and global value chains.*

This section contains details of the various integration approaches employed by large corporates and multinationals and how these approaches have supported MSMEs growth and development. In addition, based on our understanding that this project seeks to also identify other models and approaches that have been employed to aggregate MSMEs commodities effectively for seamless export activities outside of large corporates integrating MSMEs into their value chains, this section also focuses on other approaches for MSME commodity aggregation towards improving market accessibility.

Section 9 is titled **Recommended Models for MSME Commodity Aggregation**. This section addresses **ToR project scope 5** which seeks *to propose specific models for aggregation of MSMEs along top 5 commodities with significant export potential value chains, critically assess value chain gaps and requirements for export. Each proposed model of aggregation should include a blueprint for implementation (including associated costs).*

The section highlights the quantitative and some qualitative criteria employed in selecting the top 5 commodities from the list of 10 commodities identified in section 5, presents an overview of the five commodities including their value chain gaps and proposes models for aggregating the commodities drawing on the successful approaches discussed in section 6. For each model an implementation approach is laid out however, given the qualitative nature of the information available, we were unable to reliably estimate costs for implementation.

The section concludes with remarks on the success factors critical for the proposed models to be successful and recommendations to build capacity in line with the success factors. These critical success factors and recommendations are based on learnings from sections 4 and 5 of the report.

2 Executive Summary

2.1 Introduction and Project Overview

Micro Small and Medium-Scale Enterprises (MSMEs) are integral to the stimulation of developing economies as exploiting the full capabilities of MSMEs will improve trade competitiveness aimed towards achieving the objectives of the Africa Continental Free Trade Area (AfCFTA). PDFBridge Programme recognises the role that MSMEs can play in the implementation of the AfCFTA; and is supporting the National Action Committee of the AfCFTA Secretariat by funding a study. The output from the study will contribute to the initiatives to prepare the country and its stakeholders to compete in Africa's single market, resulting from the implementation of AfCFTA, which commenced in January 2021.

The key objectives of the study are:

- to grow MSMEs and evaluate measures to scale up their production by addressing constraints, gaps, and requirements.
- to identify measures to aggregate MSMEs products to meet export demand in terms of quantity and quality.
- to review several approaches to address production capacity, production quality, and market access issues and from review of international best practices ascertain learning points in defining the optimal pathway for Nigeria.
- to recommend optimal pathway or a combination of pathways that could be employed for MSMEs aggregation, growth, productivity, quality standard and market access to improve Nigeria's export potential and capacity in line with AfCFTA implementation timetable

2.2 MSME Landscape in Nigeria

According to SMEDAN, there were over 41.5 million MSMEs operating in Nigeria as at 2017. These MSMEs account for 96% of all businesses in Nigeria, with the micro-enterprises segment accounting for 98% of MSMEs in the country. Based on the most recent data, MSMEs contributed approximately 49% to Nigeria's annual GDP in 2017. In addition to MSMEs' significant contribution to GDP, they made up for approximately 86% of employment in the country. And as at December 2017, MSMEs generated 59.6 thousand jobs with micro-enterprises accounting for 95% of the jobs. Currently, MSMEs in Nigeria operate in five sectors. These sectors wholesale/retail trade, agriculture, other services, manufacturing, and accommodation and food services, accounts for 91% of MSMEs businesses in the country.

MSMEs also play a crucial role in providing export earnings for the country. In 2013, MSMEs contribution to export was 7.3%. Four years later, in 2017, MSMEs contribution to export had increased to 7.6%, a 6% increase on 2013 value.

Despite efforts to improve the ease of doing business and support the growth of MSMEs, they still face numerous challenges ranging from access to funding and skill dearth among others. In 2019, PwC conducted an MSMEs survey in which 1,629 key decision makers were surveyed across 28 states. Top challenges cited by MSMEs have been categorised by MSMEs value chain and detailed below.

Table 1 - Challenges MSME Face in Nigeria (Summary)

Value Chain Activity	Challenges
Operations .	Infrastructure deficit, low level of mechanisation and poor irrigation systems
	Poor transportation system, unreliable electricity supply, inadequate facilities and equipment, bureaucratic bottlenecks with accessing land and securing land titles, insufficient funding, lack of trust, high cost of doing business
Logistics	High cost of transportation, poor road network and port administration
Marketing & Sales	Capacity and export related challenges
Firm Infrastructure	Access to finance, policies and regulation uncertainties, fluctuating exchange, interest, and inflation rates, insecurity, poor packaging and quality
Technology Development	High investment cost, lack of access to research & development
Human Resource Management	Unskilled and uneducated work force

These challenges hinder the growth and continuity of MSMEs in Nigeria. The federal government has tried to address these challenges using different interventions and programmes. Some of these interventions and their performance are summarized in the next section with detailed explanation provided in section 5 of this report.

2.3 Government's Efforts Towards Developing MSME and their Export Capacity

Over the years, various Ministries, Department, Agencies (MDAs) and state enterprises have implemented interventions to bolster MSMEs export capacity. We have reviewed various interventions and development initiatives executed by state enterprises and MDAs in Nigeria to support MSMEs export capacity. A number of selection criteria were identified and employed to shortlist the top 10 commodities and 3 service sector areas from the 35 priority products and 5 service sector areas detailed in the AfCFTA Impact and Readiness Assessment Report. Highlights of some interventions / initiatives identified across the shortlisted commodities and service sector areas are discussed below.

Table 2 - Key Export Related Interventions in Nigeria (Summary)

Intervention/details of intervention	• **Export Expansion Grants (EEG)** is a post-shipment incentive. It was set up to encourage exporters to increase export volume & value, improve the competitiveness of Nigerian products globally, and support exporters to enter new market.		
Responsible Agency	Nigeria Export Promotion Council	**Service Sector of Intervention**	Financial
Target value chain	• Value chain targeted are semi, processed/intermediate, and fully manufactured products and merchants/primary agricultural commodities including cocoa, cashew, sesame, cotton, ginger, shrimps, rubber, and more.		

Challenges	• Government owe exporters, posing a challenge in the administration of EEG. EEG has also been suspended for about nine times in 15 years. • Poor funding and neglect by government for almost seven years has also been a major challenge to the effective execution of EEG.		
Contribution to export/performance	• EEG contributed significantly to export before it was suspended in 2013. Between 2005 and 2013, export grew from USD 700 million to USD 3 billion. Unfortunately, export declined to about USD 1.5 billion in 2014 due to the uncertainty around EEG and the suspension of EEG in 2013.		
Intervention/details of intervention	• **The Export Development Facility (EDF)** is a fund set aside to finance non-oil export-oriented SMEs to broaden Nigeria's export capacity and increase access to new markets.		
Responsible Agency	Nigeria Export Promotion Council	**Service Sector of Intervention**	Financial
Target value chain	• The value chain eligible to benefit from EDF include wholly or partly processed / manufactured goods for export, commodities and services, which are exportable under the laws of Nigeria. This includes all crops.		
Challenges	• Challenges faced in executing this fund include the difficulty in repaying loan and the insufficiency of the fund allocated to the intervention.		
Contribution to export/performance	• NGN 50 billion was earmarked for this fund in 2019. However, within the first nine months in 2019, NEXIM had approved over NGN 60 billion while applications worth about NGN 77 billion were being processed. This increased funding could likely have contributed to the increased exporting activities or vice-versa. • For example, Nigeria's total export in 2019 was USD 62.4 bn, a 3% increase in 2018 value. Also, non-oil export which EDF was established to improve experienced a 100% increase from about NGN 1 trillion to NGN 2 trillion between 2018 and 2019.		
Intervention/details of intervention	• **Anchor Borrowers' Programme (ABP)** was established in November 2015, to support the linkage between smallholder farmers and large-scale agro-processors. The goal is to increase agricultural output processors capacity utilisation and possibly strengthen export potential.		
Responsible Agency	Central Bank of Nigeria	**Service Sector of Intervention**	Financial
Target value chain	• Legumes, tomato, livestock, cereals, cotton, roots and tubers, sugarcane, and tree crops.		
Challenges	• Slow disbursement of funds and default in loan repayment		
Contribution to export/performance	• ABP is one of the interventions that has contributed to the ramp up of crop production. A case in point is rice production. Prior to the introduction of ABP, in 2014, Nigeria rice paddy (rice milled equivalent) production was 6,002,831 tonnes. This increased by 41% to 8,435,000 tonnes, in 2019, four years after introducing ABP. A review of export of other commodities		

	between 2014 and 2019 also showed a positive trend in other commodities. Sesame, Cocoa, and Cashew export by quantity increased by 70%, 58% and 232% respectively.		
Intervention/details of intervention	• **Commercial Agriculture Credit Scheme (CACS)**: The Central Bank of Nigeria (CBN) and Federal Ministry of Agriculture and Water Resources (FMA&WR) established this scheme in 2009. This scheme was set up to provide funds across the agriculture value chain. CACS is financed from the proceeds of the NGN 200 billion three (3) year bond raised by the Debt Management Office.		
Responsible Agency	Central Bank of Nigeria	**Service Sector of Intervention**	Financial
Target value chain	• The agriculture value chain covering farm input supplies, production, processing, storage, and marketing		
Challenges	• Late disbursement of funds; administrative delays and bureaucracy bottlenecks slowing the pace of CACS administration; shortfall in the disbursed funds to MSMEs; unavailability of some beneficiaries' data.		
Contribution to export/performance	• A total of NGN 147.87 billion was disbursed under CACS to 191 businesses between 2009 and 2016. Foreign earnings from beneficiaries increased from USD 20 million in 2008 to USD 65.3 million in 2016. The main contributors were exports from cotton, cowpea, fruits, maize, rubber and lately processed soya bean.		
Intervention/details of intervention	• **Agro-Processing, Agricultural Productivity Enhancement and Livelihood Improvement Support (APPEALS)** seek to improve agricultural productivity (by providing input, addressing post-harvest losses, and more) of about 60,000 small and medium scale farmers and enhance value addition along 11 priority crops in the six participating states - Lagos, Kano, Enugu, Kaduna, Kogi, and Cross Rivers states.		
Responsible Agency	Federal Ministry of Agriculture & Rural Development (FMARD)	**Service Sector of Intervention**	Financial, Transport and Transit
Target value chain	• Applicable value chain includes rice; cocoa; cashew; ginger; maize; poultry; diary; cassava; wheat; tomato; aquaculture		
Challenges	• No accessible and verifiable challenges identified as at time of preparing this report		
Contribution to export/performance	• Two successful case studies are: the increase in output from a ginger farm from an average of 12.5 tons/hectare to about 28.8 tons/hectare in Kaduna State. In Kano State as well, over 100% in harvested produce by a rice farmer - production increased from 45-55 bags/hectare of rice to 105 bags/hectare.		
Intervention/details of intervention	• **Growth Enhancement Support Programme** was set up to provide subsidised fertiliser to farmers in order to improve yield. The success of GES is built four building blocks. Selection and creating a network of agro-		

	dealers selection, finance facilitation and through a credit-guarantee scheme, national registration of farmers, leveraging technology to develop an e-wallet.		
Responsible Agency	Federal Government of Nigeria	**Service Sector of Intervention**	Financial, Transport and Transit
Target value chain	• All agriculture commodities value chain benefitted from this intervention.		
Challenges	• Data collection and evidence-based reporting was weak and there were backlogs of unpaid GES loans which slowed down bank lending.		
Contribution to export/performance	• The distribution of improved seedlings contributed to the increase in farm produce quantity. According to the Agriculture Promotion Policy document (2016-2020) published by the Federal Ministry of Agriculture and Rural Development, the implementation of GES led to an increase in food production by about 20.1 million tonnes. This increase in production and the establishment of some commodity boards is believed to have supported farmers to access new markets.		
Intervention/details of intervention	• **Foreign Input Facility**: Under the Foreign Input Facility, "NEXIM grants short, medium and long term fixed rate loans in foreign currency, to participating banks on behalf of their export clients for the importation of raw materials, packaging materials, capital equipment and spare parts needed for the production of goods for export."		
Responsible Agency	Nigerian Export-Import Bank	**Service Sector of Intervention**	Financial
Target value chain	• Applicable value chain are the agriculture and Manufacturing value chains.		
Challenges	• A major challenge with this dollar denominated facility was exchange rate fluctuation which impacted project cashflows and repayment schedules. This challenge influenced the creation of the Local Input Facility, a fund disbursed and repaid in local currency. •		
Contribution to export/performance	• Ladgroup is the only shea nut to butter processing factory in Nigeria focused on export. NEXIM funded Ladgroup, with about USD 5 million, to buy processing equipment to transform shea nut to butter. Although quantitative data on export data is unavailable, a 2019 interview with a representative from Ladgroup (video interview available on NEXIM's website) revealed that the company already had existing orders which would take up its entire 2019 production volume.[1] Based on media information, Ladgroup likely exported shea butter in 2020, however there is no available data on export quantity.[2] • There is no data to suggest that this trend did not continue into the future.		

[1] NEXIM
[2] https://twitter.com/toluogunlesi/status/1230444970659721216?lang=en

Intervention/details of intervention	• **The LAKAJI corridor** is a 1,225 km transport route that links Nigeria largest agricultural market in the north, Kano State and the largest consumer market in the south, Lagos State. It runs from Lagos through Kano to Jibiya at the border on to Maradi in Niger Republic. It crosses 10 states: Lagos, Ogun, Osun, Oyo, Kwara, Niger, Kaduna, Kano, Jigawa, and Katsina.		
Responsible Agency	Federal Ministry on Transportation (sponsored by USAID)	**Service Sector of Intervention**	Transport and Transit
Target value chain	• This intervention cuts across various crop/commodities value chain that are grown along the 10 states in the corridor.		
Challenges	• Farmers in the hinterland of this corridor still bear significant cost transporting produce to the corridor.		
Contribution to export/performance	• The project had facilitated reduction in costs and time for transporting goods across the corridor. However, data on the direct impact on cost and time cannot be ascertained		
Intervention/details of intervention	• **Kano/Maradi Railway Corridor** is a single-track standard-gauge line that is expected to have 12 stations connecting Niger Republic to ports in Lagos State. The line will run through the Kano, Jigawa, and Katsina states in Nigeria to Maradi region in Niger. Then a further link to other corridors from Kano to Lagos State.		
Responsible Agency	Federal Ministry of Transportation	**Service Sector of Intervention**	Transport and Transit
Target value chain	• It is expected that this intervention will cover the entire value chain of commodities that are produced along this corridor on the commencement of activities along the corridor.		
Challenges	• N/A		
Contribution to export/performance	• This is work in progress as a result the impact on export cannot be ascertained at the moment. It is expected that MSMEs especially farmers would be able to utilise this corridor in transporting produce from these states to ports in Lagos for export. And these MSMEs could achieve cost and time savings along the corridor.		
Intervention/details of intervention	• **Truck Transit Park (TTP)** seeks to promote trade across states, corridors, and neighbouring landlocked countries by ensuring safe, efficient and effective truck transportation system		
Responsible Agency	Nigerian Shippers' Council; Federal Ministry of Transportation	**Service Sector of Intervention**	Transport and Transit
Target value chain	• TTP initiative is applicable to all commodities as road transport is responsible for about 70 - 80 percent of passengers and cargo movement in Nigeria.		

Challenges	• MSMEs and farm producers lose their produce due to accidents caused at times by truck driver exhaustion. Also, these trucks cause gridlock and obstruct flow of traffic across states and movement within and outside the ports.		
Contribution to export/performance	• Although quantitative data on the impact of TTP on export is not readily available. TTP is a precursor to the set-up of an electronic truck call-up system across. Although already being implemented in Lagos, this should be replicated across all ports in Nigeria. This would decongest the ports, increase efficiency and could potentially lead to an increase in turnaround time at the ports.		
Intervention/details of intervention	• **Concession of Grain Storage Facilities:** The Federal Government plans to concession 24 silo complexes across the country. The aim is to increase efficiency of grain trading and reduce post-harvest losses. Small-scale and commercial farmers, traders, and processors would have access to these storage facilities at a fee.		
Responsible Agency	Federal Ministry of Agriculture and Rural Development	**Service Sector of Intervention**	Transport and Transit
Target value chain	• The applicable value chain for this intervention include grains such as rice, maize, millet, wheats, sorghum, and more.		
Challenges	• Some challenges encountered in the current structure which has influenced the concession move include the neglect and poor maintenance of the silos due to inadequate budgetary allocation, inadequate power supply and non-maintenance of power generating sets.		
Contribution to export/performance	• Uncertainty still exists as silos have not been fully handed over to the concessionaires. However, it is expected that on full operation, these silos would contribute to reduce post-harvest losses and increase the quantity of commodity available for export.		
Intervention/details of intervention	• **Mobile Phone for Farmers Initiative:** The Federal Ministry of Agriculture and Rural Development provided mobile phone to farmers to enable them access first-hand information to support agricultural activities including communication with agriculture extension worker.		
Responsible Agency	Federal Ministry of Agriculture and Rural Development (FMARD)	**Service Sector of Intervention**	Communication
Target value chain	• Although information on the benefitting value chain cannot be ascertained, it is believed that farmers regardless of commodity benefitted from this initiative.		
Challenges	• Poor network infrastructure, epileptic power, and illiteracy level of farmers were the major challenges encountered while executing the intervention.		
Contribution to export/performance	• The intervention was designed to disseminate information and foster communication between farmers, agricultural extension workers, and more. In addition to easing communication, it can be hypothesised that the provision of these phones enabled farmer linkages, created a network, and		

	supported the integration into the Federal Ministry of Agriculture and Rural Development e-wallet initiative. Building on the success of e-wallet, Agrikore, an online marketplace that connects small holder farmers, government, processors, off-takers, and more was developed.		
Intervention/details of intervention	• **e-wallet** supported the implementation of the Growth Enhancement Support (GES) Programme. It enabled critical stakeholders to collaborate and ensured farmers accessed government subsidised farming inputs		
Responsible Agency	Federal Ministry of Agriculture and Rural Development (FMARD)	**Service Sector of Intervention**	Communication
Target value chain	• All farmers across the 774 local government areas covering different commodities value chain benefitted from this intervention.		
Challenges	• This initiative helped curb sharp practices in the disbursement of farm inputs. It also helped to provide accurate information on agro-dealer sales volume, which aided reconciliation and reimbursement from government		
Contribution to export/performance	• This intervention covered over 95,315 villages and served about 17 million farmers and 2,714 agri-businesses across Nigeria. • The intervention was not designed for export purposes but worth mentioning as it influenced a private sector Africa-wide access to market initiative.		
Intervention/details of intervention	**Sub-contracting and Partnership Exchange (SPX) Nigeria** SPX is a technical cooperation program that links domestic enterprises in developing countries to the supply chains of large domestic or international companies.		
Responsible Agency	SMEDAN and United Nations Industrial Development Organization (UNIDO)	**Sector of Intervention**	N/A
Target value chain	• All MSMEs in the manufacturing sector benefit from SPX.		
Challenges	• Only 197 MSMEs were in the SPX database as at 2018 implying many MSMEs have not been able to meet the requirements nor have they benefitted from the matching opportunities with international firms. • Nigerian MSMEs are likely at subpar performance and business practices are below international best		
Contribution to export/performance	• Nigeria had 197 enterprises in the SPX Centre database as at 2018 which point to the poor performance of the intervention.		
Intervention/details of intervention	**One Local Government One Product Programme (OLOP)** • The OLOP programme is designed to promote Micro Small and Medium Enterprises (MSMEs) development.		
Responsible Agency	SMEDAN	**Service Sector of Intervention**	N/A

Target value chain	• Value chain varies and depends on the product with comparative advantage in each local government. Some commodities that have benefitted from OLOP are rice, groundnut Oil and leather products, yam, shea nut, and more.		
Challenges	• N/A		
Contribution to export/performance	• About 1,190 MSMEs have been trained and sensitised on export potentials and business plan development.[3] • In 2019, SMEDAN earmarked and commenced the disbursement of NGN 500 million for small and medium enterprises in109 local government Areas.[4] • As at 2020, OLOP programme had covered 218 local governments areas.		
Intervention/details of intervention	**The Market Hub App** • The Market Hub is an application designed to support networking among MSMEs and provides an avenue for MSMEs to interact with customers. • It is also designed to act as a MSMEs directory.		
Responsible Agency	• SMEDAN in partnership with Concrete Communications	**Service Sector of Intervention**	• Communication
Target value chain	• All MSMEs regardless of the nature of business		
Challenges	• Digital skills among active population in Nigeria is low. Therefore, digital literacy and skill level of MSMEs members could impact the success of the intervention. • The registration fee requirement could hinder the increased uptake of the application		
Contribution to export/performance	• Over 1,000 downloads between launch date in November 2020 and March 2021 • The intervention is just four months old. However, it appears the intervention has not fared well. There is a slow uptake of the application. Although the application has been downloaded on 1,000 devices, this is negligible compared to the number of MSMEs in Nigeria.		

*Not Exhaustive

Despite the achievements recorded, the interventions discussed above are fraught with challenges which have prevented them from achieving their full potential. Some of these challenges include non-tariff barriers and systemic issues such as policies uncertainties, bureaucratic bottlenecks, poor execution of intervention, MSMEs knowledge and skill gap, infrastructure deficit (ports, roads, storage facilities), among others. It is very important for these challenges to be adequately addressed if these and future interventions are to achieve their desired outcomes.

[3] https://dailytrust.com/smedan-trains-1000-beneficiaries-of-its-one-local-government-one-product
[4] https://www.thisdaylive.com/index.php/2019/06/24/olop-smedan-disburses-n500m-to-smes/

2.4 Approaches Across Countries and Key Actions of Export Promotion Agencies and State Enterprises to Develop MSMEs and Improve Export Capacity

Exports are crucial to both countries and companies. Exporting provides opportunities for companies to access more markets, expand, and increase market share. For countries, it acts as a source of foreign exchange, supports economic development, creates jobs, helps in managing balance of payment, and more. These benefits make governments in many countries apply different approaches to enhance the competitiveness of resident businesses while improving their export supply response-ability.

A review of how MSMEs have grown in selected countries across Europe, Africa and Asia revealed various actions and strategies employed to support a viable MSMEs ecosystem to improve MSMEs export supply response capacity and market access through aggregation to achieve this growth.

Table 3 - Case Study of Actions Taken by Countries/ State Enterprises Within Countries to Improve MSMEs Export Supply Response Capacity and Market Access

Countries	Nature/Coverage of Intervention	Performance / Results / Success Factors
Chile	**Development of Industrial Clusters / Aggregation**: The nature of the intervention is to support MSMEs clustering and commodity aggregation.	Chile leveraged clusters to build export capacity in salmon from scratch. This cluster supported these MSMEs to develop a quality seal and standardisation to ensure quality of exported product. These improvement in quality lead to the increased competitiveness of Chilean salmon in the international market, growth in export as well as the cluster.
Uganda	**Rental Market:** The rental model intervention in Uganda enables small scale farmers, who cannot afford to purchase heavy machines for mechanised farming access this equipment on a rental basis.	The rental market helped these MSMEs farmers achieve economies of scale, increase production and grow. The study by Bassi, V et.al. showed that this productivity and efficiency improvement enabled these MSMEs growth, evident by an increase in their workforce – the average number of workers, in the sample group, who used the rental market model, grew from 5 to 8.8.
Germany	**Market Development Programme (MEP):** The programme provides SMEs with market analysis information and help them set up in foreign markets along the entire export value chain.	Forty percent of participating firms were able to establish lasting contacts in both in Germany and new markets. Export sales of about EUR 250 million was made from initiation of business alone.
Germany	**Accelerator Programmes:** The accelerator programme empowers German start-ups to scale up into new markets like the United States of America and the South Asian Market.	One of the success stories is Celonis that joined German Accelerator Silicon Valley in 2013. In 2015, it was ranked as Germany's fastest-growing technology start-up and was able to secure USD 50 million in venture capital fund.
Germany	**Preventing Insolvency:** To curb insolvency and increase the survival	This initiative appears to have positively impacted Germany as the fear of business

	rate of businesses, Germany executes the intervention called 'Second Chance' initiative in line with EU's Small Business Act (SBA). This includes providing debtors with information on early insolvency signs and the need to act quickly to avoid insolvency.	failure rate stood at 38.72% in 2018, a rate which was lower than the European Union average.
Germany	**The Vocational Education System:** In addition to its academic education, German executes a vocational education system that feeds many MSMEs with human capital and enable them to start their businesses.	Germany's vocation education system has given birth to many MSMEs as almost 50% of the start-ups established in 2012 were products of Germany's vocational training system.[78]
Germany	**Research and Development (R&D):** SMEs investment in R&D activities.	In the report titled, 'SMEs Investment and innovation', a positive correlation was identified between SMEs R&D activities and export. Similarly, a positive correlation was also seen between SMEs that invested in R&D and the development of innovative products as about 85% of SMEs that consistently engaged in R&D between 2011 – 2013 successfully introduced an innovative product and process.
Indonesia	**Increase in Farm Plantation:** The increase in size of farm plantation	Between 2000 and 2010, oil palm plantation size doubled from 4 million hectares to 8 million hectares. As at 2017, Indonesia oil palm plantation size had increased to 11.9 million hectares. This increase in farm plantation has helped Indonesia ramp up production levels as well as meet export demand.
India	**Government Tax Policies:** Fiscal incentives to attract investment to its oil palm industry.	Export tax for crude palm oil ranges from 0 - 22.5% dependent on the international palm oil price. Also, to foster growth in the downstream palm oil industry, government reduced taxes. These incentives attracted a lot of investors that led to increased production and export.
India	**Procurement Policy:** India's government enacted a policy that requires all public ministries and public sector enterprises to source 25% of their raw materials from MSMEs to help widen market share of MSMEs.	In FY21, the Central Public Sector Enterprises (CPSE) procured about Rs 8,869.75 crore worth of goods and services with 43,000 MSMEs benefitting from the implementation of the policy. Through this initiative MSMEs are able to garner relevant experience to strengthen the "work experience section" in bidding documents locally and internationally. This in turn, increases the potential to secure local and international deals.
India	**Credit Rating Scheme:** The aim of the scheme was to set up a 'trusted third party opinion on capabilities and credit-worthiness of MSMEs, to make credit available at attractive interest	According to the Ministry of Micro, Small and Medium Enterprises India, Credit Rating Scheme intervention has helped in ascertaining MSMEs credit, financial, and operational capacity during contract negotiations. It has

	rates, and to improve productivity of these businesses.	also enabled MSMEs secure credit from financial institutions easily and at favourable interest rates. This has helped reduce financing gap by easing access to finance to support MSMEs growth.
Nigeria (Cross-River Government Investment in Cocoa)	**Facilitate Market Access:** Export facilitation	To support export and integration of the cocoa processing plant in Cross-River State into the cocoa global value chain, the state government has negotiated a contract with chocolate companies in Italy to uptake the processing plant pulp powder.
China	**Improved Cultivation Techniques:** Intervention goal was to improve production, quality and boost export	The intervention led to improved quality in Chinese mushrooms, increased production, and reduced costs. Chinese shiitake mushroom grew significantly, and export increased to USD 120 million per year.
Costa Rica	**Productive Linkages:** An integration model intervention that enables MSMEs integrate into MNCs supply chain.	This led to an increase in MSMEs integration into multinational companies supply chain, increased market access, and export opportunities. A research carried on the impact of MSMEs joining MNCs supply chain showed that after four years of integration to MNCs value chain, sales of these MSMEs to other MNCs other than their first MNCs transaction grew by 20%.
South Africa	**SMEs Exchange:** Financial intervention for SMEs to address access to finance challenge faced by MSMEs and to foster MSMEs growth.	The South Africa Alternative Exchange (AltX) was set up in 2003 and had 64 companies listed in 2015. Between 2003 and 2015, twenty-five (25%) of companies on AltX, about 28 SMEs, have migrated to the Johannesburg Stock Exchange (JSE) Main Board. Adequate awareness and MSMEs education on Altx and favourable requirements to join Altx helped grow both South Africa MSMEs exchange and MSMEs.
Kenya (Kenya Tea Development Agency)	**Inclusive Business Model:** Kenya Tea Development Agency (KTDA) is vertically integrated and provides MSMEs services across the agriculture value chain including provision of inputs and finance, agric-extension services, transportation, warehousing, processing, marketing, and trainings.	KTDA has supported MSMEs aggregation, growth, and improved export potential by employing an inclusive business model, creating demand by signing an off-taker contract, and supporting sustainable agriculture trainings. Through trainings, farmers acquired knowledge that helped them increase average yield by 36%. Farmers also received premiums from buyers because they produce Rainforest Alliance certified teas, which leads to competitiveness of KTDA teas in the export market.
Rwanda	**PRICE – Project for Rural Income through Exports**: The objective of the project was to focus on specific export commodities and increase	As assessment of coffee farmers benefitting from PRICE intervention showed that farmer sales doubled, and income increased by 32%.

	returns to farmers through increasing quantity and quality of produce as well as improving marketing and access to finance	
Netherlands	**DutchBasecamp** was launched to support Dutch SME internationalisation strategy to expand SMEs presence into new markets. SMEs are offered coaching, trade mission, international networking, and support in developing go-to-market strategy.	The "Dutch Basecamp" has helped over 600 start-ups in their internalisation journey. This includes networking, growing their business, and scaling to new markets. Netherlands export has grown from 0.4 billion euros in 1917 to 469 billion euros in 2017 with SMEs accounting for 62% of the total export.
Ghana	**Ghana Export Promotion Authority -** is Ghana's National Export Trade Support Institution of the Ministry of Trade and Industry (MOTI) responsible for the facilitation, development and promotion of Ghanaian exports	In Ghana, trade fairs, the use foreign offices and financial incentives rank first, second and third export promotion programmes respectively that influence export performance
Various East African Countries (Burundi, Kenya, Rwanda, Tanzania, and Uganda)	**MARKUP – Market Access Upgrade Programme:** MARKUP was set up to build the competitiveness of MSMEs across the East Africa region. It was designed to support MSMEs boost production, increase value add to products, foster export, and grow into new markets.	Through this initiative, five Tanzanian SMEs were able to participate in one of the world's leading trade fairs - the Food Ingredients Europe and Natural Ingredients (Fi Europe & Ni) in Paris. These SMEs networked with potential buyers and returned home with 20 business leads valued at about USD 1.75 million.
Kenya	**Investment in the Rehabilitation of a Corridor Infrastructure**	The initial travel time between Nairobi to Mombasa was 12 hours. This initiative reduced travel time by 40% to 7-8 hours. This also led to an operational cost reduction.
Nigeria	**Investment in the Development of a Trade Corridor (LAKAJI)**	The project contributed to the reduction in costs and time for transporting goods across the corridor. However, data on the direct impact on cost and time cannot be ascertained.
Mauritius	**Special Economic Zone (Mauritius Export Processing Zones)**	The success of MEPZ can be attributed to the availability of fiscal and financial incentives including duty-free on inputs for manufactured exports, availability of infrastructure spread across Mauritius, strong institution and good governance, and initial lax labour standards.
Morocco	**Special Economic Zone (Tangier Free Zones)**	Morocco strategic positioning along a major maritime route, favourable policy including tax incentives, presence of infrastructure and availability of skilled labour force contributed to the success of Morocco Tangier free zones.
China	**Special Economic Zone (Various Special Economic Zone)**	China's significant investment in research and development, provision of fiscal and non-fiscal Incentives, creating an environment to harness

		the skillset in its diaspora population, and stimulating competition among special economic zones contributed to the success of China's special economic zones.

2.5 Recommendations to Support the Development of Programmes to Achieve Export Trade Objectives

Nigeria's export trade objectives include increasing export earnings, becoming a net exporter of goods and services and improving product quality standards. Achieving these objectives especially considering the AfCFTA implementation requires that actions be taken to increase production capacity, aggregate to increase the quantity of exportable produce, ensure produce quality meet international standards, enhance processing capability where required, and remove other barriers mitigating against ease of export including bureaucratic barriers.

Short, medium and long term recommendations to help Nigeria achieve its trade objectives are discussed below. Detailed recommendations highlighting MDAs that should execute each recommendation and considerations that influenced the proposed recommendations can be found in section seven (7).

Table 4 - Recommendations to Support the Development of Programmes to Achieve Export Trade Objectives (Summary)

Challenges	Recommendations[5]
Operations	**Short Term (less than six months)[6]**
Production and sustainability challenges Internationally recognised certifications	• Leverage the services of agriculture extension workers, crop associations, research institutes, etc. to collate knowledge on best agronomic practices such as effective water management, soil improvement practices, etc. and train farmers on these practices to improve production and export supply capacity. • Train farmers to achieve farm, produce and process certification such as the Rainforest Alliance Certification.
Poor packaging and quality	• Train farmers on the need and impact of produce quality and packaging on export potential, demand, and market accessibility. • Connect farmers' organisations that can provide quality assurance and packaging services at subsidised rates • Provide packaging equipment at a subsidised rate to farmers. A cluster model or the rental model used in Uganda
Logistics	**Short Term (less than six months)**
Inadequate storage facility and high post-harvest loss	• Finalise the concession of Nigeria's grain silos to quicken their full operation.

[5] Refer to section 7 for details including information on responsible MDAs
[6] Some recommendations span across short, mid, and long terms. See other recommendation timelines for additional points

	• Facilitate farmers access to small scale dryers such as solar dryers to prevent the use of natural drying approach, which contributes to post-harvest loss especially during unfavourable weather conditions. • Train farmers on harvest handling including sorting, grading, preservation, safe transportation practices and quality packaging.
High investment cost in storage and logistics facilities that enable aggregation	• Organise workshops, stakeholder engagements, and innovation fairs that showcase new technologies and link farmer groups to buyers, inform investors about opportunities and available incentives for investing in or supporting commodities' export related activities
Port administration and delay	• Improve transparency in ports by implementing an effective grievance mechanism system, made known and accessible to the public. • Enforce the reduction in the number of MDAs at the ports. • Enforce full compliance with the use of Single Window Platform by all the relevant MDAs. • The soon to be implemented e-customs platform aimed at automating customs processes will revolve around full automation and processes which will include installation of scanners, e-port, logistics monitoring, cargo tracking, e-enforcement system etc. It is pertinent for the e-customs platform to incorporate other trade facilitation reforms such being a one stop shop for import / export activities, and housing a trade portal which clearly states the export, import and trade procedures applicable in Nigeria among others *The port administration requires a major overhaul which would be more long term in nature. These details are contained in the section for long term initiatives below*
Marketing and Sales	**Short Term (less than six months)**
Market access and entry	• Develop promotional videos and other marketing materials to advertise the benefits of patronising Nigerian exporters.
Infrastructure	**Short Term (less than six months)**
Slow / late disbursement of financial intervention funds Administrative delays and bureaucratic bottlenecks slowing the pace of fund disbursement	• Task staff with specific responsibilities and set KPIs attached to turn around time in processing funding application. • Implement robust monitoring, evaluation and reporting mechanisms to ensure KPI on turnaround are effectively communicated and implemented. • Decentralise fund approval and disbursement process to address systemic bureaucracy and quicken fund approval to ensure farmers receive funding at the appropriate cropping period. • Rework funding cycle such that funds are approved and readily available for disbursement six months before the rainy/planting/export time. Farmers should be able to access funds before planting activities commences.

Inability to access finance / High interest rates / Poor funding of financial intervention programmes	• Increase funding sizes by raising budgetary allocation or encourage private sector participation, who would offer either debt, equity or other financial instruments to bridge the access to finance gap. • Incentivise and de-risk MSMEs financing and encourage long-term loans especially from commercial banks at an attractive interest rate. •
Operations	**Mid-term (six months to eighteen months)**
Low level of mechanisation and infrastructure deficit	• Incentivise innovation by creating an enabling environment including enacting relevant policies to that would support the commercialisation of research and development findings and other efforts of the National Centre for Agriculture Mechanisation to bridge the tractor and equipment gap in Nigeria and increase mechanisation in farming to improve farmers' productivity. • Upscale the number of tractors and agriculture machinery available in the country for farming by facilitating partnership negotiations between organisations currently in Nigeria's machinery rental market and global manufacturers. These machinery rental organisations make an 50% upfront payment and spread the balance over a space of 1-2 years. The government can also offer a subsidy.
Aggregation, export capacity, and market accessibility	• Provide incentives to large organisations and multinationals to enable them integrate smallholder farmers into their value chain. This incentive can be in form of deduction on the Nigerian Export Supervision Scheme (NESS) Fees to be remitted by the company. • Build on the Growth Enhancement Scheme database and leverage this to link MSMEs to MNCs. However, this MSMEs must have met MNCs quality requirement or any other requirement as communicated by MNCs.
Logistics	**Mid-term (six months to eighteen months)**
Storage and aggregation infrastructure deficit	• A throughput agreement can be signed between farmers and concessioners of Nigeria's grain silo to store their harvest.
Port administration and delay	• Improve efficiency in Nigeria's ports by integrating technology in all processes and operations at the port. • Train workforce and set up an appraisal system including targets. • Build on the current truck transit park programme to integrate a truck call-up system. This would ease congestion at the ports and improve turnaround time.
Lack of smooth trade facilitation for businesses	• Full implementation of the trade facilitation initiative soon to be launched by the NCS and the Global Alliance for trade facilitation to streamline border processes, lower trade related costs *(this project is aimed at advancing the application of the WTO TFA in Nigeria).* While the project will be piloted in

	Lagos the government should lay down plans to roll out across all air and sea ports in the country.
Infrastructure	**Mid-term (six months to eighteen months)**
Insufficient fund allocation to interventions	• Increase funding bucket for export related financial intervention such as the Export Expansion Grant (EEG) and the Export Development Fund (EDF) to enable them have maximum impact
High interest rates	• Develop a concessionary interest rate for export-oriented production or activities for organisations outside the special economic zones.
Fund diversion by MSMEs	• Strengthen monitoring and evaluation mechanisms around development intervention to ensure value for money. This can be done by mandating more frequent check ins or automating check ins among others. •
Access to equity finance	• A downward review of Nigeria's Alternative (ASeM) Stock Market capitalisation requirement (of not less than 50 million Naira) in order to admit more small businesses into ASeM or the creation of an exchange segment to cater for more micro and small-scale enterprises. • Build investors' confidence and manage risk exposure by enacting and implementing a regulation that supports and ensure full disclosure of information to access the business' health.
Operations	**Long-term (more than eighteen months)**
Access to land for farming, land collateral for accessing funds	• Enact policies that create a transparent, liquid market for agricultural land, improving likelihood of land being used as collateral by farmers to secure loans. Reviewing current land administration and titling practices is the first step to achieving this.
	• Review the Land Use Act to allow ease of securing and perfecting title and remove bureaucratic process that lengthens the process. • Map out the end-to-end process flow for land administration (this should take into consideration streamlining processes, eliminating redundancies and improving communication) • Make use of the revised process manual to digitise the land administration and titling processes, thus, reducing inefficiencies in land registration and validating requirements, • Create digital land registries to serve as open repositories for registered land titles PwC analysis indicates that improving land administration and titling process in Nigeria could unlock dead capital in excess of US$300 billion

	• Restructure land regulations to uphold only the promulgated federal and state laws on land rights than customary law, where women can rarely inherit land and typically cannot obtain land rights on their own.
	• Federal and State Government Collaboration to develop farm estates for the top 5 commodities in states with comparative advantage. Government then focuses on facilitating private sector participation to build commodities clusters in these estates.
High post-harvest loss, aggregation and agro-processing infrastructure deficit	• Facilitate private sector investment in farm produce processing and storage facilities by enacting policies and offering incentives to encourage investments in these facilities.
Irrigation	• Develop a policy to support private sector investment in irrigation systems and interventions as well as trainings to promote harvesting run-off water in farms. • Build small dams for irrigation purposes to supply a cluster of farmers water.
Logistics	**Long-term (more than eighteen months)**
High cost of transporting produce to LAKAJI corridor due to distance and bad road network	• Improving transport infrastructure by building more connecting roads from farm gate to the corridor • Encourage aggregators investment by providing incentives to aggregate at farm/cluster/community level and transport produce to the corridor.
High cost of transportation and poor road network	• Increase investment in infrastructure development in Nigeria's ports, roads, and rails and their connectivity through Public Private Partnership (PPP)
Infrastructure	**Long-term (more than eighteen months)**
Access to finance / Poor funding of intervention	• Develop a policy or framework to make MSMEs funding through crowd funding mechanism, equity funding, and venture capital attractive.
	• Collaborative Research Programme: Policies or interventions or funding to support collaborative research between research institutes, universities and SMEs.

2.6 Existing Models for MSMEs Integration and Aggregation

The study identified several models that can be used to boost commodity aggregation and encourage MSME participation in the export market. The models case studies and Fit for Nigeria have been summarised in the table below

Table 4 - Existing Commodity Aggregation Models and their Fit for Nigeria (Summary)

Model description	Fit for Nigeria
Integration Model • This model involves a partnership between MSMEs and large corporates by employing different approaches or strategies to support and aggregate MSMEs produce thus integrating them into the global export market. Some of the approaches discussed include: ○ **Vertical Linkage Approach-** This approach involves multinationals and other big corporate organisations deliberately engaging MSMEs as suppliers and distributors within their value chains. By doing this, multinationals and big firms contribute to raising the operation capabilities of MSMEs thus improving the level of production and quality of produce which makes them competitive in the export market. ○ **Horizontal Linkage Approach-** This involves large firms forming strategic long-term cooperation with MSMEs. This partnership helps MSMEs mirror the structure and activities of large corporates, which in turn helps them to internalise the knowledge acquired from large corporates and use such knowledge to boost production, quality standards and export potential.	• MSMEs in Nigeria have limited access to quality equipment and certification that can improve production activities. The vertical and horizontal model in Nigeria serves as a good fit for addressing this issue as the partnership with large corporates gives MSMEs access to technologies, strategies and quality standards useful for the improvement of production quality.
Off takers Model The off takers model is a model arrangement between a producer and a buyer to purchase or sell portions of manufactured goods or yet to be manufactured goods. This is structured by having an offtake agreement which could be drawn up based on the peculiarity of the farmers and aggregation requirements for export and profit potential. Furthermore, the structure is typically owned by the off taker, who makes a financial investment in both the set-up and running cost of the aggregation structure.	• The off takers model is already being utilised by some groups such as the cashew and sesame farmers. The model has been achieved in Nigeria by local buying agents buying from individual farmers and supplying to exporters. Despite its immense benefit, there is need for the model to be improved in the country as local buying agent are monopolising the market by buying produce at prices that is favourable to them. The model can be improved by ensuring farmers are equipped with enough knowledge about market demand.
Cluster Development Model • This cluster development model involves groups of individual small holder farmers engaging in similar activities, within a specific geographical location, forming clusters to produce and market their commodities. By forming clusters, the	• In Nigeria, the cluster model has been very beneficial to farming groups and organisations. For example, the National Cotton Association of Nigeria (NACOTAN) in conjunction with the Anchor Borrowers Programme has implemented the cluster

farmers gain necessary competitive position to sustain their business, thereby creating more opportunities to scale up production and participate in export market.	system for cotton aggregation. The cluster system is designed such that there are cluster heads who take harvests to the collation center. This process has increased the local production rate hereby making room for cotton export.
Producer Organisation Model • The producer model involves small holder farmers with common interest and shared purpose coming together to form an organisation where their combined production output is aggregated in an organised way. The Producer Organisation Model differs from the Cluster Development Model because farmers are not necessarily bound by locations and the producer organisation formed has a functional governance structure, and a system for managing cashflow, crops, etc**.** For example, cooperatives. The model assists in generating income for producers and assist them in meeting demands of both local and export markets. The two categories of the model include informal and formal farmer groups.	• In Nigeria, farmer associations have been created across various commodities such as cocoa, oil palm, cotton, etc. Interactions with some producer organisations in Nigeria such as the sesame, soybean, oil palm, and cotton producer organisations showed that more emphasis was placed on meeting local needs as opposed to export due to the shortfall in local supply compared to demand. • More producer organisations can be encouraged to participate in export if their production capacity and export supply response capacity is increased. To achieve this, interventions to increase farm plantation size, improve yield and production, ensure quality of produce for export will be required.
Commodity Exchange Model • A commodity exchange is an organised marketplace where commodities are traded. The trading is done through a system of bids (to buy) and offers (to sell), governed by a set of rules. Given the trading is made public, it reveals what the current market price is. This is called price discovery. In terms of aggregation of small holder farmers produce for export, the commodity exchange works by ensuring that produce by farmers are aggregated together in one location and then brokers of the exchange connect small holder farmers to traders and exporters. • This model is beneficial to farmers as it ensures that transactions are handled quickly, efficiently and transparently, ultimately leading to maximum benefit for the farmers.	• In Nigeria, the commodity exchange is in its early stages as the only exchange available in the country is AFEX commodity exchange. The exchange has connection to over 120,000 small holder farmers and 60 warehouses across 17 states where it assists farmers in aggregating their produce, storing and connecting them to buyers/ exporters. For the continued success of the exchange, there is need for access to good road network and improved technology. • The commencement of Nigeria's national commodity exchange would create opportunities within the commodity exchange value chain. Players currently engaged in commodity exchange business such as AFEX are exposed to two possibilities. First, they can be submersed into the proposed CBN structure and act as bureaus or provide only aggregation services. Alternatively, the national commodity exchange can run alongside private sector commodity exchange. This structuring with both public and private sector participation can create a layer of security and prevent government

	monopoly, while the Central Bank of Nigeria provide regulations. Private sector participation would be recommended as government efforts only may not catalyse the required trust and participation to achieve the required goal.

2.7 Recommended Models for MSME Commodity Aggregation

The AfCFTA impact and readiness report, identified 35 priority products which align with Africa's top 20 imports as well as 5 service sectors for liberalisation under the AfCFTA Phase I agreement. In line with the project terms of reference number five, the 35 priority products were streamlined to 5 priority products: cashew, cocoa, oil palm, sesame and soybeans using seven (7) criteria which include (i) products with huge demand in Africa (ii) products Nigeria has significant production capacity in (iii) products eligible for Central Bank of Nigeria (CBN) intervention funding (iv) Africa's import level of the product (iv) Africa's import of the commodities (v) products with significant export potential in Africa (vi) Nigeria's export to Africa and (vii) Nigeria's total global export.

Similarly, four criteria were utilised in selecting three (3) out of the five (5) service sector areas. The criteria include; (i) relevance of the service sector to commodity value chain and direct impact on export activities (ii) sectors which have been identified as priority for Nigeria's Growth and Economic Recovery and (iii) service sectors which could attract investment as a result of the availability of the pioneer status incentives were also prioritised. Transport, telecommunications / ICT and financial services sectors came out top. The description of these criteria covering commodities and service sector areas are provided in section 5 and 9 of this report.

The following factors were considered and influenced the choice of proposed aggregation models for the top 5 commodities. Learnings from the aggregation models across the world, current challenges encountered in each commodity value chain and the challenges with the current aggregation models, suggestions from commodity associations during stakeholder engagement and the ease of applicability and implementation of aggregation model.

Table 5 - Recommended Aggregation Model for the Top 5 Commodities (Summary)

Current Model	Challenges	Proposed Aggregation Model	Benefits
Oil Palm			
The current model involves oil palm MSMEs selling their produce as individuals to local companies for local consumption or export	• Reduced export potential due to low quality in oil palm due to poor preservation, late commencement in value-add activities, and delayed aggregation	**Proposed Aggregation Model** • Hybrid model which involves the combination of the off-taker model and the integration model. **Rationale for Proposed Model** • This hybrid model would address MSMEs inability to add value to harvested products. **Description of Proposed Model** • MSMEs and off-takers sign contractual agreement. For integration model, MSMEs are integrated into MNCs value chain.	• MSMEs revenue would increase due to aggregation cost sharing. • Access to knowledge on improving production, production capacity and quality of produce.
Soya bean			

Private companies send agents to move across individual farmlands to buy soya bean MSMEs	• Increase in illegal exportation due to farming working in silos while setting their own standard and structures.	**Proposed Aggregation Model** • Cluster development model **Rationale for Proposed Model** • This puts structure to the soybean aggregation value chain and gives MSMEs a better bargaining power. **Description of Aggregation Model** • The soya bean MSMEs would be divided into clusters and Soya bean produce will be aggregated by the cluster head to a collation centre where it will be sold from, for both local consumption and export.	• Better bargaining power for MSME • Enable knowledge sharing in cluster which would better position them to play in the export market. • Reduction in illegal export as all MSMEs will belong to a cluster and work within the operations of that cluster.
Sesame			
The current model employed is the off-taker model.	• Farmers lack logistics capabilities to deliver farm produce to end users. Farmers employ an individualistic approach which increase cost for aggregators.	**Proposed Aggregation Model** • In addition to the current off-taker model, a hybrid, which will include the cluster model and integration model is suggested. **Rationale for Proposed Model** • Optimise and replicate off-taker model across the 22 states actively engaged in sesame production. Cluster model is proposed to serve as both a cost reduction incentive for aggregators while benefiting the farmers. Integration model is also recommended to address logistics concerns. **Description of Proposed Model** First, MSMEs form clusters. Then, MSMEs sell to off-takers or large corporations (through integration).	• Proposed model addresses the current individualistic and unstructured approach being applied in aggregation. • Addresses storage concerns and provide a readily available market for MSMEs. Integration to MNCs supply chain and access to knowledge that could increase MSMEs competitiveness.
Cashew			
The off-taker model is being employed.	The National Cashew Association of Nigeria (NCAN) identified logistics, storage, and port as major barriers	**Proposed Aggregation Model** • Hybrid – optimise current off taker model and an integration model **Rationale for Proposed Model** • Current off-taker model has been successful. Build on current strengths and optimise the model. The integration model is suggested to help reduce the negative impact of poor logistics in the cashew value chain. **Description of Proposed Model**	• Addresses the logistics and storage challenges aimed at improving exports. • MSMEs integration into large corporates and multinational companies' supply chain.

		• Off-takers invest in building storage facilities and developing logistics competencies. For integration model, MSMEs, leveraging vertical linkage approach, are integrated into MNCs value chain.	• Knowledge transfer from large corporates to MSMEs. • Market access and growth in profit for MSMEs.
Cocoa			
The off-taker model is being employed	Discussion with the Cocoa Association of Nigeria revealed no challenges with the implementation of the current model, however product quality improvement to enhance export is required.	**Proposed Aggregation Model** • Hybrid – optimise current off taker model and an integration model **Rationale for Proposed Model** • The addition of the integration model to form a hybrid model is to address product quality issues identified as an inhibitor to export growth. **Description of Proposed Model** • Cocoa MSMEs will continue to run the off-taker model. For integration model, MSMEs, leveraging trade linkage approach, are integrated into MNCs value chain.	MSMEs will have access to knowledge and skills required in handling their products in a bid to ensure that they meet required quality specifications.

3 Introduction and Project Overview

This section introduces and presents the project overview. It includes five sub-sections which provide the project background, objectives, scope, methodology and project limitations.

3.1 Project Background

Micro, Small and Medium-scale Enterprises (MSMEs) play important roles, especially in developing economies, because they create jobs, stimulate the economy, and enhance livelihoods.

The Small & Medium Enterprises Development Agency of Nigeria (SMEDAN) estimated that as at 2017, Nigeria had ~41.5 million MSMEs (99% micro and 1% small and medium) representing a growth of 12% between 2013 and 2017. Also, the National Bureau of Statistics (NBS) reported that MSMEs in Nigeria have contributed about 48% of the country's GDP between 2014 to 2019 and accounted for about 7.3% of goods and services exported from the country.[7]

MSMEs are a solution to enhancing industrialisation and inclusive economic development, as Nigeria continues to diversify the economy from its over-dependence on oil for exports and revenues. However, MSMEs constantly deal with challenges such as access to finance, access to (wider) markets, poor product quality, limited productive capacity and lack of technical knowhow, among others.

The Africa Continental Free Trade Area (AfCFTA) Agreement is a continent-wide agreement, which seeks to expand intra-African trade through better harmonisation and coordination of trade liberalisation and facilitation across Africa's Regional Economic Communities (RECs). The agreement is expected to enhance competitiveness at the industry and enterprise level through optimisation of opportunities to scale production, continental market access and better allocation of resources. The AfCFTA also presents an opportunity to build solid regional supply chain to buffer African countries from devastating global situation.

MSMEs are noted to be very important drivers of success in AfCFTA implementation, therefore, the capacity to compete is crucial in the emerging free trade area. They are vital to diversification of the Nigerian economy from over-dependence on oil, amongst other benefits. Reaping the full benefits of the AfCFTA will depend on strong, competitive and formidable MSMEs but Nigeria may not reap the full benefits of the AfCFTA if its MSMEs are not competitive enough and unable to increase their capacity for large volume production and export.

Harnessing the full potential of MSMEs in Nigeria will improve the country's trade competitiveness in the African region. Hence, it is necessary to explore and adopt optimal approaches to support MSMEs, in terms of production capacity, product quality, export capacity, etc.

3.2 Project Objectives

PDFBridge Programme recognises the role that MSMEs can play in the implementation of AfCFTA; and supported the National Action Committee of the AfCFTA Secretariat by funding this study, as part of the initiatives to prepare the country and its stakeholders to compete when the AfCFTA implementation commences in January 2021.

[7] PwC MSME Survey report, 2020

This Study defines optimal pathways to ensuring productivity, quality and market access by exploring the various approaches available to develop the capacity of Nigeria's MSMEs to participate in AfCFTA, at the volume and value of trade required to contribute in achieving Nigeria's objective of growing its foreign reserves by adding a minimum of USD 150 billion from non-oil exports over the next 10 years.[8]

The main objectives of the MSME aggregation study are:

- to evaluate ways to grow MSMEs and scale up their production by addressing constraints, gap and requirements;
- to identify measures to aggregate MSMEs commodities to meet export demand in terms of quantity and quality
- to review several approaches to address production, product quality and market access issues and from review, ascertain learning points in defining the optimal pathway for Nigeria;
- to recommend an optimal pathway for a combination of pathways for MSMEs aggregation and growth, productivity, quality standards and market access to improve Nigeria's export potential and capacity in line with the AfCFTA implementation timetable.

3.3 Project Scope

The scope of the study as laid out in the ToR covers the following:

- Drawing on international best practice, a review of existing approaches to developing SMEs (including successes and failures), and key actions of export promotion institutions that have resulted in increased exports (e.g. Kenya Tea Development Agency, Precious Mineral Marketing Company Limited of Ghana, etc.). This should include the review of documents on the processing zones, informal MSMEs supply chains, industrial/commodity parks, LAKAJI corridor, Cross River Government's investment in the cocoa value chain, etc.
- Identify and assess the efficacy of models that (i) may be employed by selected large corporates and multinational companies to grow the ecosystem of MSMEs and integrate them into their local, regional and global value chains (ii) allow commodity associations and clusters to self-organise and connect directly to global or regional value chains. This will highlight the key success requirements and drivers for the large corporates and multinational companies in their local supply chain. This will also explore the role of large corporates and multinational in promoting sustainable value chains, looking at environmental and labour/contract rights parameters.
- Map the existing MSME development initiatives of Federal and State Government agencies against MSMEs export capacity development requirements for a select number of products and services out of the 35 products identified in the Impact and Readiness Assessment Report and the five services sectors for liberalization under AfCFTA Phase I Agreement. This will include an assessment of the efficacy of the MSME development programmes, the gaps, and requirements to enable them to participate more effectively in intra-Africa trade under AfCFTA.
- Roles of State Enterprises in selected countries in growing and maintaining a viable local ecosystem of MSMEs and producers for the export market.

[8] ThisDay

- Propose specific models for aggregation of MSMEs along the top 5 commodities with significant export potential value chains, critically assess value chain gaps and requirements for export. For each proposed model of aggregation, a blueprint for implementation will be designed (including associated costs). This should include a review of the work of institutions and agencies such as the South West Cocoa Association and its role in promoting cocoa derivatives export so far; and examples of models that where and how successful each model has been, e.g. export aggregation from the West Africa region – e.g., Ghana and Cote d'Ivoire and banana value chains; Tiger Foods in collaboration with Green Sahara Farms in Nigeria in the spices value chain.

- Propose specific policy recommendation to enable specific implementation agencies to build programmes that will achieve the desired export trade objectives. It is key that these recommendations are not generic but detailed, phased and time bound (mapped to the AfCFTA timetable – so that Nigeria does not delay implementation but equips itself in time to benefit fully). Where feasible, these should not be just positive actions specific MDAs need to take but also actions that MDAs must stop doing (e.g. removing admin barriers) for the value chains to grow

3.4 Project Methodology

PwC employed primary and secondary research methods for this assignment.

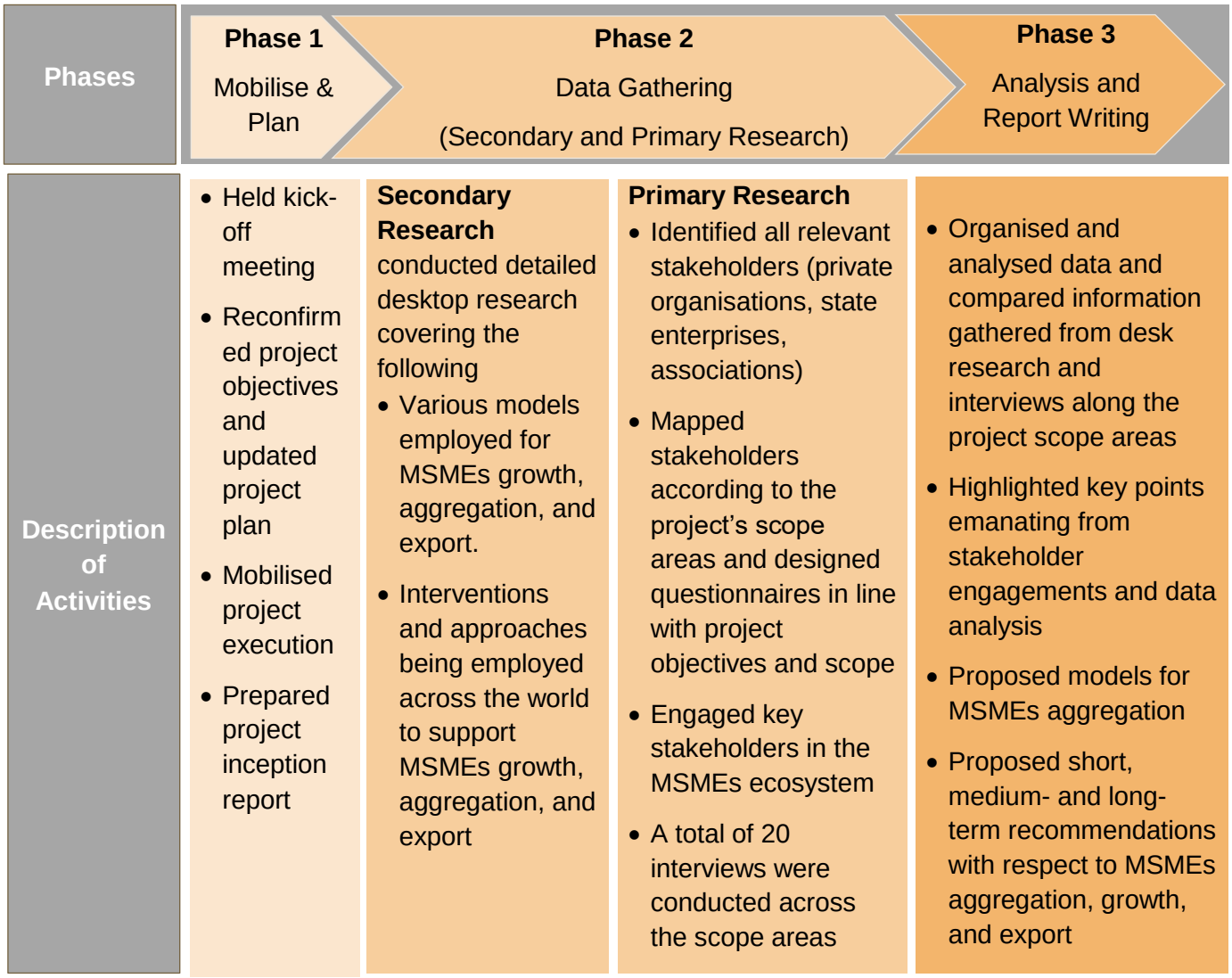
The primary research method entailed interactions with various stakeholders cutting across corporates, commodity associations, public and private institutions, and agencies that deal with MSME and MSME exports. Information was gathered by holding virtual interviews with persons across the various stakeholder groups located in different states of the country (see appendix 1 for a list of stakeholders engaged).

The findings from our primary research are not contained in any one section. Instead, they have been infused across the document as they explained various concepts / approaches and proposed recommendations for MSME growth and development

The secondary research method entailed a rigorous desk review of literature cutting across countries with successful models for MSME aggregation towards development and expansion, models for MSME commodity aggregation and relevant ministries, departments and agencies that are critical to MSME growth. Sources of data analysed include United Nations International Trade Statistics Database, Food and Agriculture Organisation statistics, National Bureau of Statistics, Central Bank of Nigeria and other publicly available datasets and information.

The findings from our secondary research have been used to develop the various sections of this report.

Figure 1 - High Level Project Methodology



3.5 Project Limitations

This study was subject to a few limitations. These limitations include the inability to access the projected number of stakeholders and the robustness of information available. Fifty stakeholders were identified, however, we successfully interviewed 20 stakeholders. We were unbale to interview the remaining stakeholders due to their unavailability within the project timeline, their unresponsiveness to our correspondences, and the inability to reach some of the stakeholders. Although interacting with all stakeholders would further strengthen this study conclusions and recommendations, the inability to access all stakeholders initially earmarked for the project did not impact on the quality of conclusions and recommendations for the study. This is because the stakeholders engaged covered the terms of references scope areas for the project and similar themes to boost MSMEs production and export potential were identified across these stakeholder groups.

Another limitation was the robustness of data. This mostly related to the detailed information on the performance of some development interventions and detailed analysis on approaches employed by

other countries to develop their MSME base. The "direct" impact of some development interventions on export performance was not accessible from our secondary / primary research. Therefore, in discussing the export performance of these interventions or in other sections where detailed information was not accessible, reasonable inferences were made based on locally and internationally available data.

Part One

Part one consists of four sections and examines the MSME landscape in Nigeria, their contributions and challenges, the governments (through its ministries, department and agencies) efforts / initiatives to address MSME challenges, performance of the government's efforts / initiatives, review of efforts from selected countries in growing their MSME sector and improving their export capacity. The approaches employed by these countries were assessed for their fit in Nigerian. Part one concludes with a section which details recommendations to support the achievement of export trade objectives.

4 MSME Landscape in Nigeria

This section provides an overview of Nigeria's MSMEs landscape and has three sub-sections. The first sub-section explains MSMEs categorisation in Nigeria, the number of MSMEs in Nigeria, major sectors MSMEs play in, and MSMEs ownership structure. Sub-section two describes the contribution of MSMEs to Nigeria's economy. This includes the number of jobs created by MSMEs as well as MSMEs contribution to GDP and export. This section concludes with a third sub-section which provides deeper understanding into the challenges MSMEs face that hampers growth, productivity, and export.

This section does not include recommendations to these challenges as it only seeks to provide insights on constraints to MSMEs growth in Nigeria and serves as an overall background for the project and further discussions in subsequent sections.

4.1 MSME Categorisation

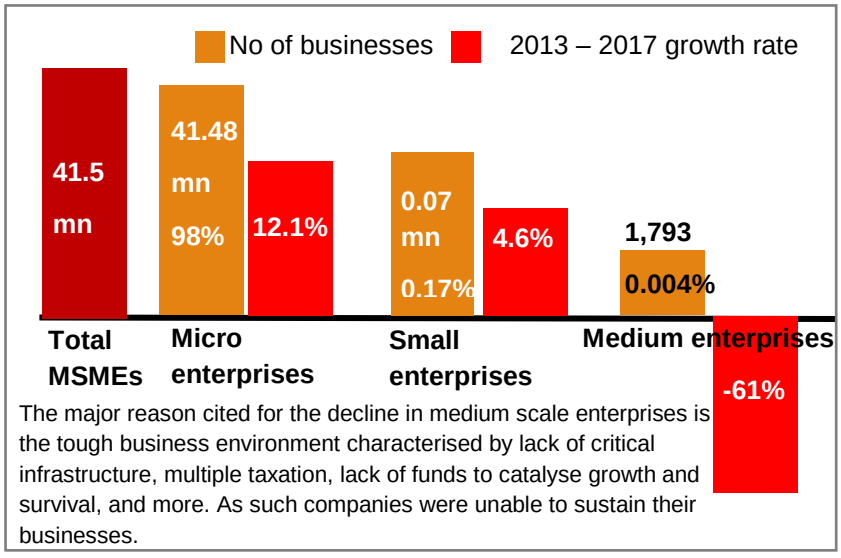
According to the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), MSMEs in Nigeria are categorised by their total assets and number of employees. In its last survey, in 2017, SMEDAN stated that there were over 41.5 million MSMEs operating in Nigeria.[9] By segmentation, micro-enterprises accounts for the larger percentage (99%) of MSMEs in the country.[9] Between 2013 and 2017, the number of MSMEs grew by 12.1%, with the micro-enterprise segment contributing the most. [9] In the same period, medium sized business declined from 4,670 to 1,793 in 2017, a 61% drop.[9]

Table 6 - Categorisation of MSMEs in Nigeria

	Number of Employees	Total Assets (₦) (excl. land and buildings)
Micro	< 10	< 5 million
Small	10 to 49	≥ 5 < 50 million
Medium	50 to 199	≥ 50 < 500 million

Source: Micro, Small, And Medium Enterprises (MSMEs) National Survey 2017 Report

Figure 2 - Number of MSMEs in Nigeria and MSMEs Growth Rate



Source: Micro, Small, And Medium Enterprises (MSMEs) National Survey 2017 Report

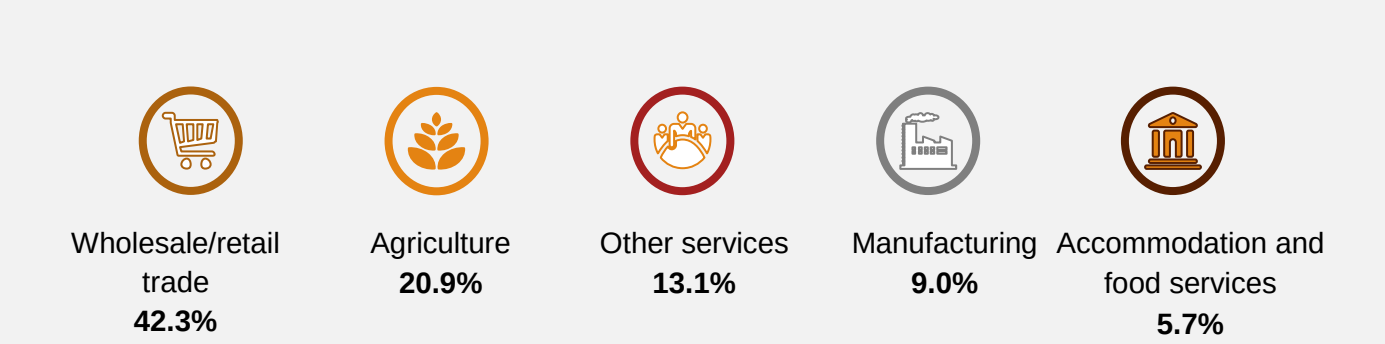
Lagos, Oyo, and Osun are the top three states with the highest number of MSMEs while states with the least number of MSMEs are Yobe, Bayelsa, and Borno states.

Currently, MSMEs in Nigeria largely operate in five sectors. These sectors wholesale/retail trade, agriculture, other services, manufacturing, and accommodation and food services, accounts for 91% of MSMEs businesses in the country.[9] However, the sectoral percentage compositions vary across micro,

[9] Micro, Small, and Medium Enterprises (MSME) National Survey 2017 Report

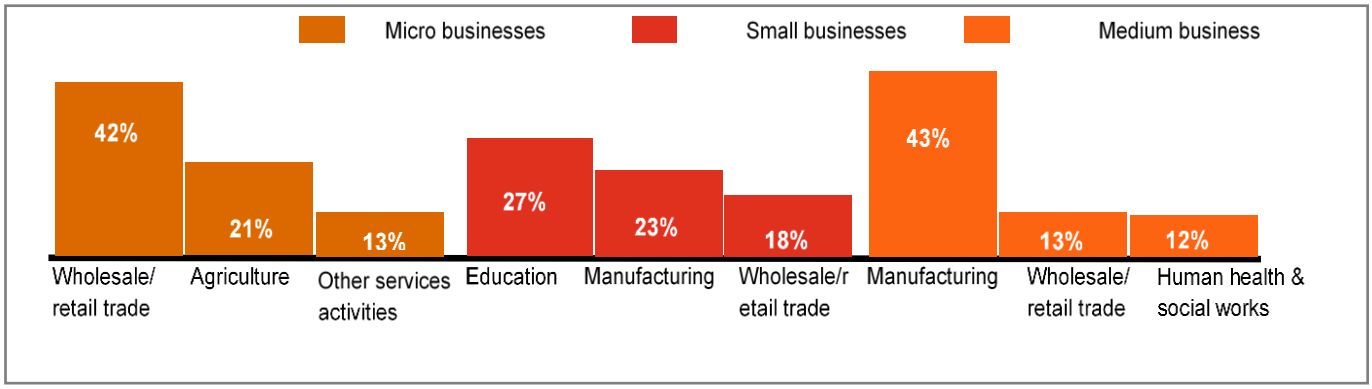
small, medium scale enterprises. Wholesale/retail trade, agriculture, and other services constitute 76.3% of micro-scale enterprises, education, manufacturing, and wholesale/retail trade account for 68% of small-scale enterprises while manufacturing, wholesale/retail trade, and human health & social works form 68% of medium-scale enterprises in Nigeria. The top economic sectors are wholesale/retail trade, education, and manufacturing for micro, small, and medium enterprises respectively.

Figure 3 - Sectoral Distribution of MSMEs: Five Major Sectors



Source: Micro, Small, and Medium Enterprises (MSME) National Survey 2017 Report

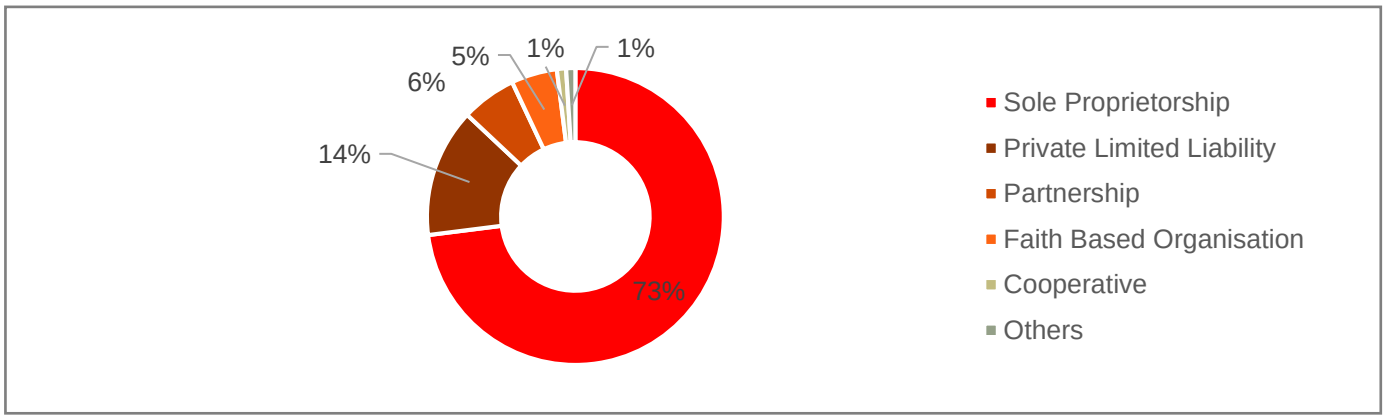
Figure 4 - Top 3 Sectors by MSMEs Categories



Source: Micro, Small, and Medium Enterprises (MSME) National Survey 2017 Report

Based on ownership structure, the bulk of MSMEs (73%) in Nigeria operate as sole proprietorship,14% of MSMEs are private limited liability companies, 6% are partnerships, 5% are faith-based organisation, 1% are owned by cooperatives and the rest by others (1%). However, ownership structure differs for micro-scale enterprises (MEs) and small and medium scale enterprises (SMEs) as shown below.

Figure 5 - MSMEs Ownership Structure



Source: Micro, Small, and Medium Enterprises (MSME) National Survey 2017 Report

Figure 6 - Small and Medium Scale Enterprises Ownership Structure

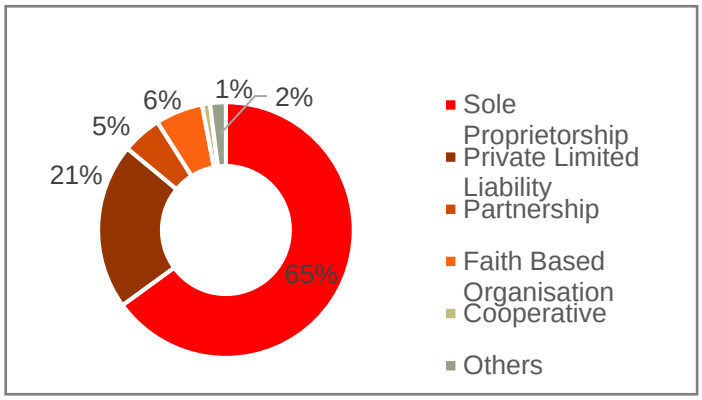
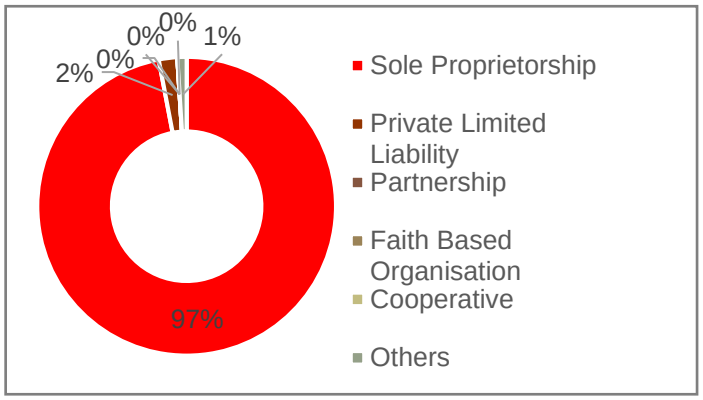


Figure 7 - Micro Enterprises Ownership Structure



Source: Micro, Small, and Medium Enterprises (MSME) National Survey 2017 Report

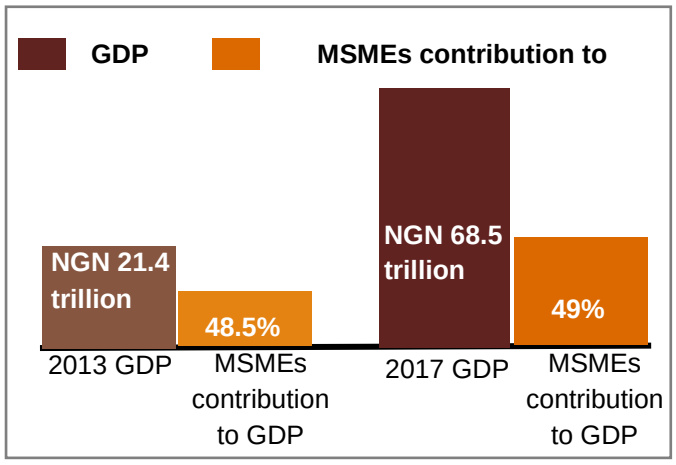
Sole proprietorship constitutes the larger percentage (73%) of Nigeria's MSMEs industry. One implication is the increased unemployment propensity at the demise of the sole proprietor, especially if the business lacks continuity structures. As a result, aside supporting MSMEs growth from micro to small, small to medium, and medium to large enterprises, there is also a need to support in structuring MSMEs and investing in capacity building to increase the likelihood of survival and to ensure resilience and sustainability of MSMEs in Nigeria.

4.2 MSME's Contribution to Nigeria's Economy

Nigeria's 2017 GDP more than tripled the value of 2013. Although the GDP growth rate fluctuated between these two years, MSMEs contribution to GDP has been fairly stable. MSMEs contributed about 48.5% to Nigeria's annual GDP in 2013.[10] Similarly in 2017, MSMEs contributed about 49% to GDP but there was a significant increase in value terms.

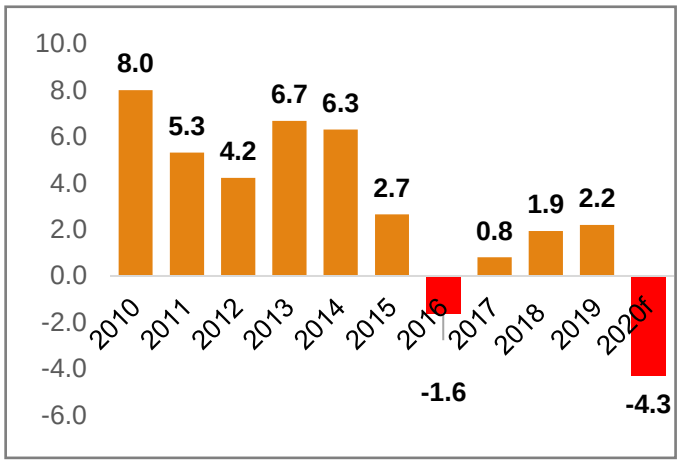
[10] SMEDAN and National Bureau of Statistics Collaborative survey: Selected Findings 2013

Figure 8 - GDP and MSMEs Contribution to GDP



Source: National Bureau of Statistics, SMEDAN, PwC MSMEs Survey Report 2020

Figure 9 - Nigeria's Real GDP growth



Source: National Bureau of Statistics (2020 to Q32020

In addition to MSMEs significant contribution to GDP, they made up for approximately 86% of employment in the country. As at December 2017, MSMEs generated 59.6 thousand jobs with micro enterprises accounting for 95% of the jobs. The most jobs were created in Lagos, Oyo, and Kano states. By sectoral segmentation, education, human health & social works, and manufacturing were the top three sectors by number of employments. In addition, SMEDAN and NBS reported that in 2017, MSMEs accounted for about 50% of industrial jobs.

Figure 11 - States with the Highest Number of Jobs Created

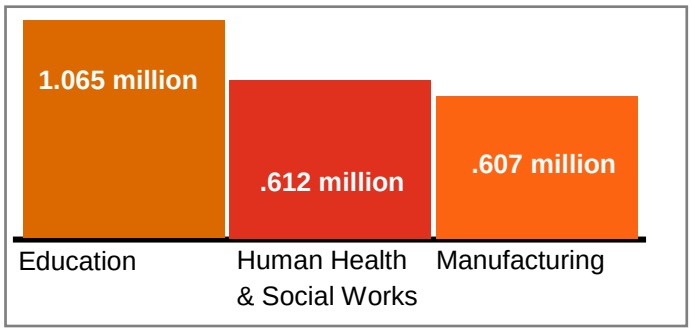
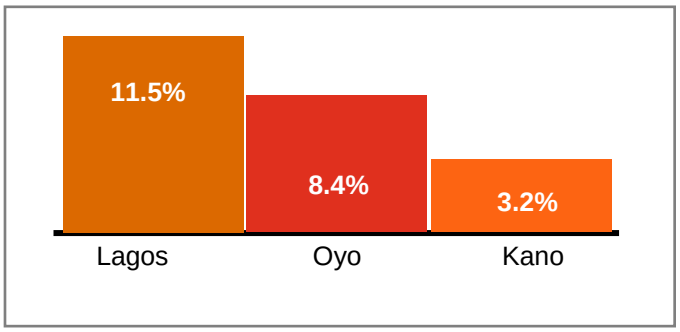


Figure 10 - Sectors with the Highest Employment



Source: Micro, Small, and Medium Enterprises (MSMEs) National Survey 2017 Report

MSMEs also play a crucial role in providing export earnings for the country. In 2013, MSMEs contribution to export was 7.3%.[10] In 2017, MSMEs contribution to export had increased to 7.6%, a 6% increase on the value of 2013.[7] Although data on MSMEs contribution to export is not available for 2020, there might have been an increase as Nigeria moved up three positions in the World Bank ease of doing business ranking indicator 'trade across borders', which measures the time and cost for export. Nigeria ranked 181 in 2017 but ranked 179 out of 190 countries in 2020.[11]

Currently, Nigeria's trade within the African continent is relatively low.[12] Some factors responsible for this is Nigeria's weak non-oil export capacities and the lack of integration of Nigeria's economy into Africa's trading hub.[12] With the implementation of the African Continental Free Trade Agreement (AfCFTA) commencing in January 2021 to address the latter, it is expected that MSMEs export would increase

[11] World Bank Group 2020 Nigeria 2020 Ranking
[12] Economic Implications of the African Continental Free Trade Agreement (AfCFTA) on the Nigerian Industrial Sectors

within Africa while strengthening Nigeria's participation in Africa's trading hub. This anticipated increase in MSMEs export would help foster MSMEs contribution to Nigeria's economy by creating more jobs and increasing foreign exchange earnings.

4.3 MSME's Challenges

Despite efforts to improve the ease of doing business and support the growth of MSMEs, MSMEs still face numerous challenges ranging from access to funding and skill dearth among others. In 2019, PwC conducted an MSMEs survey in which 1,629 key decision makers were surveyed across 28 states. Top challenges cited by MSMEs have been categorised by MSMEs value chain and detailed below. Challenges identified during our primary and secondary research are also aggregated below.

Table 7 - Challenges MSMEs Face in Nigeria

Value Chain Activity	Challenges	Details
Primary Activities		
Operations *These are activities associated with the transformation of inputs (raw materials, labour, etc.) to intermediate or final products.*	**Infrastructure deficit**	• Infrastructure deficit particularly power, has adverse impact on businesses, mostly contributing to increased business costs. For example, unreliable power supply compels businesses to switch to fossil fuel powered generators, which is also expensive to run and maintain due to fluctuating oil prices.
	Mechanisation	• MSMEs experience reduced productivity due to the use of obsolete equipment and crude farming techniques - the use of hand tools for planting and harvesting.
	Irrigation	• The average yield on irrigated fields are 90% higher than rainfed fields.[13] The dependence on rainfall to water farmlands has contributed to the low productivity for MSMEs in the agriculture sector.
	Aggregation	At the aggregator phase, four basic activities take place: transporting, processing (to increase shelf life), storing, and trading. It is desirable to employ aggregation models due to its imminent benefits for both farm producers and aggregators such as collective bargaining power, cost savings, access to market, exporting among others. However, some challenges preventing seamless aggregation include: • **Poor transportation system:** Road transport currently plays a major role in moving produce from farm gate to either a storage facility, processing plant, or for export. Rural roads in Nigeria are in a poor state as a result, farmers would have to incur high costs to transport their produce from the farm gate to their desired destination.[14] This challenge has impeded produce aggregation or slows

[13] Megan Sheahan & Christopher B.Barrett, Ten striking facts about agricultural input use in Sub-Saharan Africa
[14] Lateef Lawal Adefalu, Oluwasogo David Olorunfemi, Latifat Kehinde Olatinwo and Yusuf Olatunji, Perceived Effects of Poor Road Transportation Network on Crop Production in Kaiama Local Government Area of Kwara State, North Central Nigeria

		down the process for current aggregators. This has led to post-harvest losses and declining revenue, as farm produce get bad on the farmland. Alternative means of transportation, rail, water, etc. is still underdeveloped for aggregation purposes. • **Inadequate electricity:** A measure of farm produce processing will be required for preservation and quality. Constant electricity is necessary to achieve this. Unreliable power supply is a challenge. This affects operations as well as farm produce and leads to financial loss. The alternative, burning fossil fuel is not economical and contributes to environmental degradation. • **Inadequate facilities and equipment:** Facilities includes warehouses, storage facilities, processing facilities, and logistics equipment. These facilities are critical for aggregation. They enable aggregators meet quality requirements and are quite expensive to buy and operate. This high cost and financial constraint make investing in aggregation quite unattractive, considering other challenges. • **Access to Land:** Aside from farming, land is also required for aggregation. There are bureaucratic bottlenecks with securing land titles. This land is also needed as collateral to obtain funding. This double-edged challenge leads to a loop – the inability to secure land for aggregation and funding and the inability to get finance in order to aggregate. • **Funding:** Access to finance is a major challenge for all businesses and aggregation business is not left out. Deep pocket is a must to invest in aggregation infrastructure. Many MSMEs do not have the financial capability to invest in aggregation business, limiting the number of players in the aggregation segment of the MSME value chain. • **Lack of trust:** Integration model, which is type of aggregation is built on competencies, ability to meet set standards as well as trust and reliability. Trust and reliability are also important when entrusting aggregators with farm produce. This trust barrier needs to be overcome to commence any aggregation activities. • **High cost of doing business:** This is influenced by monetary and fiscal policies, etc. including taxes, inflation, and policy uncertainties. Generally, economic stability builds confidence in investors. According to the director general of the Lagos Chamber of Commerce and Industry,

		the inability to fix Nigeria's structural, policies, and institutional framework issues, which have led to the high cost of business, discourages investments and if not addressed, could also affect Nigeria's ability to compete effectively when AfCFTA is implemented.[15]
Logistics *All activities related to inbound and outbound logistics. The distribution of intermediate and final products along the value chain.*	**High cost of transportation and poor road network**	• The poor state of the road transport network and high cost of transportation increases the cost of transporting goods and services. This increases the cost of doing business for MSMEs. Revenue, cashflow, and profitability is affected and MSMEs would find it difficult to free up cash for growth related endeavours.
	Port administration	• Port delays is impeding the growth of Nigerian business, preventing them from fulfilling their export contract obligations. The average time to clear a Twenty-foot Equivalent Units (TEUs) is 14 days as opposed to the standard 14 hours.[16] • This can be attributed to inadequate facilities at Nigeria's ports. This delay in moving goods in and out of the port comes with significant cost implication for MSMEs as well as their financial resources being held down. • Multiplicity of agencies at the port impedes smooth trade facilitation and creates more burden as time-to-export, ease-of-export, and cost-to-export are negatively impacted. • Lack of focus on 'soft' infrastructure like 'simplifying and harmonising customs and border procedures, improving customs technology and eliminating corruption and illegal payments' at borders impede smooth trade facilitation • Poor adoption and implementation of the single window platform. • Therefore, MSMEs can hardly make informed strategic and growth decisions using indicators such as cash conversion cycle.
Marketing & Sales *These stage covers the selling of the*	**Capacity**	• MSMEs produce in small quantities and lack the capacity to meet the demand and volume requirement of large corporations. • They also do not have the financial and non-financial strength to execute marketing and sales activities as well as accessing new markets. • They rely on aggregators to provide market access services and aggregate products to meet the requirements of large corporations.

[15] Premium Times
[16] Lagos Chamber of Commerce and Industry, Costs of Maritime Port Challenges in Nigeria

intermediate or final product to consumers and market access activities. *This can also mean marketing and sale activities between the value chain actors*		• Aggregation supports in creating efficiencies for MSMEs, especially in the agriculture sector. However, aggregators are faced with infrastructural challenges such as bad and poor road network and shortage of storage facilities. • The shortage of adequate storage facility has resulted in high post-harvest loss, low food quality and undersupply of agricultural products. Some farmers go as far as selling their produce at less competitive price to prevent spoilage. • Aggregators also battle with high transactions cost as MSMEs producers are widely dispersed. • These challenges act as disincentives for aggregators, leading to shortage of aggregators that would have helped in improving the productivity of producers by providing market access services. • This cycle of challenges impedes MSMEs productivity, potential to access new markets, and integration into large corporations and the global value chain.
	Export	• Many MSMEs do not have the capacity to undertake a market study neither can they pay for market intelligence information. This has made them unable to access market intelligence information including demand, local and international opportunities, and trends to make informed business decision and get commercial traction to support business growth and sustainability.
Support Activities		
Firm Infrastructure *Activities associated with quality management, financing, regulations etc.*	**Access to finance**	• MSMEs require finance to enable them transform inputs to outputs. • PwC estimates the financing gap for Nigerian MSMEs to be about N 617.3 billion annually (pre-COVID-19 pandemic). • The federal government through various MDAs and institutions have developed many programmes such as the Anchor Borrowers Scheme to address MSMEs funding gap. • However, findings from research and interactions with various stakeholders across the MSMEs value chain showed that collaterals required to access finance, loan repayment terms, and the untimely release of funds have hindered many MSMEs from benefiting from current initiatives. • Another hinderance to accessing finance is MSMEs inability to provide the necessary information investors and lenders require before disbursing funds. • The training required to support MSMEs to manage and properly utilise loans is also missing.

	Policies and regulation uncertainties	• The federal government has developed various policies to foster the growth of MSMEs. • However, some are conflicting thereby hampering growth. An example is multiple taxation. MSMEs are subject to federal, state, and local government taxes. Collection agents vary for each tier of government, exposing MSMEs to unauthorized taxes and levies. Thereby increasing cost of doing business. • Another example on policy is that mandating exporters to fill the Nigeria Export Proceeds (NXP) form and obtain clearance from the Central Bank of Nigeria as one of the final checks prior to export. • While this may have its benefits, exporters complain about the pace in administration. PwC interviewed some stakeholders engaged in export, some of which disclosed that the slow pace in administration has resulted in the loss of contract and business profit that would have otherwise been used to scale their enterprises.
	Fluctuating exchange, interest, and inflation rates	• According to PwC's MSME Survey, aside from pressures on MSMEs to reduce prices to make ends meet, which eats into their profitability, some other issues affecting businesses are high interest rates, inflation rates, and high exchange rates. • High interest and inflation rates increase MSMEs cost of doing business and decreases available income to invest in growth related activities. • MSMEs also lack the financial capability to absorb the short-term foreign exchanges fluctuations. Also, a volatile exchange rate impact MSMEs in the following ways: a profitable business deal can become unattractive and lead to a loss; reduced risk appetite as a result of exchange rate uncertainties, etc. These affects MSMEs profitability and free cash flow for business survival, growth, and sustainability activities.
	Poor packaging and quality	• The Nigerian Export Promotion Council (NEPC), through its director of Business Development mentioned that poor packaging and labelling is one of the major challenges affecting exports of Nigeria's products. According to him, 30 percent of Nigeria exports to USA were rejected due to poor packaging and label.[17] This has prevented MSMEs in Nigeria from accessing new markets. • Nigeria's agriculture produce has been rejected on different occasions in the international market due to quality

[17] BusinessDay

		concerns.[18] Unfortunately, at the moment, Nigeria does not have a National Quality Policy. This puts Nigeria's MSMEs at a disadvantage as either realisable income from exports is small or they are unable to access new markets – unable to scale and grow into new markets.
Technology Development Technology activities to improve the value chain such as facilitating communication, interactions, processing and manufacturing technologies, etc.	**High investment cost**	• Technology helps to improve business efficiency and productivity such that businesses can do more with less and free up other resources to scale.[19] However, MSMEs find it difficult to invest in technology advancement due to its imminent costs. This makes it difficult for MSMEs to build technology capacity necessary for growth.
	Lack of access to research & development	• Research and development (R&D) play a critical role in triggering innovation. Innovation supports business improvement and growth. MSMEs are unable to invest in R&D and innovation activities due to its high cost. • Research institutes in Nigeria are underfunded and ill-equipped and as a result unable to effectively support MSMEs to fill the R&D gap.
Human Resource Management *Activities at this level relates to training and sharing human resources*	**Unskilled and uneducated work force**	• There is a skill dearth especially in the low- and medium-skilled labour force across the country. • The skill gap can be attributed to factors such as inadequacies in the education system including poor quality training, demand-driven training, infrastructural challenges, insufficient competent hands to take trainings mostly in rural areas, industry led skills delivery and certification and the lack of exposure of MSMEs to basic business principles such as accounting, business management, and more.[20]

In addition to the above challenges, the inability of MSMEs to cluster and leverage individual competencies and infrastructure to scale is hampering the MSMEs growth and export response capability. Clustering and MSME aggregation enable quicker dissemination of information among MSMEs, support the exchange of knowledge and information on industry best practices. MSMEs can also achieve cost advantage and economies of scale, for example, through bulk purchase. However, many MSMEs in Nigeria are unable to harness the benefits of clustering.

The Federal Ministry of Industry, Trade and Investment, since 2012, implement a cluster programme with 9 pilot clusters. However, these clusters have not received as much recognition as the artificial cluster, which are not as result of strategic efforts of government. These artificial cluster includes Aba apparel and leather cluster, adire tie and dye cluster in Abeokuta, Otigba computer hardware cluster in Ikeja, and more.

[18] Kassim Adekunle Akanni, Effect of Quality Assurance Deficit on Market Competitiveness for Export Commodities and Household Income in Nigeria
[19] Kathleen M. Wilburn & H. Ralph Wilburn, The Impact of Technology on Business and Society
[20] Strategic Framework and Implementation Plan for Job Creation and Youth Employment in Nigeria

A case study of the Otigba computer hardware cluster in Ikeja describes the challenges mitigating against clustering and those faced by MSMEs in the existing cluster.

Case Study

Otigba Computer Hardware Cluster

The Otigba computer hardware cluster in Ikeja covers an area of 325 km^2. Activities in the cluster focuses on the sale, service and repair of ICT products and components. Otigba computer hardware cluster is home for about 3,000 SMEs and generates about NGN 1.5 bn daily[21] (pre-COVID 19).

Although largely successful, MSMEs in Otigba computer hardware cluster are plagued with inadequately power supply and receives little or no government incentives to catalyse innovation. In addition to the availability of infrastructure, another key success factor is the availability of skilled human capital. Otigba computer hardware cluster can boast of skilled human capital. In addition, collaboration among MSMEs in the cluster supports in solving customers' problem, especially if an MSME lacks the required competency.

The cluster relies greatly on imported inputs, as a result inefficiency in trade facilitation can significantly affect its competitiveness. This dependence also portends significant disadvantage as MSMEs are exposed to foreign exchange fluctuations, which could impact revenue and profitability. Availability of land is another critical success factor for MSME clustering. However, the land requirement for MSME clustering would vary depending on the nature of business.

Technology clusters are springing up across the country driven by both government and private sector participation. Similar effort is required across different sectors to catalyse innovation and support export

To harness or deepen the export potential in existing clusters there will be need for a more structuring in clusters, investment in infrastructure, creating an enabling environment as well as awareness creation to realign MSMEs cluster to focus on export. For example, through business process outsourcing for the technology ecosystem

These challenges hinder the growth and continuity of MSMEs in Nigeria. The federal government has tried to address these challenges using different interventions and programmes as detailed in the subsequent chapter. However, since these challenges persists, there would be a need to identify the root cause for this persistent problem and identify other ways of overcoming them.

[21] https://weetracker.com/2019/05/30/computer-village-nigeria-usd-2-bn-revenue/

5 Government's Efforts Towards Developing MSME and their Export Capacity

This section addresses ToR project scope three (3) which seeks to *map the existing development initiatives of Federal and State Government agencies against MSMEs export capacity development requirement for a select number of products and services out of the 35 products identified in the Impact and Readiness Assessment Report and the five services sectors for liberalisation under AfCFTA Phase 1 Agreement.*

In addressing the requirement above, the first sub-section identifies quantitative criteria for selecting 10 of the 35 products identified in the Impact and Readiness Assessment Report and using these criteria, presents the final shortlist of 10 products to focus on in the subsequent sub-sections.

Sub-section two highlights MSMEs export capacity development and market accessibility requirements drawing on challenges identified in section 4.

Using this information, the third sub-section contains a review of various government development initiatives aimed at developing the 10 commodities selected and 5 services areas against the MSME's export capacity development and market accessibility requirement exploring when these initiatives were established, successes recorded with respect to promoting export supply response capacity, market accessibility and challenges encountered.

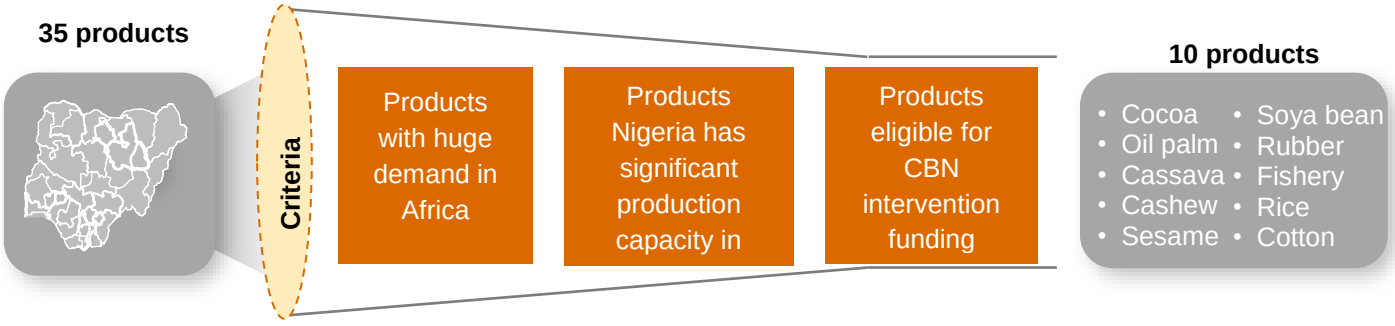
While the project team strived to gather as much information as possible, it is pertinent to note that the depth of analysis presented was impacted by the availability of detailed information across some discussion points. For example, the detailed performance of development initiatives or case studies on MSMEs commodities integration to value chains and aggregation were not explicitly discussed in available literature.

This section does not proffer recommendations to improve government's existing and future initiatives vis a vis MSMEs requirements. Recommendations are provided in section 7.

5.1 Criteria for Commodity and Services Shortlist

The AfCFTA impact and readiness assessment report, identified 35 priority products which align with Africa's top imports as well as 5 service sectors under the AfCFTA Phase I agreement. For the purpose of this study, the 35 products were streamlined to 10 products. The criteria used for shortlisting the 10 products are discussed below.

Selection criteria for the 10 commodity products



Product with huge demand in Africa: This criterion covers products with high demand in Africa that exceed USD 10 million. The high demand for the product will determine how much import and export can be done within various African countries. The demand size is determined by the current market size in Africa.

Table 8 - Market Size of Selected Commodities in Africa

Commodities	Africa Market Size (USD million)
Rice	6,700
Rubber	5,700
Oil palm	4,800
Fishery	4,300
Cotton	3,200
Leather	1,300
Soya beans	1,200
Cocoa	700
Sesame	90
Cashew	90
Ginger	20
Cassava	10
Cowpea	0
Yam	0

International Trade centre database- Trade map

Products Nigeria has significant production capacity in: This criterion focused on products which Nigeria ranked among the top 10 in terms of production capacity across Africa.

Table 9 - Commodities Nigeria's Ranks Among the Top 10 by Production Capacity Across Africa

Commodities	Nigeria's Rank in terms of Production in Africa (2019)	Production capacity tonnes (2019)
Rice	1st	8,435,000
Ginger	1st	691,239
Cowpea	1st	3,576,361
Cassava	1st	59,193,708
Yam	1st	50,052,977
Oil palm	1st	10,025,174
Rubber	2nd	149,691
Soya beans	2nd	630,000

Cocoa	3rd	350,146
Sesame	3rd	480,000
Fishery	3rd	856,614
Cotton	9th	233,104
Cashew	9th	100,000
Leather	n/a	n/a

FAO database,2019

Products eligible for CBN intervention fund: In a bid to continuously make agriculture a focus area in Nigeria, the Central Bank of Nigeria has identified 10 commodities that will receive special intervention over the next five years (2019 – 2024).

The commodities include**: Rice, Cassava, Cocoa, Tomato, Cotton, Oil palm, fishery, livestock/Dairy, Tomato and Maize.**

The commodities with at least two of the three criteria were selected in determining the 10 products. The products that meet the criteria are marked with (√) while those that don't meet the criteria are marked (X)

Table 10 - Matrix to Shortlist Top 10 Commodities

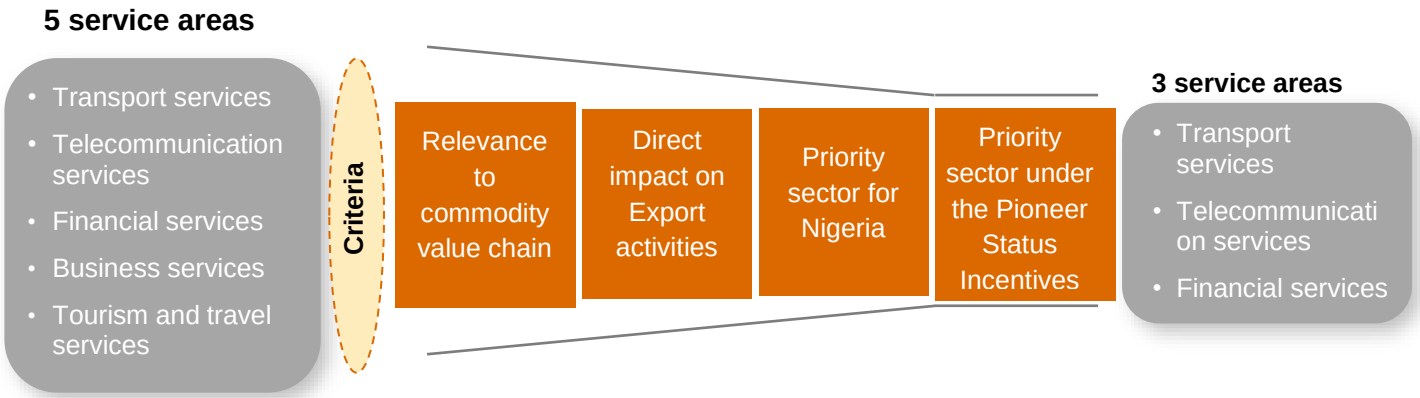
Commodities	**Products Nigeria has significant production capacity in**	**Product with huge demand in Africa**	**CBN intervention fund**
Rice	√	√	√
Rubber	√	√	X
Oil palm	√	√	√
Fishery	√	√	√
Cotton	√	√	X
Leather		√	X
Soya beans	√	√	X
Cocoa	√	√	√
Sesame	√	√	X
Cashew	√	√	X
Ginger		√	X
Cassava	√	X	√
Cowpea	√	X	X
Yam	√	X	X

Based on the table above the 10 products shortlisted out of the 35 priority products are **Rice, Cassava, Oil palm, Rubber, Soya bean, Cocoa, Sesame, Cotton, Cashew, and Fishery.**

The AfCFTA Impact Assessment Report also highlighted the five service sectors for liberalisation. The sectors are transport services, tourism and travel related services, financial services, communication services and business services. These priority services sectors include Africa's and Nigeria's top three imported services namely: transport (USD 30.5 billion), travel (USD 16.7 billion) and other business services (USD 15.7 billion). Financial services[22] and telecommunications attracted USD 4.9 billion and USD 2.7 billion worth of imports respectively.[23]

However, in shortlisting service areas, we have considered exports and not imports. Two criteria utilised to shortlist were relevance to the commodities value chains, and direct impact on export activities.

Selection Criteria for the service areas



Relevance to commodity value chain: This criterion focused on the relevance of service areas to value chain activities and the ability to support value chain activities.

Direct impact on export activities: This criterion focused on the ability of the service areas to have direct impact on export activities and improve market accessibility.

Priority Sectors for Nigeria's Growth and Economic Recovery[24]: This criterion considers service sectors identified as critical for Nigeria's economic growth as detailed in the Economic and Recovery Growth Plan

Priority Service Sectors under the Pioneer Status Incentives[25]: This criterion considers service sectors that could attract investments due to the availability of incentives – the pioneer status incentive.

Table 11- Matrix to Shortlist Top 3 Service Sector Areas

	Relevance to commodity value chain	Direct impact on export activities	Priority sectors for Nigeria	Priority service sectors under the PSI
Transport	√	√	√	√

[22] Value of financial services imports included insurance and pensions. (Source: ITC's Trade Map)
[23] Value in 2017. Source: ITC's Trade Map
[24] https://www.budgetoffice.gov.ng/index.php/resources/internal-resources/policy-documents/ergp
[25] https://nipc.gov.ng/pioneer-status-incentive/

Travel and tourism	X	X	√	X
Financial services	√	√	√	√*
Communications/ICT	√	√	√	√
Other business services	X	X	X	X
*Financial services was mentioned however, the pioneer products are real estate investment trust and mortgage backed securities.				

Using the criteria above, three service areas were shortlisted namely **transport services, telecommunication services and financial services.** Due to the crucial role logistics, storage and aggregation play in export and enabling market access, "transport and transit services" will be used in place of transport services in this section except stated otherwise. Transport and transit services therefore would include logistics, storage, and warehousing services.

5.2 Requirements for MSMEs Export Capacity Development and Market Accessibility

This sub section integrates findings from the sub section on challenges in section four and only provides insight and perspective into requirements to support export capacity development and improve market accessibility considering AfCFTA. Recommendations on how to achieve these requirements are provided in a later section.

- **Sustainable Agricultural Practices:** Employing sustainable agricultural practices and ingraining sustainability such as respect for human rights, avoiding child labour, and the degradation of the environment would position MSMEs for increased market access and export. Training on sustainable agriculture practices and its application in Kenya Tea industry supported small scale tea farmers in Kenya to achieve increased farm yield, ensured competitiveness of farm produce with farmers receiving premium payments for farm produce. In addition, it significantly contributed to the continuous access to off-takers, market, and the indirect contribution to export as suppliers to Kenya Tea Development Agency. The inability to employ sustainable agricultural practices has in recent times hampered access to market for Indonesia's oil palm and led to reduced demand from the European market. Major sustainability concerns that led to this reduced demand were deforestation, social conflicts and labor rights abuses associated with the oil palm production.[26,27]

- **Enabling Business Environment:** Business environment is a foremost factor that determines the success and failure of an economy. It also plays a crucial role in the survival of businesses covering cost of doing business, availability of infrastructure, fiscal and monetary landscape and incentives, trading across borders, and more. For example, in order to ease exporting for MSMEs, there is an urgent need to address delays encountered at the Ports. This will require investments in Port's infrastructure and ensuring synergy between different agencies involved in export to reduce the number of touch points for MSMEs prior to export.

[26] Yaghoob Jafari et al., Risks and Opportunities from Key Importers Pushing for Sustainability: The Case of Indonesian Palm Oil Agricultural and Food Economics (2017) 5:13
[27] Top Indonesian palm oil developments in 2020

- **Access to Market Intelligence Information:** Access to market intelligence information is crucial to enter new markets and export. This information, for example, demand and quality requirements enables improved business decision making. It will be required to develop an African database similar to the Netherland's CBI Market Intelligence Portfolio that focuses on expanding exports from developing countries to Europe. MSMEs should have access to market intelligence information and opportunities in the Africa continent. This will also support the integration of Nigeria's MSMEs into MNCs value chain in other African countries.

- **Access to Finance:** Growth requires cash. Funding is paramount to finance business activities especially growth and export. Financing instruments and funding interventions to support market development and export activities are required. In addition, insurance cover such as export credit grant would help minimise export risks for MSMEs. This would support growth and improve MSMEs appetite to venture into new markets.

- **Export Trade Capacity Building:** This focuses on training and equipping MSMEs with knowledge and capacity to meet exporting requirements. It includes helping MSMEs understand export rules and guidelines, in this instance AfCFTA guidelines and any specific requirements in importing countries to help MSMEs trade effectively. Also, export trade capacity building for MSMEs covers training programmes to boost production for export purposes. For other stakeholders such as regulators, custom officials, export trade capacity building entails training them on the AfCFTA guidelines, their roles, and how they can ease and enable MSMEs export. For professionals such as lawyers, export trade capacity building will include being equipped with the knowledge to support MSMEs in trade/export contracting documentation.

- **Storage, Warehousing, and Aggregation:** Investing in the establishment of storage facilities and warehouses will help MSMEs address post-harvest losses which negatively affects their ability to store and preserve produce for export. These facilities will also support commodity aggregation and MSMEs clustering. MSMEs will therefore be able to collaborate to increase potential export quantity and access new markets collectively as opposed to individual MSMEs that may be unable to meet export quantity requirement.

- **Transportation and Logistics:** Transportation and logistics play an irrefutable role in enabling aggregation and moving produce from one destination to another. Inadequate transport infrastructure and ineffective logistics systems affects the price competitiveness of exported goods.[28] There is a strong correlation between transport costs and export volume.[29] An increase in transport or logistics cost can lead to more 20 percent decline in trade volume.[30] There is an urgent need to invest in transport and logistics infrastructure for MSMEs in Nigeria to increase export volume and gain a time advantage on a first mover basis.

- **Quality Produce:** Quality produce is a crucial factor for competitiveness in the export market. High quality produce will increase demand for MSMEs produce in both existing and new markets and create the opportunity to receive a premium for their produce. In addition to the effort of the Nigeria Agricultural Quarantine Service (NAQS), there is a need to quicken ongoing effort under the National Quality Infrastructure project and the coming into force of the Nigeria Quality Policy as this will improve the marketability of Nigerian goods and services in the Africa market.

[28] William A. Agbigbe, "The Impact of Transportation Infrastructure on Nigeria's Economic Development", 2016
[29] Alberto Behar, Anthony J. Venables, "Transport costs and International Trade"
[30] Dr. Jean-Paul Rodrigue and Dr. Theo Notteboom, "The Geography of Transport Systems" Chapter 3 – Transportation, Economy and Society, Section 3.3 – Transport Costs

- **Policy and Regulations:** Government will have to enact or amend existing policies to support MSMEs ability to produce, distribute and sell their produce more effectively and efficiently than obtainable in other countries. These will cut across many sectors, but initial effort can be targeted at the three service areas and their respective sectors shortlisted due to their importance in enabling export and market access. These policies can be leveraged to attract foreign direct investment and private sector players while supporting MSMEs integration into MNCs and the global value chain for export and increased market accessibility purposes.

- **Contracting and Agreements:** The government can facilitate contract agreement between MSMEs and MNCs in other countries as performed by the Cross-River State Government for cocoa. This would help achieve three goals: aggregation and integration into the global value chain, export, and market access.

- **Export Promotion:** Export promotion will also play a crucial role in increasing market accessibility for MSMEs as well as export. Export promotion includes activities such as marketing, pre- and post-shipment funding, subsidies, trade fairs, training, and more.

- **Improved Seedlings and Agronomic Practices:** Improved seedlings and better agronomic practices have the potential to bolster MSMEs production capacity and export potential. This is evident in many countries including China, Nigeria, Kenya, Uganda, and more.[31] Therefore, ramping up the provision of improved seedlings to farmers and creating and empowering these MSMEs to employ good agronomic practices is crucial for production and export capacity growth.

- **Capacity for Value Added Production:** Value adding activities transforms raw products to semi-finished or finished products. These value adding processes can cover cleaning, preserving, and packaging, creating benefits such as ease in transportation, increased product attractiveness, quality or nutrient preservation, and more. In addition, capacity to add value becomes very important seeing that the NEPC reported that 30 per cent of Nigeria exports to the United State were rejected due to poor packaging and labelling.[32] Therefore, empowering MSMEs or facilitating the process for MSMEs to boost their value add production ability would further increase MSMEs competitiveness and their ability to maximise the export opportunity resulting from the implementation of AfCFTA.

5.3 Government Ministries, Departments and Agencies (MDAs) Interventions and Schemes to Support

Over the years, various Ministries, Department, Agencies (MDAs) and state enterprises have implemented interventions to bolster MSMEs export capacity. We have reviewed various interventions and development initiatives executed by state enterprises and MDAs in Nigeria to support MSMEs export capacity across the 10 commodities and 3 service sector areas. The performance of these interventions is discussed below.

[31] Cosmas Wacal et al., "Analysis of sesame seed production and export trends, challenges, and strategies towards increasing production in Uganda", Oilseeds & Fat Crops, and Lipids, Volume 28, 2021
[32] BusinessDay

Table 12 - Key Export Related Interventions in Nigeria

S/N	Key Interventions	Details of Intervention	Target value chain	Challenges relating to the implementation of interventions/Problem Solved	Contribution to export/Performance
1	**Export Expansion Grant** **Responsible Agency -** Nigeria Export Promotion Council **Service Sector of Intervention** Financial **Start Date** 1986 **Status** Ongoing	• Export Expansion Grants (EEG) is a post-shipment incentive. It was set up to encourage exporters to increase export volume & value, improve the competitiveness of Nigerian products globally, and support exporters to enter new market. • In order to participate in the scheme, exporters are expected to apply and meet the following requirements: be accredited, have a minimum annual export turnover of NGN 5 million, submit baseline data which must include audited financial statements and information on operational capacity, submit evidence of repatriated export proceeds through the accredited channel, certified Nigeria export proceeds form, bill of lading, export expansion plan, final commercial invoice, and a clean certificate of inspection including quality certification.[33]	• Value chain targeted are semi, processed/intermediate, and fully manufactured products and merchants/primary agricultural commodities including cocoa, cashew, sesame, cotton, ginger, shrimps, rubber, and more. • Maximum applicable EEG rates are (i) fully manufactured products: 15%; (ii) semi-manufactured products: 10%; (iii) processed/intermediate products: 7.5%; and (iv) merchants/primary agricultural commodities: 5%.	• EEG scheme was initially set up in 1986 however, it has been characterised by series of suspension and recommencement. EEG has been suspended for about nine times in 15 years.35 • Most recent suspension was in 2013 due to perceived abuse by beneficiaries in claiming the grant.36 However, the suspension was lifted in 2017. • Poor funding and neglect by government for almost seven years has also been a major challenge to the effective execution of EEG • In addition, government owes exporters, posing a	• While we cannot affirm the direct impact EEG made on export, we can say there could be a correlation between EEG operations and export. Between 2005 and 2013, export grew from USD 700 million to USD 3 billion. However, export declined to about USD 1.5 billion in 2014 and one of reasons could be the uncertainty around EEG and its suspension in 2013.[37]

[33] NEPC
[35] Vanguard Newspaper
[36] https://www.tralac.org/news/article/6400-suspension-of-eeg-stifling-non-oil-export-growth.html
[37] Proshare “Incentives as Stimulus for Economic Growth: A Case for EEG”

		• Exporters who are successful on application are paid by being issued an Export Credit Certificate (ECC). This certificate can be used to settle all federal government taxes or utilised to repay government credit facilities or to purchase government bonds. The ECC is valid for only two years and transferable once to final beneficiaries. EEG beneficiaries are expected to pay 2% of the value of the ECC upon collection of the certificate and 4% cost of collection when utilised to fund the administration of the scheme.[34]		challenge in the administration of EEG.	
2	**Intervention – Export Development Fund (EDF)** **Responsible Agency -** Nigeria Export Promotion Council **Service Sector of Intervention** Financial	• The Export Development Facility (EDF) is a fund set aside to finance non-oil export-oriented SMEs to broaden Nigeria's export capacity and increase access to new markets. Benefitting exporters either use a "minimum of 60 per cent (by value) of local raw materials or intermediate goods/services produced in Nigeria for its products, or local value add on its products exceeds 50 per cent". • The EDF either funds some transactions directly or support other interventions/ transactions.	• The value chain eligible to benefit from EDF include wholly or partly processed / manufactured goods for export, specific projects, established for the production / supply of inputs towards the purpose of manufacturing / packaging for exports; commodities and services, which are exportable under the laws of Nigeria.	• Two identified challenges faced in executing this fund are the difficulty in repaying loan[39] and the insufficiency of the fund allocated to the intervention. • NGN 50 billion was earmarked for this fund. However, within the first nine months in 2019, NEXIM approved over NGN 60 billion while application worth about NGN 77 billion was been processed.[40]	• Fund approved by NEXIM exceeded initially earmarked amount and this facility is one of the reasons Nigeria's 2019 commodity export increased across some crops such as cocoa, sesame seed, cashew, and more. • Nigeria exported 294,661 tonnes of cocoa beans 150,000 tonnes of sesame seed, and 83,126 tonnes of cashew nuts (with shell) in 2018. This amounted to

[34] PwC Nigeria: Revised Guidelines on Export Expansion Grant Scheme
[39] AllAfrica
[40] This day Newspaper

	Start Date 1986 **Status** Ongoing	• EDF has a maximum tenor of up to 9 years, a maximum all-in interest rate of 9% per annum inclusive of all charges excluding legal charges. Beneficiaries of EDF can also enjoy a moratorium on principal repayment. This moratorium is project specific and does not exceed a two-year timeframe. After the moratorium period, repayments of principal on the loan is based on a semi-annual instalment basis. • Collateral required is expected to cover not less than 150% of loan value. In the instance of collateral inadequacy, which could lead to loss of the export opportunity, other risk bearing instruments such as the Credit Risk Guarantee Instrument by NIRSAL can be explored.[38]	• Transactions eligible for support are resuscitation, modernization and technology upgrade / acquisition of non-oil exports industries; Anchor Borrower - Type arrangement for exports in collaboration with Co-operative societies and other community-based support arrangements" • All crops including cocoa, sesame seed, cashew nuts, hibiscus, ginger shea, and hides and skin.		567.7 million, 220.6 million, 300 million respectively. As at 2019, with increased funding, export increased. In 2019, 299,625 tonnes of cocoa beans, 244,575 tonnes of sesame seed, and 198,982 tonnes of cashew nuts (with shell) were exported. These were valued at 602.6 million, 351.8 million, and 198.4 million respectively (direct link that EDF solely contributed to these increases is not verified). • Also, Nigeria's total export in 2019 was USD 62.4 bn, a 3% increase in 2018 value.[41] [42] Also, non-oil export which EDF was established to improve experienced a 100% increase from about NGN 1 trillion to NGN 2 trillion between 2018 and 2019.[43]
3	**Intervention - Anchor Borrowers'**	• ABP was established in November 2015, to support the linkage between smallholder farmers and large-scale	**The commodity value chain covered includes:**	• Slow disbursement of funds. • Default in loan repayment.	• Data on the direct contribution of ABP to export was not available nor

[38] NEXIM
[41] World Integrated Trade Solution https://wits.worldbank.org/CountryProfile/en/NGA
[42] Statista https://www.statista.com/statistics/383166/export-of-goods-to-nigeria/
[43] Guardian Nigeria: https://guardian.ng/business-services/non-oil-exports-double-to-n2tr-in-2019/

	Programme (ABP) **Responsible Institution** Central Bank of Nigeria **Service Sector of Intervention** Financial **Start Date** November 2015 **Status** Ongoing	agro-processors. The goal is to increase agricultural output processors capacity utilisation and possibly strengthen export potential. Benefitting smallholder farmers undergo a mandatory training and the participating anchor bear the cost of training these small holder farmers. These training covers farming as a business, improved agricultural practices, group management dynamics. • Training certificate forms one of the requirements for farmers to access credit under the ABP. In addition, the anchor/state governments are expected to provide extension services to complement the training. • Participating Financial Institutions access at the ABP fund at 2% from the Central Bank of Nigeria and lends at an interest rate not exceeding 9% per annum. Repayment of loans are paid by delivering harvested produce at the Anchor's approved collection centre. • Details on the nine steps processes from the expression of interest stage to the registration of farmers in the	• Legumes (soybean, sesame seed, cowpea etc.), Tomato, Livestock (fish, poultry, ruminants etc.) • Cereals (rice, maize, wheat etc.), cotton, roots and tubers (cassava, potatoes, yam, ginger etc.), sugarcane. • Tree crops (oil palm, cocoa, rubber etc.)		accessed as at the time of preparing this report. However, the Programme is one of the interventions that has contributed to the increase in crop production. Prior to the introduction of ABP, in 2014, Nigeria rice paddy (rice milled equivalent) production was 6,002,831 tonnes. This increased to 8,435,000 tonnes, in 2019, four years after introducing ABP. Nigeria's rice paddy (rice milled equivalent) import also dropped between 2014 and 2019 by 48%.[45] • A review of export of other commodities between 2014 and 2019 also showed a positive trend in other commodities. Sesame, Cocoa, and Cashew export by quantity increased by 70%, 58% and 232% respectively.[46]

[45] Food and Agriculture Organisation
[46] FAOSTAT

		national registry can be found in the Anchor Borrowers' Programme Guidelines.[44]			
4	**Intervention - Commercial Agriculture Credit Scheme (CACS)** **Responsible Institution** Central Bank of Nigeria **Service Sector of Intervention** Financial **Start Date** 2009 **Status** Ongoing	• The Central Bank of Nigeria (CBN) and Federal Ministry of Agriculture and Water Resources (FMA&WR) established this scheme in 2009. This scheme was set up to provide funds across the agriculture value chain. CACS is financed from the proceeds of the NGN 200 billion three (3) year bond raised by the Debt Management Office • CACS is designed for both integrated and non- integrated farm or agro-based enterprises. Integrated enterprises are required to have agricultural asset (excluding land) of not less than NGN 100 million with the potential to grow its assets to NGN 250 million within the next three years. • For non-integrated enterprises, a minimum asset of NGN 50 million is required with the prospects of scaling the asset to NGN 150 million within the next three years. However, these excludes cases of on-lending to farmers' cooperative societies.	• Applicable value chain: i. Production: • Cash Crops: Cotton, Oil Palm, Fruit Trees. Rubber, Sugar Cane, Jatropha Curcas and Cocoa. • Food Crops: Rice, Wheat, Cassava, Maize/Soya, Beans/Millet, Tomatoes and Vegetables • Poultry: Broilers and Eggs Production • Livestock: Meat, Dairy and Piggery • Aquaculture: Fingerlings and Catfish ii. Processing: Feed mills Development, Threshing, Pulverisation and other forms of transmutation for value addition iii. Storage: Commodities, Agro-Chemicals and Warehousing	• Late disbursement of funds • Administrative delays and bureaucracy bottlenecks slowing the pace of CACS administration • Shortfall in the disbursed funds to MSMEs • Unavailability of some beneficiaries' data • Fund diversion by MSMEs. • Lack of good business plan from applicants. • Political interference and preferential treatment to some people.[47]	• A total of NGN 147.87 billion was disbursed under CACS to 191 businesses between 2009 and 2016. This fund supported beneficiaries to export to new markets. • These beneficiaries include crop producers and manufacturers of food and beverages. Foreign earnings from beneficiaries increased from USD 20 million in 2008 to USD 65.3 million in 2016. • The main contributors were exports from cotton, cowpea, fruits, maize, rubber and lately processed soya bean. • Beloxxi Industries Limited has benefitted from different loan facility. Between 2007 and 2010, Beloxxi benefitted from the Commercial Agriculture Credit Scheme

[44] Anchor Borrowers' Programme Guidelines
[47] Commercial Agriculture Credit Scheme Evaluation and Impact Assessment Report

		• In order to benefit from this scheme, these enterprises are required to submit a business plan; provide details of its business operation if any; be a part of an out growers' programme, where appropriate; and meet other requirements of the lending bank. • In addition, state government can also apply for CACS if funds will be channelled to agriculture initiatives/interventions that are line with the objectives of CACS.	iv. Farm Input Supplies: Fertilizers, Seeds/Seedlings, Breeder Stock, Feeds, Farm equipment & Machineries. v. Marketing: Agricultural commodities under the focal investment areas.		(CACS) to set up an ultramodern production facility in Nigeria.[48] In 2016, the company also received loan facilitated by NEXIM.[49] Between 2010 and 2018, it increased production form 9,000 metric tonnes in 2010 to 40,000 metric tonnes. Through these funds Beloxxi was able to grow and has exported products to Angola and some southern Africa Countries. Beloxxi could not sustain exporting due to high local demand. [50]
5	**Intervention - Agro-Processing, Agricultural Productivity Enhancement and Livelihood Improvement Support (APPEALS)**	• APPEALS seek to improve agricultural productivity (by providing input, addressing post-harvest losses, and more) of about 60,000 small and medium scale farmers and enhance value addition along 11 priority crops in the six participating states - Lagos, Kano, Enugu, Kaduna, Kogi, and Cross Rivers states.[51,52]	• Applicable value chain includes Rice; Cocoa; Cashew; Ginger; Maize; Poultry; Diary; Cassava; Wheat; Tomato; Aquaculture	• No accessible and verifiable challenges identified as at time of preparing this report	• It is evident that the intervention has led to increased production for MSMEs. This increase in production aligns with the objective of the programme to achieve food security. On the route towards achieving food security, farmers can focus on serving the export market.

[48] https://africachinapresscentre.org/2018/03/03/beloxxi-nigerias-mega-billion-biscuits-factory-created-negative-policy/
[49] Nigerian Export-Import Bank
[50] Beloxxi Industries Limited
[51] APPEALS Project
[52] The Guardian

	Responsible Institutions - Federal Ministry of Agriculture & Rural Development (FMARD) in collaboration with the World Bank and other stakeholders. **Service Sector of Intervention** Financial, Transport and Transit **Start Date** 2018 **Status** Ongoing				• Through APPEALS, numerous trainings and demonstrations have been organised to equip small and medium scale farmers with knowledge to improve farming productivity. • Two successful case studies are: the increase in output from a ginger farm from an average of 12.5 tons/hectare to about 28.8 tons/hectare in Kaduna state. In Kano State as well, over 100% in harvested produce by a rice farmer - production increased from 45-55 bags/hectare of rice to 105 bags/hectare.[53]
6	**Intervention – Growth Enhancement Support (GES) Programme**	• Growth Enhancement Support Programme was set up to provide subsidised fertiliser to farmers in order to improve yield. GES had four building blocks. First, the selection and creation of an agro-dealer	• All agriculture commodities value chain benefitted from this intervention.	• Data collection and evidence-based reporting was weak, making it difficult to undertake monitoring and evaluation and make	• The distribution of improved seedlings contributed to the increase in farm produce quantity. According to the Agriculture Promotion Policy document (2016-2020)

[53] APPEALS Project Twitter Handle

	Responsible Institution Federal Government of Nigeria **Service Sector of Intervention** Financial, Transport and Transit **Start Date** 2012 - 2015 **Status** Completed	network responsible for the delivery of input in the right quantity and quality to farmers. • Second, the facilitation and simulation of commercial banks to offer loan to agro-dealers through a credit-guarantee scheme worth NGN 50 billion managed by NIRSAL. • Third, the national registration of farmers. This led to the registration of about 10.5 million farmers. • Finally, leveraging technology to develop an e-wallet. Through this e-wallet, farmers received phone notifications on the availability of subsidized inputs for collection at designated redemption centres.[54]		informed decisions for improvement. • There were backlogs of unpaid GES loans which slowed down bank lending. • Significant progress was not made in infrastructure investment for example setting up of warehouses, storage, and processing systems. As a result, post-harvest losses only improved moderately.	published by the Federal Ministry of Agriculture and Rural Development, the implementation of GES led to an increase in food production by about 20.1 million tonnes.[55] This increase in production and the establishment of some commodity boards is believed to have supported farmers to access new markets.
7	**Intervention – Local Input Facility*** **Responsible Institution** NEXIM	• Under the Foreign Input Facility, "NEXIM grants short, medium and long term fixed rate loans in foreign currency, to participating banks on behalf of their export clients for the importation of raw materials, packaging materials, capital equipment and spare parts needed for the production of goods for export."	• Applicable value chain are the agriculture and Manufacturing value chains.	• A major challenge with this dollar denominated facility was exchange rate fluctuation which impacted cashflows and repayment schedules. This challenge influenced the creation of the Local Input Facility, a	• One successful case study of NEXIM funding is Ladgroup Limited, the only shea nut to butter processing factory in Nigeria focused on export. • With an investment of about USD 5 million dollars from NEXIM, Ladgroup Limited

[54] Augustine Odinakachukwu Ejiogu, "Growth Enhancement Scheme (GES) of the Nigerian Agricultural Transformation Agenda: Looking back and thinking ahead, Nigerian Agricultural Policy Research Journal (NAPReJ), Vol. 3. Iss. 1

[55] The Agriculture Promotion Policy: Building on the Successes of the ATA, Closing Key Gaps

	Service Sector of Intervention Financial **Start Date** N/A **Status** Ongoing **Suggested facility Ladgroup Limited benefitted from*	• Under this scheme, borrowers are required to pay a commitment fee (0.5% per annum), administrative fee (1.0%, on-off), legal fees (0.5% flat, calculated on the loan amount), and other charges relating to costs on monitoring visits, stamp duty, other duties or taxes payable in relation to the loan. • Repayment terms vary. For example, short-term facilities repayment terms do not exceed 365 days, however, for project related financing, repayment terms are longer but does not exceed three (3) years from the date of initial disbursement. Similarly, interest rate is not fixed – NEXIM has reserved the right to vary interest rate per time. • In addition to being a duly incorporated/ registered in Nigeria, other requirements for exporters include having an existing production capacity of at least 50% export orientation, evidenced by either existing or previous export orders. Or currently have new production units with at least 50% export orientation with appropriate evidence.[56]		fund disbursed and repaid in local currency.	brought in processing equipment to transform shea nut to butter. • Although quantitative data on export data is unavailable, a 2019 interview with a representative from Ladgroup (video interview available on NEXIM's website) revealed that the company already had existing orders which would take up its entire 2019 production volume.[57] Based on media information, Ladgroup likely exported shea butter in 2020, however there is no available data on export quantity.

[56] NEXIM
[57] NEXIM

8	**Intervention – Lakaji Corridor** **Responsible Institution** Federal Ministry on Transportation (sponsored by USAID) **Service Sector of Intervention** Transport and Transit **Start Date** 2013 **Status** Operational	• The LAKAJI corridor is a 1,225 km transport route that links Nigeria largest agricultural market in the north, Kano State and the largest consumer market in the south, Lagos State.[58] It runs from Lagos through Kano to Jibiya at the border on to Maradi in Niger Republic. It crosses 10 states: Lagos, Ogun, Osun, Oyo, Kwara, Niger, Kaduna, Kano, Jigawa, and Katsina.[59]	• This intervention cuts across various crop/commodities value chain that are grown along the 10 states in the corridor.	• Farmers in the hinterland of this corridor still bear significant cost transporting produce to the corridor. • Although the corridor has led to a drop in cost-to-export, the overall cost and delivery times along the corridor is higher than similar corridors in West Africa.[60]	• The project had facilitated reduction in costs and time for transporting goods across the corridor. However, data on the direct impact on cost and time cannot be ascertained.
9	**Intervention – Kano/Maradi Railway Corridor**	• This is a single-track standard-gauge line that is expected to have 12 stations connecting Niger Republic to ports in Lagos State. The line will run through the Kano, Jigawa, and Katsina states in Nigeria to Maradi	• It is expected that this intervention will cover the entire value chain of commodities that are produced along this corridor on the	• N/A	• This is work in progress as a result the impact on export cannot be ascertained at the moment. In October 2020, the Federal Executive Council (FEC) approved

[58] Accelerating Trade in West Africa (ATWA) – Stage 1 Final Report
[59] USAID, Nigeria Expanded Trade and Transport (NEXTT) Programme
[60] U.S. Embassy and Consulate in Nigeria

	Responsible Institution Federal Ministry of Transportation **Service Sector of Intervention** Transport and Transit **Status** Yet to commence	region in Niger. Then a further link to other corridors from Kano to Lagos State	commencement of activities along the corridor.		circa USD1.96 billion for the rail project. It is expected that MSMEs especially farmers would be able to utilise this corridor in transporting produce from these states to ports in Lagos for export. And these MSMEs could achieve cost and time savings along the corridor.
10	**Intervention – Truck Transit Park** **Responsible Institution** Nigerian Shippers' Council; Federal Ministry of Transportation	• Truck Transit Park (TTP) seeks to promote trade across states, corridors, and neighbouring landlocked countries by ensuring safe, efficient and effective truck transportation system	• TTP initiative is applicable to all commodities as road transport is responsible for about 70 - 80 percent of passengers and cargo movement in Nigeria.[61]	• MSMEs and farm producers lose their produce due to accidents caused at times by truck driver exhaustion. • Also, this trucks cause gridlock and obstruct flow of traffic across states and movement within and outside the ports.	• Although quantitative data on the impact of TTP on export is not readily available. TTP is a precursor to the set-up of an electronic truck call-up system across. Although already being implemented in Lagos, this should be replicated across all ports in Nigeria

[61] https://ppp.icrc.gov.ng/media/614

	Service Sector of Intervention Transport and Transit **Start Date** N/A **Status** Some TTP are operational while others are being constructed.				• This would decongest the ports, increase efficiency and could potentially lead to an increase in turnaround time at the ports. TTP could significantly reduce accident risks and tendency to lose produce which impacts the total product quantities available for export.
11	**Intervention – Concession of Grain Storage Facilities** **Responsible Institution** Federal Ministry of Agriculture and Rural Development	• The Federal Government plans to concession 24 silo complexes across the country. The aim is to increase efficiency of grain trading and reduce post-harvest losses. Small-scale and commercial farmers, traders, and processors would have access to these storage facilities at a fee.	• The applicable value chain for this intervention include grains such as rice, maize, millet, wheats, sorghum, and more	• Some challenges encountered in the current structure which has influenced the concession move include the neglect and poor maintenance of the silos due to inadequate budgetary allocation. Inadequate power supply and non-maintenance of power generating sets.	• Uncertainty still exists as silos have not been fully handed over to the concessionaires.[62] However, it is expected that on full operation, these silos would contribute to reduce post-harvest losses and increase the quantity of commodity available for export.

[62] https://guardian.ng/news/fg-loses-n10-4b-yearly-to-stalled-silos-concession/

	Service Sector of Intervention Transport and Transit **Start Date** Concession process started in 2013 **Status** Some are operational while others are not				
12	**Intervention – Mobile Phone for Farmers Initiative** **Responsible Institution** Federal Ministry of Agriculture and Rural Development (FMARD)	• The Federal Ministry of Agriculture and Rural Development provided mobile phone to farmers to enable them access first-hand information to support agricultural activities including communication with agriculture extension worker.	• Although information on the benefitting value chain cannot be ascertained, it is believed that farmers regardless of commodity benefitted from this initiative.	• Farmers were able to use the phones for activities such as requesting for inputs and receiving advisory services from agriculture extension workers. This reduced transportation cost and eased procurement of inputs for farmers. These enabled the increase in productivity.[63] • Various researches have stated the success of using	• The intervention was designed to disseminate information and foster communication between farmers, agricultural extension workers, and more. In addition to easing communication, it can be hypothesised that the provision of these phones enabled farmer linkages, created a network, and supported the integration into the Federal Ministry of Agriculture and Rural

[63] Ogunniyi, Michael Dare and Ojebuyi, Babatunde Raphael, "Mobile Phone Use for Agribusiness by Farmers in Southwest Nigeria", Journal of Agricultural Extension, Vol. 20 (2) December 2016

	Service Sector of Intervention Communication **Start Date** N/A **Status** Completed			phone to improve farmers productivity, however, poor network infrastructure, epileptic power, and illiteracy level of farmers were the major challenges encountered while executing the intervention.[64]	Development e-wallet initiative. • Building on the success of e-wallet, Agrikore, an online marketplace that connects small holder farmers, government, processors, off-takers, and more was developed. • This online marketplace, which is available in other countries, enables aggregation in each country and has the potential to support export.
13	**Intervention – e-wallet** **Responsible Institution** Federal Ministry of Agriculture and Rural Development (FMARD)	• e-wallet supported the implementation of the Growth Enhancement Support (GES) Programme • It enabled critical stakeholders to collaborate to ensure farmers accessed government subsidised farming inputs • Farmers were registered on the national database. Through this registration, they were entitled to a	• All farmers across the 774 local government areas covering different commodities value chain benefitted from this intervention.	• This initiative was able to curb sharp practices in the disbursement of farm inputs as each farmer had a unique identifier and the registered farmers benefitted from the subsidy. It also helped to provide accurate information on agro-dealer sales volume, which aided reconciliation and reimbursement from government. Utilising this	• GES database contains 10.5 million farmers (integrity of data not verified) [65] and covered all 774 Local Government Areas in Nigeria, reached over 95,315 villages and served about 17 million farmers and 2,714 agri-businesses across Nigeria. [66]

[64] Chioma Anadozie, Mathias Fonkam & Jean-Paul Cleron (2021) Assessing mobile phone use in farming: The case of Nigerian rural farmers, African Journal of Science, Technology, Innovation and Development
[65] The Agriculture Promotion Policy: Building on the Successes of the ATA, Closing Key Gaps
[66] Federal Government Extends GES Program Agreement with Cellulant

	Service Sector of Intervention Communication **Start Date** N/A **Status** Completed	50% subsidy on the cost of two 20kg bags of fertilizer. • In executing this initiative, farmers received phone notifications on the availability of subsidised inputs for collection at designated redemption centres		technology also improved government accountability, transparency, and eased reporting on government expenditure on farming inputs.	• The intervention was not designed for export purposes but worth mentioning as it influenced a private sector Africa-wide access to market initiative. It was largely successful as the current administration under President Muhammadu Buhari extended project implementers contract. The success of e-wallet influenced the set-up of Agrikore, an online agriculture marketplace, which fosters access to market for MSMEs farmers.[67]
14	**Intervention -** Sub-contracting and Partnership Exchange (SPX) Nigeria **Responsible Agency -** SMEDAN and United Nations Industrial	• SPX is a technical cooperation program that links domestic enterprises in developing countries to the supply chains of large domestic or international companies. The goal is to strengthen the ability of Nigeria enterprises to capture emerging subcontracting opportunities in other countries. • In addition, SPX supports Nigeria's enterprises through 'improved	• All MSMEs in the manufacturing sector benefit from SPX.	• Only 197 MSMEs were in the SPX database as at 2018 implying many MSMEs have not been able to meet the requirements nor have they benefitted from the matching opportunities with international firms. • Nigerian MSMEs are likely at subpar performance and	• Nigeria had 197 enterprises in the SPX Centre database as at 2018. • Although the direct impact on export and the performance of SPX was not ascertained as the time of preparing this report, MSMEs had the opportunity to generate new businesses through matchmaking

[67] Medium.com

	Development Organization (UNIDO) **Service Sector of Intervention** N/A **Date of Establishment** 2011[68] **Status** **Ongoing**	productive capacity and performance assessment.' • Encourages export-promotion and import-substitution through subcontracting partnerships.		business practices are below international best	• These businesses are exposed to knowledge and equipped with knowledge on standards and requirements of international business in order to position for potential exporting opportunities.[69] • Nonetheless, the low number of enterprises registered on the platform does not reflect well on the intervention
15	**Intervention -** One Local Government One Product Programme (OLOP) **Responsible Agency -** SMEDAN	• The OLOP programme is designed to promote Micro Small and Medium Enterprises (MSMEs) development. • It focuses on identifying unique product or service in each of the 774 local governments in the country, with a view to develop such into competitively commercial products or services that could attract local or international market	Value chain varies and depends on the product with comparative advantage in each local government. Some commodities that have benefitted from OLOP are rice, groundnut Oil and leather products, yam, shea nut, and more	• N/A	• About 1,190 MSMEs have been trained and sensitised on export potentials and business plan development.[70] • In 2019, SMEDAN earmarked and commenced the disbursement of NGN 500 million for small and medium enterprises in109 local government Areas.[71] • As at 2020, OLOP programme had covered

[68] https://www.unido.org/our-focus/cross-cutting-services/partnerships-prosperity/networks-centres-forums-and-platforms/subcontracting-and-partnership-exchange/spx-members/nigeria
[69] United Nations Industrial Development Organization, The Subcontracting and Partnership Exchange (SPX) Programme, TII Awareness Session, 2018
[70] https://dailytrust.com/smedan-trains-1000-beneficiaries-of-its-one-local-government-one-product
[71] https://www.thisdaylive.com/index.php/2019/06/24/olop-smedan-disburses-n500m-to-smes/

	Service Sector of Intervention N/A **Start Date** 2009 **Status** **Ongoing**	• OLOP also covers training, provision of finance via loans and incentives, equipment and market linkage – locally and internationally • https://www.vanguardngr.com/2017/10/msmes-development-smedan-moves-execute-one-local-government-one-product-programme/			218 local governments areas.[72]
16	**Intervention –** The Market Hub App **Responsible Agency** SMEDAN in partnership with Concrete Communications **Service Sector of Intervention** Communication **Start Date** 2020	• The Market Hub is an application designed to support networking among MSMEs and provides an avenue for MSMEs to interact with customers. • It is also designed to act as a MSMEs directory.	All MSMEs regardless of the nature of business	• Digital skills among active population in Nigeria is low. Therefore, digital literacy and skill level of MSMEs members could impact the success of the intervention. • The registration fee requirement could hinder the increased uptake of the application	• Over 1,000 downloads between launch date in November 2020 and March 2021 • The intervention is just four months old. However, it appears the intervention has not fared well. There is a slow uptake of the application. Although the application has been downloaded on 1,000 devices, this is negligible compared to the number of MSMEs in Nigeria.

[72] https://www.thisdaylive.com/index.php/2020/04/01/smedan-grants-three-months-moratorium-for-loan-beneficiaries/

	Status Ongoing				

In addition to the interventions above, the government has made a lot of efforts through different ministries, departments, and agencies by designing and implementing different interventions to both grow MSMEs and build capacity for export through the provision of finance, trainings, etc. However, the results of these efforts have not met expectations due to factors such as non-tariff barriers and systemic issues in Nigeria. These includes policies uncertainties, bureaucratic bottlenecks, poor execution of interventions, MSMEs knowledge and skill gap, infrastructure deficit (ports, roads, storage facilities), among others. These gaps need to be adequately addressed for these and future interventions to achieve the desired outcomes.

6 Approaches Across Countries and Key Actions of Export Promotion Agencies to Develop MSMEs and Improve Export Capacity

This section addresses ToR project scope one (1) which seeks to *draw on international best practices to review existing approaches to developing SMEs and review key actions of export promotion institutions that have bolstered exports.* The section also addresses ToR project scope four (4) which seeks to *highlight the roles of State Enterprises in selected countries in growing and maintaining a viable local ecosystem of MSMEs and producers for the export market.*

As a result, this section contains three sub-sections which explore various case studies in both developed and developing countries as well as activities of export promotion agencies to glean learnings on approaches utilised to support a viable MSMEs ecosystem to foster MSME growth, development and expansion towards increasing MSMEs export.

Sub-section 1 reviews countries including Germany, Chile, India, South Africa, and Costa Rica and highlights the key actions taken by these countries to develop MSMEs towards improving exports.

Sub-section 2 reviews interventions implemented by state enterprises in selected countries to foster a viable MSME ecosystem. State enterprises in Ghana, Thailand, India were chosen to extract learnings that are critical to improving development initiatives being executed in Nigeria.

Sub-section 3 reviews the activities of export development institutions and special economic zones to improve MSMEs market access and export supply response capacity. Institutions such as the Kenya Tea Development Agency Limited, the China / Mauritius and Morocco export processing zones and the Cross-River State Government investment in cocoa were reviewed. Activities of the LAKAJI corridor were also considered.

This section does not highlight learning points for Nigeria. Recommendations which are as a result of learnings from the case study review are contained in the subsequent chapter

6.1 Review of Relevant Case-Studies - Countries

Exports are crucial to both countries and companies. Exporting provides opportunities for companies to access more markets, expand, and increase market share. For countries, it acts as a source of foreign exchange, supports economic development, creates jobs, helps in managing balance of payment, and more. These benefits make governments in many countries apply different approaches to enhance the competitiveness of resident businesses while improving their export supply response-ability.

A review of how MSMEs have grown in selected countries across Europe, Africa and Asia revealed various actions and strategies employed to support a viable MSMEs ecosystem to improve MSMEs export supply response capacity and market access through aggregation to achieve this growth.

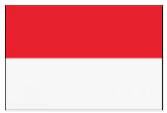
Table 13 - Case Study of Actions Taken by Countries to Improve MSMEs Export Supply Response Capacity and Market Access

Countries	Nature/Coverage of Intervention	Performance/Results
 **Germany** • Germany was the third largest exporting country in 2019. Germany's export accounted for 7.9% of the world's export and amounted to USD 1,489 billion. • MSMEs form the backbone of Germany's economy, with micro enterprises accounting for 99.5% of MSMEs.[7] MSMEs account for approximately 63.7% of total employment in the country's non-financial business sector.[73] German SMEs make up 69% of its exporting companies within the European Union. Generally, SME exports in Germany accounts for 22% of the total intra-EU exports and 16% of the extra-EU export volumes.[74]	• **Market Entry Programme (MEP):** Germany's Federal Ministry for Economic Affairs and Energy implements a market entry programme to support SMEs across all industries. Through this programme, SMEs are advised on relevant pre-export steps. SMEs are also provided with information on target markets and opportunities to showcase their goods and find foreign business partners. SMEs interested in exporting goods or entering new markets are also provided with finance to enable them to achieve this objective. To support market entry and providing intelligence information, Germany's Federal Ministry for Economic Affairs and Energy coordinates the activities of foreign trade and investment promotion actors located abroad. These include Germany's Chambers of Commerce and Germany Trade and Invest (GTAI).	• Through the MEP, information shared supported about 71% to 88% of participants acquire insights into new markets and about 60% of participants made changes to their market strategy. 40% of participating firms were able to establish lasting contacts in both in Germany and new markets. Export sales of about EUR 250 million was made from initiation of business alone.[75]
	• **Insurance Cover:** In Germany, the government offers the largest Export Credit Guarantee to exporting companies called the "Hermes Cover". This ECG covers risks that could emerge in the importing country like political risks, civil unrest, loss of goods due to political reasons, bankruptcy of buyer, and more. This increases the confidence level of German businesses to export to developing or emerging economies or politically risky countries.	• A review of Hermes Cover performance in 2019, which covered export to 154 countries, showed that 21 billion euros was disbursed as export credit guarantees to support the export of goods and services. SMEs accounted for 77.9% of all submitted applications. • Export Credit Guarantee (ECG) covered 1.6% of Germany's total export in the year under review. The ECG generated an excess of EUR 640.4 million for Germany, recording a

[73] Germany - 2019 SBA Fact Sheet
[74] France, Germany, Italy, Spain and the United Kingdom "Internationalisation of European SMEs - Taking Stock and Moving Ahead"
[75] The foreign market entry programme for SMEs

SMEs also play an important indirect role in German exports, as suppliers to exporting firms.		positive performance for the 21st consecutive year.[76]
	• **Accelerator Programmes:** Germany offers accelerator programmes designed to support the scaling of SMEs into new markets like the United States of America and the South Asian Market. The model employed is the execution of the accelerator programme in foreign countries. This is aimed at growing German start-ups in the foreign country. For example, the German Accelerator in Singapore (GASEA). This accelerator programme empowers German start-ups to scale up into southeast Asia market. Through this initiative, 20 selected start-ups every year are provided advisory services, free office space, networking opportunities, and are mentored to scale.	• One of the success stories is Celonis that joined German Accelerator Silicon Valley in 2013. In 2015, it was ranked as Germany's fastest-growing technology start-up and was able to secure USD 50 million in venture capital fund.[77]
	• **Preventing Insolvency:** To curb insolvency and increase the survival rate of businesses, Germany executes the intervention called 'Second Chance' initiative in line with EU's Small Business Act (SBA). This includes providing debtors with information on early insolvency signs and the need to act quickly such as restructuring debts or seeking business advisory services to avoid insolvency. Under the second chance initiative, entrepreneurs can benefit from trainings, temporary tax breaks, as well as the opportunity to access new finance. In addition, the entrepreneur record would be deleted from public database as being bankrupt and would get a clean bill to restart a business. Entrepreneurs also have their debt written off in the case of insolvency.[78] However, debts are only written off if entrepreneurs are declared honest after a court proceeding	• The Second Chance' initiative has supported Germany in developed a strong insolvency framework while been backed with relevant regulations and policies • This initiative appears to have positively impacted Germany as the fear of business failure rate stood at 38.72% in 2018, a rate which was lower than the European Union average.[73]

[76] Export Credit Guarantees Annual Report 2019
[77] German Accelerator
[78]The role of small and medium-sized enterprises in development: What can be learned from the German experience?

	– this means the entrepreneurs did not intentional lead the business into insolvency.[79]	
	• **The Vocational Education System:** Germany's education model actively combines academic education with vocational education. The vocational education system, which feeds many MSMEs with human capital employs a dual model. It is partly financed by the company where an apprentice is learning and being paid while the state bears the rest of the cost.	• Germany's vocational education system supports the constant supply of skilled labour to SMEs to foster growth. In addition, Germany's vocation education system has given birth to many MSMEs as almost 50% of the start-ups established in 2012 were products of Germany's vocational training system.[78]
	• **Research and Development:** German government funds research centres on specific collaborative projects with MSMEs. For example, projects on biotechnology advancement. As a result, these MSMEs have access to a wide range of programmes that promote R&D and knowledge transfer between universities, research centres, and think tanks. MSMEs can utilise this knowledge either to improve processes and grow such as adopting a new technology for productivity gains. This research and development investments play a significant role in fostering innovation and providing competitive advantage for export.[80]	• In the report titled, 'SMEs Investment and innovation', the relationship between Germany's SMEs R&D investments and innovation as well as export were examined. A positive correlation was identified between SMEs R&D activities and export. Similarly, SMEs that invested in R&D are more to develop innovative products as about 85 % of SMEs that consistently engaged in R&D between 2011 – 2013 successfully introduced an innovative product and process.[81]
 **Indonesia**	• **Increase in Farm Plantation** The increase in farm plantation can be attributed to efforts of smallholder farmers and big private companies such as Wilmar Group and Sinar Mas Group in other to benefit from	• The hectares of oil palm cultivated increased. Between 2000 and 2010, oil palm plantation size doubled from 4 million hectares to 8 million hectares.[84] As at 2017, Indonesia oil palm plantation size had increased to 11.9 million hectares. This increase in farm plantation has helped Indonesia ramp up

[79] Bankruptcy and second chance for honest bankrupt entrepreneurs
[80] https://www.destatis.de/EN/Themes/Economy/ForeignTrade/_Graphic/_Interactive/trading-goods.html;jsessionid=707208D42BDBA92FE3FDC7D82E5BF4D3.internet8721
[81] 'SME Investment and Innovation' France, Germany, Italy and Spain, 2015
[84] PwC Report, "Oil Palm Plantation – Industry Landscape, Regulatory and Financial Overview

• Indonesia is one of the leading producers and exporters of oil palm globally. Between 2008 and 2016, production and export grew by approximately 1.7 times.[82]	the attractive oil palm industry. State owned enterprises own just about 7% of farm plantations.[83]	production levels as well as meet export demand.
	• **Government Tax Policies:** Fiscal incentives to attract investment to its oil palm industry.	• Export tax for crude palm oil ranges from 0 - 22.5% dependent on the international palm oil price. Also, to foster growth in the downstream palm oil industry, government reduced taxes. These incentives attracted a lot of investors that led to increased production and export. For instance, large private enterprises account for approximately 58% of plantation owners in Indonesia.[85] Some of these enterprises also process the oil palm to produce refine products for industrial use and export. • This tax incentive approach negatively affected government revenue from taxes. To mitigate this loss, Indonesia government in 2015 introduced two levies. First, an export levy that imposes USD 50 per metric tonne on the export of crude palm oil and an additional USD 30 per metric tonne on the export of processed palm oil products. respectively.
 **India**	• **Procurement Policy:** India's government put in place a regulation that requires all public ministries and public sector enterprises to source 25% of their raw materials from MSMEs to help widen market share of MSMEs.[88]	• These has helped to increase access to domestic market in India.[89] In FY21, the Central Public Sector Enterprises (CPSE) procured about Rs 8,869.75 crore worth of goods and services with 43,000 MSMEs

[82] Indonesia Investments
[83] Indonesia Investments
[85] Oxford Business Group
[88] Public Procurement Policy for Micro and Small Enterprises (MSEs) Order, 2018
[89] Kwadwo Boateng, Naveen Sodem & Y. Nagaraju, The Contribution of MSMEs to the Growth of the Indian and Global Economy

• India has about 63 million MSMEs. These MSMEs contribute approximately 30% to India's GDP, employs about 110 million people, and accounts for within 40% to 50% of India's total export.[86] The establishment of a **procurement policy, strong legal and regulatory framework and financial infrastructure** support have supported the growth of MSMEs in India.[87]		benefitting from the implementation of the policy.[90] Through this initiative MSMEs are able to garner relevant experience to strengthen the "work experience section" in bidding documents locally and internationally. This in turn, increase the potential to secure local and international deals
	• **Strong Legal and Regulatory Framework** mandating domestic and foreign commercial banks to finance MSMEs growth.	• The Micro, Small and Medium Enterprises Development Act of 2006 mandates domestic and foreign commercial banks operating in the country to assign 40% and 10% of their Adjusted Net Credit (ANC) as loans to MSMEs. The aim of these fund is to grow the MSMEs sector which has been classified as one of the "Priority Sector Lending" (PSL).[91]
	Financial Infrastructure Support: • **Credit Rating Scheme:** India developed a credit rating scheme. The aim of the scheme was to set up a 'trusted third party opinion on capabilities and credit-worthiness of MSMEs, to make credit available at attractive interest rates, and to improve productivity of these businesses.'[92]	• The rating combines both credit and performance factors including indicators that measures operational, financial, business and management risks. According to the Ministry of Micro, Small and Medium Enterprises India, Credit Rating Scheme intervention has helped in ascertaining MSMEs credit, financial, and operational capacity during contract negotiations. It has also enabled MSMEs secure credit from financial institutions easily and at favourable interest rates.[94] This has

[86] Kwadwo Boateng, Naveen Sodem & Y. Nagaraju, The Contribution of MSMEs to the Growth of the Indian and Global Economy
[87] Venkatesh, S., & Muthiah, K. (2012). SMEs in India: Importance and contribution
[90] Financial Express
[91] Reserve Bank of India
[92] Startupindia
[94] Ministry of Micro, Small and Medium Enterprises India

	• **SME Stock Exchange:** SMEs financial intervention that opens a gateway for SMEs in the country to be listed on the stock market and access equity capital to support SMEs growth.[93]	helped reduce financing gap by easing access to finance to support MSMEs growth. • The stock exchange has listed over 320 SMEs since its inception in 2012, out of which 83 have grown and are now listed on the BSE Limited (formerly Bombay Stock Exchange).[95]
 **Nigeria** • **Cross-River Government Investment in Cocoa**: Cross-River State is the second largest cocoa producer in Nigeria and accounts for about 30% of Nigeria's output. Cross-River State exports about 800,000 metric tonnes of cocoa annually.96 Fourteen Local Government Areas (LGAs) out of the eighteen LGAs in the state produce cocoa. These are some of the factors that gives Cross River State its comparative advantage in	• **Improved Seedlings:** Distribution of seedlings to boost farmers production	• Cross-River State plans to distribute 10 million improved cocoa seedlings to farmers to increase output. These improved seedlings mature after 18 months as opposed to the conventional seeds that has a gestation period of five to six years.[97] These improved seeds would help ramp up production, increase yield and led to increased output availability for export.
	• **Facilitate Market Access:** Export facilitation	• The state government seeks to boost internal consumption and export. The Nigeria Investment Promotion Commission reported on its website that the Cross-River State government is formulating a policy mandating the local consumption of 70% of cocoa produced in the state. To support export and integration of the cocoa processing plant in Cross-River State into the cocoa global value chain, the state government has negotiated a contract with chocolate companies in Italy.

[93] Report of the Expert Committee on Micro, Small and Medium Enterprises
[95] https://yourstory.com/smbstory/bse-sme-stock-exchange-equity-capital
[96] BusinessDay
[97] AgroNigeria: Our Investment in Cocoa Value Chain to Revamp Nigeria's Economy – Cross River Government

cocoa production. Cocoa production in the state is also bedevilled with inadequate storage and processing facilities. This has also affected MSMEs growth potential, and their contribution to export. To support MSMEs growth and export the government has engaged in facilitating access to market, increased cocoa plantation, and provided improved seedlings.		The processing plant is expected to supply pulp powder to these chocolate companies.
	• **Increase in Cocoa Plantation:** Nature of intervention seeks to increase farm plantation to boost production volume.	• The state government has also developed a cocoa estate, where cocoa is planted. In addition, the state government has acquired 10,000 hectares of land across the state for the cultivation of cocoa in the 2020/2021 planting season.[98] The increase in farm plantation would support activities to increase the quantity of cocoa produced in the state and effectively impact export capacity and quantity.
 **Chile**	• **Industrial Clusters/Aggregation:** The nature of the intervention to support MSMEs clustering and commodity aggregation.	• Chile was originally known for exporting copper. However, the country changed this narrative to become one of the leading export countries in salmon, fruits as well as wood and pulp. Chile leveraged clusters to build export capacity in salmon from scratch. This cluster supported these MSMEs to develop a quality seal and standardisation to ensure quality of exported product. These improvement in quality led to the increased competitiveness of Chilean salmon in the international market, growth in export as well as the cluster. The cluster also supported MSMEs to aggregate more Salmon to meet export requirements. • Individual MSMEs lacked the resources and knowledge to penetrate new markets and felt

[98] Nature News: Cross River Earmarks 10,000 Hectares for Cocoa Cultivation

		disadvantaged as multinationals had developed marketing departments to support entry into new markets. These trigged collaborations between Chilean MSMEs in the cluster. As a result, these MSMEs developed new marketing strategies, which firms in the cluster leveraged to penetrate the new markets.[99]
 **China**	• **Improved Cultivation Techniques:** Intervention goal was to improve production, quality and boost export	• Shiitake mushroom are one of the most popular mushrooms in Japan. It is grown by about 30,000 farmers. China began farming Shiitake mushroom in the early 1990s but applied improved farming cultivation techniques compared to Japanese techniques. These led to improved quality in Chinese mushrooms, increased production, reduced costs for these small holder farmers, and higher income compared to Japanese counterparts. Chinese shiitake mushroom grew significantly, and export increased to USD 120 million per year threatening the Japanese position in the international market.[100]
 **Costa Rica**	• **Productive Linkages:** An integration model intervention that enables MSMEs integrate into MNCs supply chain.	• Through the programme, a database of eligible MSMEs, who were willing to join the multinationals value chain were identified. The promotion agency ranked these businesses on completing a verification and due diligence process. A shortlist of these MSMEs are

[99] Paola Perez-Aleman, "Cluster Formation, Institutions, and Learning - The emergence of clusters and development in Chile, Industrial and Corporate Change, Vol 14, No 4, pp 651-667
[100] The World Bank Global; "Economic Prospects and the Developing Countries 2002"

		provided to multinational organisations to select from when the demand for MSMEs product or services arises. • This led to an increase in MSMEs integration into multinational companies supply chain, increased market access, and export opportunities. A research carried on the impact of MSMEs joining MNCs supply chain showed that after four years of integration to MNCs value chain, sales of these MSMEs to other MNCs other than their first MNCs transaction grew by 20%. These MSMEs now serve a larger number of MNCs and achieve more sales volume per MNCs.[101]
 **Uganda**	• **Rental Market:** The rental model intervention in Uganda enables small scale farmers, who cannot afford to purchase heavy machines for mechanised farming access this equipment on a rental basis.	• This helped these MSMEs farmers achieve economies of scale, increase production and grow. The study by Bassi, V et.al. showed that this productivity and efficiency improvement enabled these MSMEs growth, evident by an increase in their workforce – the average number of workers, in the sample group, who used the rental market model, grew from 5 to 8.8.[102]
 **Kenya**	• **SMEs Exchange:** Financial intervention for SMEs to address access to finance challenge faced by MSMEs and to foster MSMEs growth.	• Kenya's Growth Enterprise Market Segment (GEMS), its SMEs stock exchange, admits profitable small and medium sized enterprises or those on the path to profitability. This preference for profitable enterprises was identified as one of the major challenges

[101] Alfaro-Ureña, A., Manelici, I., & Vasquez, J. P. (2019), The Effects of Joining Multinational Supply Chains: New Evidence from Firm-to-Firm Linkages
[102] Vittorio Bassi, Raffaela Muoio, Tommaso Porzio, Ritwika Sen, Esau Tugume, Achieving Scale Collectively

		leading to the low listings on GEMS, especially for companies still in their early stages.[103] Another concern for SMEs is the submission of past accounts. They fear that could lead to payments of past tax not remitted. To address this, the government in its 2019/2020 budget statement provided amnesty on tax penalties and interest on any outstanding tax for a period of two years prior to the listing.[104]
 **South Africa**	• **SMEs Exchange:** Financial intervention for SMEs to address access to finance challenge faced by MSMEs and to foster MSMEs growth.	• The South Africa Alternative Exchange (AltX) is one of the successful SMEs exchanges in Africa. AltX was set up in 2003 and had 64 companies listed in 2015. Since its inception in 2003, twenty-five (25%) of companies on AltX, about 28 SMEs, have migrated to the Johannesburg Stock Exchange (JSE) Main Board.[105] Two factors that have helped grow both South Africa MSMEs exchange and MSMEs are: • **Education:** In order to attract MSMEs, JSE invests resources to educate MSMEs on AltX and its benefit. This includes a road show and a dedicated business development team that visits targeted companies to intimate them on AltX' offering. In addition, directors of listed companies attend a compulsory induction programme to ensure these directors are aware of listings requirements, the principles

[103] Association of Chartered Certified Accountants, Connecting capital markets: the Nairobi Securities Exchange Growth Enterprise Market Segment
[104] Business Daily
[105] Mtiki, Xolisa, Hsieh, Heng-Hsing, 'The Role and Functions of the Alternative Exchange (AltX) and its Contribution to the Development of Small and Medium -Size Enterprises (SMEs)'

		and practices of corporate governance, and other relevant topics.[106] This ensures the directors are knowledgeable about the requirements to position appropriately and attract investors for growth. • **Favourable Requirements for MSMEs:** According to the International Finance Corporation (IFC) report in 2018, the requirements for MSMEs to join the alternative stock exchange is favourable such that AltX is growing faster than the JSE main board.[107] AltX has supported the growth of MSMEs in South Africa as stated in the report titled 'Review of Growth Enterprise Market Segment (GEMS) and Increasing Access to Kenya's Capital Market by Small and Medium Enterprises (SMEs)', where over 92% of respondents confirmed that they have made acquisitions post listing.[108]
 **Ghana**	• **SMEs Exchange:** Financial intervention for SMEs to address access to finance challenge faced by MSMEs and to foster MSMEs growth.	• Ghana Alternative Market (GAX) is structured to admit SMEs and start-ups.109 However, since its inception in 2013 till 2018, it recorded only 4 listings.[110] Major factors that have contributed to this low listing are lack of information of GAX and its benefits, and administrative bureaucracy that make it

[106] Johannesburg Stock Exchange
[107] International Finance Corporation, The Unseen Sector a Report on the MSME Opportunity in South Africa
[108] Mauro Mela, Aashiq Patel, Stuart Turner and Stephen Wells, 'Review of Growth Enterprise Market Segment (GEMS) and Increasing Access to Kenya's Capital Market by Small and Medium Enterprises (SMEs), September 2015.'
[109] Ghana Stock Exchange
[110] Barbara Johnson, Richard Kotey, 'The Influence of Small and Medium Enterprises (SMEs) Listing on the Ghana Alternative Market (GAX): Prevailing Factors Academic Journal of Economic Studies (Vol. 4, Issue 4, 2018)

		difficult to access stock market operators and stock market information.

6.2 Review of State Enterprises in Various Countries and their Contribution to MSME Growth

In addition to the country specific approaches and strategies outlined above, this sub-section briefly reviews other initiatives by state enterprises still geared towards fostering MSMEs growth and boosting their export potential.

Table 14 - Case Study of Actions Taken by State Enterprises Within Countries to Improve MSMEs Export Supply Response Capacity and Market Access

Countries	Name/Role of Enterprise	Nature/Coverage of Intervention	Performance / Results / Success Factors
Rwanda	**National Agricultural Export Development Board (NAEB)** • NAEB was set up to facilitate the growth of Rwandan businesses by diversifying agriculture and livestock commodity export revenues.[111]	**PRICE – Project for Rural Income through Exports** • The objective of the project was to focus on specific export commodities and increase returns to farmers through increasing quantity and quality of produce as well as improving marketing and access to finance. • Commodity value chain focus: coffee, tea, silk, horticulture.[112]	• As assessment of coffee farmers benefitting from PRICE intervention showed that farmer sales doubled, and income increased by 32%.[113]
Netherlands	**Netherlands Enterprise Agency** • Netherlands Enterprise Agency operates under the Ministry of Economic Affairs and Climate Policy with its activities empowered by various Dutch ministries and the European Union.[114] In other to facilitate MSMEs growth and improve expansion potential to other markets, the agency supports entrepreneurs, NGOs, knowledge institutes and organisations by facilitating collaborations, networking, funding, and providing information on laws and regulations to enable compliance with laws and regulations.	**Dutch Basecamp** • In 2014, "DutchBasecamp" was launched due to a public private partnership between the Netherlands Enterprise Agency, Ministry of Foreign Affairs of the Netherlands, Amsterdam Trade and Invest, PricewaterhouseCoopers, and more.[115] "DutchBasecamp" supports Dutch SME internationalisation strategy to expand SMEs presence into new markets. SMEs are offered coaching, trade mission, international networking,	• The "Dutch Basecamp" has helped over 600 start-ups in their internalisation journey. This includes networking, growing their business, and scaling to new markets. Netherlands export has grown from 0.4 billion euros in 1917 to 469 billion euros in 2017 with SMEs accounting for 62% of the total export.[117] Netherlands is one of the leading exporters globally. Asides other export drivers, this success in export

[111] National Agricultural Export Development Board
[112] Centre for the Promotion of Imports from Developing Countries, Value Chain Analysis for the Coffee Sector in Rwanda
[113] Athur Mabiso, Mohamed Abouaziza, Benjamin D. K. Wood, Tim Balint, "Impact Assessment, Project for Rural Income Through Exports (PRICE)"
[114] Netherlands Enterprise Agency
[115] Netherlands 2018 SBA Fact Sheet
[117] Rick Gitzels, "Drivers, Success Factors and Difficulties of Internationalization Towards China and Japan" for Dutch SMEs

	• Some of these interventions include export credit insurance and financing, funding and start-up advice, networking opportunities, international economic network, market trends, opportunities in the potential market, and more.	and support in developing go-to-market strategy.[116]	also signals the success of its internationalisation initiatives.
Ghana	**Ghana Export Promotion Authority** • The Ghana Export Promotion Authority (GEPA) is Ghana's National Export Trade Support Institution of the Ministry of Trade and Industry (MOTI) responsible for the facilitation, development and promotion of Ghanaian exports. This includes organising trade fairs and exhibition, workshops, buyer/seller meetings, identifying products with export potential and adapting them for the export market, and upskilling employees of export facilitating institutions and exporters through training in export marketing.[118]	**National Export Development Strategy** • Recently the Ghana Export Promotion Authority developed a 10-year National Export Development Strategy (NEDS) to grow Non-Traditional Exports (NTEs) from USD 2.8 billion in 2020 to USD 25.3 billion in 2029.[119] • The strategy seeks to create a synergy between other intervention programmes in Ghana such as One District One Factory (1D1F), Planting for Export and Rural Development (PERD). • A list of 17 priority products have been identified for development and marketing including cashew (processed & in-shell), natural rubber sheets, processed cocoa, industrial starch, plastic and other petrochemical products, textiles & garments, and fish & fishery products. • Two reasons among others for the establishment of the strategy is to help	• Empirical data on the direct impact of GEPA export promotion programmes in enhancing export performance of Ghanaian's SMEs is not readily available. This claim is further buttressed by a paper published in 2017 titled the "Export Promotion Programmes and Export Performance: A Study of Selected SMEs in the Manufacturing Sector of Ghana."[120] • Although the study focused on SMEs in the manufacturing industry covering food processing and packing, wood processing, textiles and garments, and pharmaceuticals, relevant learnings can be gleaned. It showed a strong positive correlation between export performance and export promotion programmes such as trade fairs, the use of foreign

[116] DutchBasecamp
[118] Ghana Export Promotion Authority
[119] National Export Development Strategy
[120] Daniel M. Quaye, Kwame Ntim Sekyere, George Acheampong, "Export Promotion Programmes and Export Performance: A Study of Selected SMES in the Manufacturing Sector of Ghana." Review of International Business and Strategy Vol. 27 No. 4, 2017 pp. 466-483

		Ghana position its goods and services considering AfCFTA implementation and to complement other government efforts to cushion the effect of COVID-19 on business in Ghana, especially the private sector. **Some measures have also been identified to help achieve the strategy:** • Remove or reduce duties on imported goods for domestic and export production; • Ensure stable and reliable electricity and water supply at competitive rates for manufacturing industries and export-oriented companies; • Improve access to finance and work to reduce lending rates to single digit as well supporting a concessionary interest rates for export-oriented production; • The development of Credit Guarantee Scheme for SMEs and a grant for export promotion. The Ghanaian Export-Import Bank is expected to set up this facility; • Increase resource allocation to the Ghanaian Export-Import Bank; • Transference of the supervisory responsibility of the Ghanaian Export-Import Bank to the Ministry of Trade and	offices as well as tax and financial incentives. • In Ghana, trade fairs, the use foreign offices and financial incentives rank first, second and third export promotion programmes respectively that influence export performance.[120]

		Industry to achieve a more effective institutional teamwork; • Ensure government procures and patronizes locally manufacturers and service providers to strengthen aggregate demand and engender industrialisation; and • Tailor the educational system to reflect human capital need for export-oriented industrialisation.	
Germany	**Federal Ministry for Economic Affairs and Energy and Germany Trade and Invest (GTAI)** • The Federal Ministry for Economic Affairs and Energy was set up to ensure Germany's competitiveness and support in job creation.[121] • GTAI assists German firms to set up in foreign markets, supports foreign companies to set up in Germany, and encourages investment into Germany.[122] It offers the following services providing SMEs with market and industry information, regulations, trends and developments in strategic growth markets, advises and support foreign investments in Germany.	**Export Initiatives and Market Development Programme** • The Ministry of Economic Affairs and Energy helps SMEs develop new markets abroad. The programme provides SMEs with market analysis information and help them set up in foreign markets along the entire export value chain. This includes fact-finding and match-making missions to the foreign country. **The Energy Export Initiative** • This initiative is designed to support Germany's SMEs involved in renewable energy, energy efficiency, smart grids and storage technologies, to enter new markets with their products and	• Export initiatives and market development programme: This programme has been successful. Between 2000 and 2016, MSMEs foreign sales has increased by 40% to 200 billion euros.[122] • The energy export initiative: About 18.5 million euros is spent annually on the energy export initiative programme. About 170 events/projects are organised annually with about 1600 representatives from 700 companies in attendance. The initiative has led to an increase in export turnover for SMEs of approximately 95% since 2000.[122]

[121] Federal Ministry for Economic Affairs and Energy
[122] Germany Trade & Invest

		technologies. This initiative leverages events and fairs.[123]	
United States of America	**Export-Import Bank of the United States (EXIM-USA)** • EXIM-USA provides trade financing solutions. This includes export credit insurance, working capital guarantees, and guarantees of commercial loans to foreign buyers.[124]	**Export Credit Insurance** • This intervention gives exporters the assurance that they would be compensated for the percentage of their export invoice, should a foreign customer default in payment due to political or commercial risk.	• In 2003, SCAFCO subscribed to EXIM-USA's export credit insurance. As a result of the protection in the case of non-payment from foreign buyers, SCAFCO was therefore confident to expand and export its grain storage systems to South Africa, Japan, and New Zealand. Exports currently accounts for 67% SCAFCO's total sales and this feat was empowered by EXIM-USA's.[125]
Various East African Countries (Burundi, Kenya, Rwanda, Tanzania, and Uganda) **Focus is on Tanzania and the spices Value Chain** **Intervention Period**	**Lead Agency** East African Countries (EAC) Secretariat: EAC's is a regional intergovernmental organisation made up of 6 states established to improve the quality of life for people in East Africa countries through increased competitiveness, value added production, trade and investments. **Ministry with Implementation oversight in Tanzania** Ministry of Agriculture, Ministry of Finance and Planning **Implementing partner** Solidaridad	**MARKUP – Market Access Upgrade Programme** • MARKUP was set up to build the competitiveness of MSMEs across the East Africa region. It was designed to support MSMEs boost production, increase value add to products, foster export, and grow into new markets. In addition, interventions within MARKUP focuses on identifying and eliminating trade barriers; equipping MSMEs with knowledge on quality-related requirements to ensure MSMEs compliance with international regulations; facilitate access to finance; and support	• Within the first two years of implementation almost 500 SMEs and over 4,200 people have benefitted from MARKUP • Through this initiative, five Tanzanian SMEs were able to participate in one of the world's leading trade fairs - the Food Ingredients Europe and Natural Ingredients (Fi Europe & Ni) in Paris. These SMEs networked with potential buyers and returned home with 20 business leads valued at about USD 1.75 million.

[123] https://www.bmwi.de/Redaktion/EN/Dossier/export-initiatives.html
[124] Export- Import Bank of the United States of America
[125] EXIM Enables Washington Grain Company to Sell to Africa and Asia

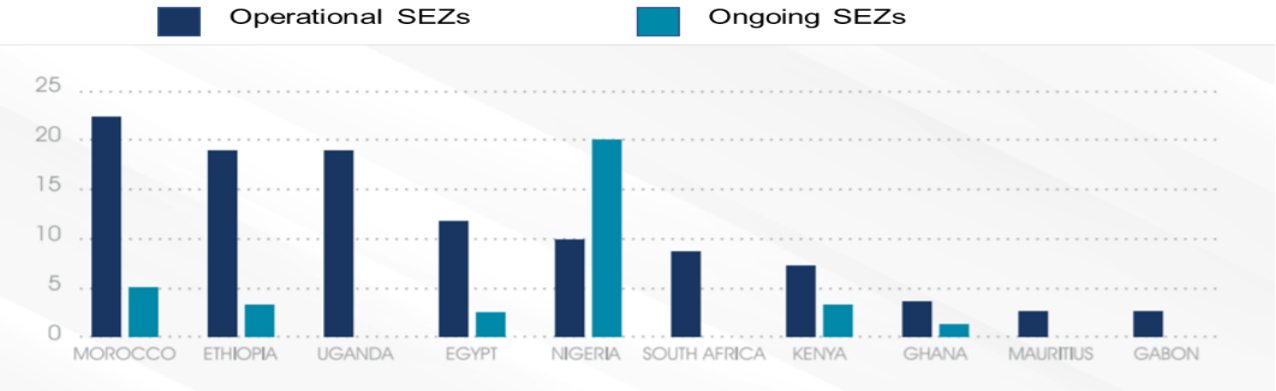
(2019-2022)	**Donor** European Union **Implementing agencies** International Trade Centre (ITC) and GIZ[126]	in identifying trade and foreign direct investments opportunities. • Commodity value chain covered include avocado, cocoa, coffee, horticulture, spices and tea.[126]	• In total, MARKUP has been able to support SMEs secure USD 9.2 million in transactions through Business to Business (B2B) Meetings.[127]
Kenya	**Kenya's Government: Ministry of Transportation** supported by the World Bank and the European Union.	**Investment in the Rehabilitation of a Corridor Infrastructure** • Mombasa port in Kenya is a major entry and exit point to various East Africa countries including Kenya Rwanda, Burundi, Democratic Republic of Congo, Tanzania, South Sudan, Somalia and Ethiopia.[128] • Despite its significance, the major highway connecting Nairobi-Mombasa leading, to the port, was in a bad state. • This benefited different value chain. For example, the avocado industry experienced a marginally savings due to a cost reduction.[129]	• The initial travel time between Nairobi to Mombasa was 12 hours. This initiative reduced travel time by 40% to 7-8 hours. This also led to an operational cost reduction.[129]

[126] EU-EAC Market Access Upgrade Programme, Achievements and Impact
[127] EU-EAC Market Access Upgrade Programme
[128] Kenya Ports Authority
[129] Kenyan Avocados: Connecting to High-value Export Markets

6.3 Review of Relevant Case-Studies – Special Economic Zones

Export promotion agencies are set up to pursue export-led growth through special clusters known as Special Economic Zones (SEZs). Country's rationale for establishing a SEZ is to increase their share of global trade gains, address balance of payment problem, attract foreign direct investment and in the process, create jobs. Firms within the zones enjoy certain advantages – such as tax breaks and loosen regulations – over other firms operating elsewhere in the country. Almost their entire output is exported, and all imported intermediate goods are used within the zones. In 2019, there were about 5,400 SEZs across 147 countries and about 189 of these SEZ are in 47 African countries. These SEZ are split as follows: Eastern Africa - 29%; Northern Africa - 28%; Western Africa - 19%; Southern Africa - 15%; and Central Africa - 8%. There are additional 57 SEZ on the horizon in Africa.[130]

Figure 12 - Operational and Planned Special Export Zones (2018)



Source: Africa Free Zone Organisation, African Economic Zones Outlook

The figure above shows that Morocco has the highest number of operational SEZs (22 zones as at 2018) and Nigeria has the highest number of ongoing and planned SEZs projects (20 as at 2018).

Two globally reputable and notable SEZs in Africa are the Mauritius Export Processing Zone (MEPZ) and the Moroccan Tanger Med Zones (TFZs). Factors that led to the success of these SEZs are discussed as well as China's SEZs, which has about a half of the world's SEZs.

[130] Africa Free Zone Organisation, African Economic Zones Outlook

Table 15 - Special Economic Zones and Factors that Contributed to their Success

Countries	Factors that contributed to the success of these SEZ
Mauritius Export Processing Zone 	• Mauritius was the first African country to establish an Export Processing Zone.[131] The Mauritius Export Processing Zone (MEPZ), established in 1970, is considered one of the best in the world and one of the most successful in Africa. This Export Processing Zone supported Mauritius on a growth, economic and export diversification trajectory moving from a sugar-based export country to textiles and garments and other broader services.[132] In 1971, MEPZ contributed almost zero percent to GDP, employment, capital stock, and 3% to export.[133] This trend changed in 1982. • Since 1982, Mauritius export processing zone output, employment, and exports have grown by 19%, 24%, about 11% per annum on average, respectively.[134] The International Monetary Fund, External Relations Department mentioned that the implementation of a flexible exchange rate in Mauritius restored competitiveness and encouraged private sector participation in the country's MEPZ after some period of underperformance.[135] In addition, Subramanian, A. (2013) stated that Mauritius currency devaluation supported the country's export and set the country on the growth trajectory that began in 1982. At the beginning of the 21st century, MEPZ accounted for 26 % of GDP, 36 % of employment, 19 % of capital stock, and over 60% of exports. An export and investment institution, the Mauritian Export Development and Investment Authority (MEDIA) was set up to undertake both design, construction, and importantly marketing as well as administrative functions to attract investors and develop a vibrant export processing zone in Mauritius. • In addition to the ease of administration brought about by the establishment of MEDIA, the success of MEPZ can also be attributed to the availability of ***fiscal and financial incentives*** including duty-free on inputs for manufactured exports, availability of ***infrastructure*** *spread across Mauritius,* ***strong institution and good governance, and initial lax labour standards.*** • ***Fiscal and financial incentives:*** The success of MEPZ is largely attributed to concessions and incentives to export-oriented industries and foreign investor-friendly tax policies. Some include[136]: ○ 8-year tax holiday to companies with global headquarters in Mauritius. ○ Corporations are liable to income tax on their net income, currently at a flat rate of 15%. ○ Companies with Global Business Licence (GBL) will qualify for an 80% exemption in relation to certain specific foreign-source income (e.g. foreign dividend not allowed as deduction in source country, interest income, foreign-source income derived by a Collective Investment Scheme [CIS], etc.) ○ Companies engaged in the export of goods are liable to be taxed at the rate of 3% on the chargeable income attributable to exports.

[131] United Nations Conference on Trade and Development. (2019). World investment report 2019: Special Economic Zones
[132] Ali Zafar, Mauritius: An Economic Success Story
[133] World Bank, PREM Notes, Economic Policy, Export Processing Zones, December 1998, number 11
[134] Subramanian, A. (2013). The Mauritian Success Story and Its Lessons. Achieving Development Success: Strategies and Lessons from the Developing World, 204-231
[135] Finance & Development, A Quarterly Publication of The International Monetary Fund and The World Bank 'Lessons from the Export Processing Zone in Mauritius' December 1991 Volume 28, Number 4
[136] PwC Worldwide Tax Summaries

	○ 5-year tax holiday for companies that collaborate in developing infrastructure in Special Economic Zone (SEZ). • ***Infrastructure Spread Across Mauritius:*** Mauritius EPZ (MPEZ) is not geographically restricted to industrial clusters or estates, unlike other EPZs – but is spread throughout the island. To further support the development of MEPZ, the Development Bank of Mauritius (DBM) set up business-friendly lines of credit.[137] The DBM finances, on a priority basis, up to 50 per cent of total factory building costs in loans to the MEPZ firms. Port congestion problems in the 1970s were solved by building deep-water quays and a separate bulk sugar terminal. Air freight was also employed to ensure end products got to market quickly. • ***Strong Institution and Good Governance:*** The combination of political stability, policy certainty, robust legal system, and peaceful elections have attracted foreign direct investments into MEPZ.[138] Mauritius court are perceived to be credible and the public are confident in the country's rule of law. Mauritius ranked first in the world bank governance indicator - rule of law, in 2008. Gulhati and Nallari (1990) posits that in other to prevent adverse economic effects on the country, political parties work in synergy and avoid been used as instruments for ethnic separation.[139] • ***Labour market***: The lax labour standards in MEPZ made Mauritius attractive to investors, in early years on setting up the export processing zone. Also, unemployment rate was high until 1985, exceeding 14%. As a result, laws on relatively low minimum wage and termination of overtime appeared favourable to investors. In 1988, Mauritian labour costs were circa 25% of those in Hong Kong and Singapore. And as at 1989, unemployment had declined rapidly to less than 3%.[140] Currently, the government has established laws to protect workers and ensure compliance to human rights law. To ensure labour attractiveness and relevance, the private sector and government set up the Industrial and Vocational Training Board, now replaced by Mauritius Institute of Training and Development (MITD), 'to provide and promote innovative and quality learning and certification services for the development of a sustainable human capital' in the country and the export processing zone.[141]
Morocco Tanger Med Zones (TFZs) 	• In 2020, the TFZs, roughly two decades old, was ranked the world's 2nd free zone and deemed one of the most flourishing in Africa.[142] Tanger Med Zones is made up of four zones: the Tanger Free Zone, the Tanger Automotive City, the Tetouanshore, and Tetouan Park. These four zones form TFZs main ventures and business proposition – it covers automotive and manufacturing, logistics, and offshore services. Tanger Med Zones has the largest automobile plant in Africa with an annual production exceeding 400,000 vehicles in 2019. About 90% of these vehicles are exported to 74 different countries. • Tanger Med Zones have attracted 1,000 export-oriented organisations from 30 countries. About 90,000 people were employed in the zones as at the end of 2019 and the zones had generated 5.5 billion Euros in direct investment. In 2019, about 500 million Euros was invested in the zones, up 2.7% from 2018 investment and the zones

[137] Watson, P. L. (2001). Export Processing Zones: Has Africa Missed the Boat? Not Yet! World Bank.
[138] Jeffrey Frankel, Mauritius: African Success Story
[139] Gulhati, Ravi, Raj Nallari, "Successful Stabilization and Recovery in Mauritius EDI Development Policy Case Series. Analytical Case Studies; Number 5
[140] Berhanu Wolde Kidan, "Export processing, The Mauritius Experience", Pacific Economic Bulletin Volume 8 Number 1, 1993
[141] Mauritius Institute of Training and Development
[142] FDI Intelligence

generated about 8.8 billion Euros worth of exports in 2019, a 10.9% increase from previous year. Some factors that have led to the success of Tanger Med Zones are:

- **Strategic Location:** Morocco is positioned at a major maritime route – the Strait of Gibraltar – it connects the Atlantic Ocean to the Mediterranean Sea and separates Europe from Morocco in Africa. Tangier city sits at the intersection of 20% of global trade flows and is home for Tanger Med port, the busiest port in Africa. The port is 8.7 miles from Europe and connected to 169 ports in 68 countries across five continents, serving Europe, America and Asia in less than 3 days, 10 days and 20 days respectively. The Tangier Free Zones are benefiting from this geographical positioning.[143,144]
- **Favourable Policy:** Another leading factor behind the success of TFZ is government policy focused on providing administrative tax advantages for companies that operate in FTZ such as:
    - Tax exemption on dividends and partnership shares;
    - Zero per cent corporate tax in the first five years and then a reduced rate of 8.75% for the next 20 years;
    - Tax and stamp duties exemption for all registration;
    - Value added tax exemption;
    - Tax-free repatriation of foreign earnings;
    - Exemption from import duties;
    - Exemption on import surcharges, tax on consumption
    - In addition, foreign companies benefit from government subsidies, which provides financial assistance for the acquisition of land and / or construction of production units.[145]
- The State has also signed several free trade agreements with more than 60 countries across Europe, Africa, North America and the Middle East. Part of this includes open skies airline travel, and hassle-free investment and visa regimes ensuring that the Tangier Free Zone is not subject to external trade and exchange control.[146]
- **Infrastructure Development**: To unlock and open the Tanger Free Zone for investments, smooth take-off and robust business operations, the Moroccan government launched a huge wave of infrastructure development. These includes the investment of USD 4 billion in the Tangier to Casablanca high-speed railway, USD 800 million in the Tanger Med port Terminal 2, and USD 1 billion in the Nador West-Med port complex, constructed with a USD 500 million highway link, planned to be completed by 2021.[147] The Nador port complex will include deep-sea port facilities linked to a commercial, industrial and logistics centre in a free trade zone.
- **Skilled Labour Force:** Many investors (including foreign) are continually drawn to the Zones because of its highly skilled and multilingual talent pool. The TFZ has access to 22 vocational training centres, welcoming more than 25,000 trainees annually and works in close collaboration with universities' commerce and engineering schools, graduating over 12,000 students annually. TFZ also gets direct state aid to support the

[143] Jean-François Arvis, Vincent Vesin, Robin Carruthers, Maritime Networks, Port Efficiency, and Hinterland Connectivity in the Mediterranean
[144] Tanger Free Zone
[145] Oxford Business Group, New Free Zones: The ins and outs of Offshoring to Encourage Foreign Investment
[146] Tanger Free Zone Incentives
[147] Morocco: An Emerging Economic Force, Opportunities Series No.3, December 2019

	training of these engineers and technicians. These pools of trained and skilled individuals serve as a labour pipeline for the TFZ.[148]

China Special Economic Zones 	• China has almost half of the world's Special Economic Zones (SEZ), making it the country with the world's biggest collection of SEZs. As of 2019, the country had 2,543 SEZ.[149] National estimates shows that Chinese SEZ account for 22% of the national GDP, about 46% of foreign direct investments, and circa 60% of total exports. Chinese SEZ has also created more than 30 million jobs.[150]
	• Chinese SEZs vary in scope and function. As a result, unlike other countries, China's export promotion strategy – embedded in its EPZs – is fragmented into many types with each part focusing on a specific industrial role.
	• One of these zones is the High-tech Industrial Development Zones (HIDZs), its primary goal is technology advancement through facilitating innovation and development of high-tech industries and attracting foreign and domestic high-tech companies. In 2019, China had 169 national high-tech zones created circa USD 1.72 trillion in output and an export volume accounting for 12.3% of China's GDP and approximately 22% in the country's export.[151] Others are Free Trade Zones (FTZs) – China has 21 FTZs; Export-Processing Zones (EPZs), Economic and Technological Development Zones (ETDZs; 191 as at March 2013), National Agricultural Technology Parks (164 as at 2014); National Modern Agriculture Demonstration Areas (283 as at 2014); Bonded Areas (31 as at 2014) Science and Technology Industrial Parks (STIPs), among others.[152,153] The Chinese SEZs are flourishing because of the following strategies the country pursued:
	  • **Research and Development:** Significant research and development investment is made in China's SEZ, especially its ETDZs and HIDZs. This has led to many patents being granted to firms in the SEZ. According to Qian, Jinqiu (2008), Chinese HIDZ once hosted 1.2 million R&D personnel while Fu and Gao (2007) stated that Chinese HIDZ research and development budget once accounted for 24.4% of China's total R&D expenditure.[154,155]
	  • **Competition among SEZs:** SEZs are normally set up in batches. Despite the large number of SEZs, most have targets – contribution to GDP, employment,

[148] Tanger Free Zone Invest
[149] China Power
[150] Douglas Zhihua Zeng, Global Experiences with Special Economic Zones - With a Focus on China and Africa
[151] China to promote high-quality development of national hi-tech zones to catalyse entrepreneurship, innovation
[152] China's FTZ Count Rise to 21 After Beijing, Hunan and Anhui Are Newly Added
[153] Experience Gained in the Development of China's Special Economic Zones, China Development Bank
[154] Qian, Jinqiu. 2008. "National High-Tech Industry Development Zones." Presentation to the EU Science and Technology Counsellors Meeting, Beijing, December 2008
[155] Fu, Xiaolan, and Yuning Gao. 2007. Export Processing Zones in China: A Survey. Geneva: International Labour Organization

	foreign direct investment, etc. These targets create the innate drive to excel and a competitive environment, driving efficiency and effectiveness. • **China's Land Reform Policy**: Prior to the land reform in the early1980s, all lands in urban areas belonged to the State while lands in rural areas were 'collectively' owned. The land reform policy pursued in the early part of the 1980s – played a crucial role in the development of the SEZs. With this reform, SEZs were allowed to lease lands to investors for an initial term of 20-50 years with an option of renewal. Also, land auction system was established for all commercial and industrial lands to ensure the proficient use of land resources. • **Fiscal and Non-Fiscal Incentives:** Chinese government incentivised activities at the SEZ to encourage investment in the SEZ. These incentives include tax breaks, repatriation of profits and capital investments, duty-free imports of raw materials, and a limited license to sell into the domestic market, among others.[156] Other incentives are simplified administrative process, speedy customs clearance, and favourable policies covering provision of housing, and education grants. • **Harnessing Skillset in its Diaspora Population:** China is taking advantage of its diaspora population in building and strengthening the productive capacity of its SEZs. It pursues this by harnessing and channelling (into the zones) management skills, foreign direct investments and technologies from Chinese migrants living in other parts of the world. • **Strategic Positioning of SEZ:** Most of the SEZs have location advantages. They are situated in coastal areas (with access to transport infrastructure: ports, airports, and railways) and close to major cities with historical international trade links and access to the international market. The proximity of the SEZs to domestic enterprises, industrial clusters and supply chains increases economies of scale, enhances business efficiency synergistic learning and industrial competitiveness.
Kenya 	**Kenya Tea Development Agency Limited** • The Kenya Tea Development Authority was created in 1960 to accelerate Kenya's economic development, support small-scale farmers increase production, and grow small scale farmers income.[157] In 2000, Kenya Tea Development Authority was privatised to form the Kenya Tea Development Agency Limited (KTDA). Kenya was the second largest exporter of tea in 2019, worth about USD 1.1 billion and KTDA contributed significantly to this - KTDA manufactures over 60% of tea produced in Kenya and employs over 1,000 people.[158] • KTDA has supported MSMEs aggregation, growth, and improved export potential by employing an **inclusive business model, creating demand by signing an off-taker** contract, **and supporting sustainable agriculture trainings.** • **Inclusive Business Model:** KTDA has supported aggregation through its inclusive business model that integrates about 612,000 small holders' farmers spread across 16 counties in Kenya (data as at 2019). Through this vertically integrated business model, KTDA provides MSMEs services including provision of inputs and finance, agric-

[156] Douglas Zhihua Zeng, Building Engines for Growth and Competitiveness in China Experience with Special Economic Zones and Industrial Clusters
[157] Michael Goldfien Kenya Tea Development Authority LAD Case Study
[158] Statistica

	extension services, transportation, warehousing, processing, and marketing. The provision of storage and logistics services have also helped to boost export potential of these MSMEs by volume as post-harvest losses are reduced. To support MSME growth, farmers are shareholders in KTDA and receive about 75% - 80% of the final tea price. This also ensures the sustainability of KTDA.[159] As KTDA grows, the farmers benefit more, their businesses grow, and export capability increases. • **Creating Demand**: Farmers have a 10-year agreement to supply produce to tea factories, which can be renewed. These farmers deliver tea to buying centres, these teas are weighted, graded, and valued at these centres and then transported to factory owned trucks to the factories. To ensure farmers' compliance, the Tea Board provides legal incentives to farmers to avoid selling to other factories. • **Sustainable Agriculture Training Programmes:** KTDA in partnership with other organisations fund training programmes for its farmers. These organisations include the Netherlands Ministry of Economic Affairs, Unilever, and the Sustainable Trade Initiative (IDH). In 2006, KTDA set up the Farmer Field Schools (FFSs) in partnership with Unilever's Lipton Company. These schools provide hands-on training through bi-monthly two-hour sessions. Farmers are trained in sustainable agriculture practices to ensure they meet the required Rainforest Alliance certification. On implementing learnings from the training, farmers reported an average increase in yield of 36% and receive premiums from buyers of the Rainforest Alliance certified teas.[159] In addition, to foster knowledge transfer and sustainability of the training programme, KTDA also employs train the trainer model. • In recent times, KTDA sustainability and more importantly its export sales are being threatened due to new tea regulations proposed by the Kenyan government. This Act outlaws the direct sale of produce and adopts an auction model. The implementation of this Act would see KTDA been unable to serve its overseas market, significantly reducing export and revenue.[160]
LAKAJI Corridor 	• The LAKAJI corridor is a 1,225 km transport route that links Nigeria's largest agricultural market in the north, Kano State and the largest consumer market in the south, Lagos State.[161] It runs from Lagos through Kano to Jibiya at the border on to Maradi in Niger State. It crosses 10 states: Lagos, Ogun, Osun, Oyo, Kwara, Niger, Kaduna, Kano, Jigawa, and Katsina.[162] More than 54 million people live along this corridor, accounting for a little less than 30% of Nigeria's population.[163] The corridor serves three main functions: o Facilitate internal linkage of agriculture producing areas in northern Nigeria to largest consuming market in southern Nigeria. o Support to increase export and shipping of goods produced along the corridor. o Help to distribute imported goods from Lagos ports to the middle-belt and northern states in Nigeria. • The Nigerian government's drive to achieve these objectives and improve trade facilitation led to series of investments in this corridor and assessment to measure the impact of these investments. One of these initiatives is the Nigeria Expanded Trade and Transport (NEXTT) Programme, championed by the United State Agency for

[159] Inclusive Business Case Study: Kenya Tea Development Agency Ltd. (KTDA)
[160] https://www.businessdailyafrica.com/bd/markets/commodities/ktda-get-2-month-window-to-end-direct-tea-sales-3263524
[161] Accelerating Trade in West Africa (ATWA) – Stage 1 Final Report
[162] USAID, Nigeria Expanded Trade and Transport (NEXTT) Programme
[163] Joshua Nzewi, Tackling Trade Barriers Along the LAKAJI Corridor

	International Development (USAID). Specifically, NEXTT's goal was to catalyse new agribusiness and logistics investment in the corridor; improve growth of the corridor; support trade facilitation and improve trade efficiency along the corridor; and expand export support among others. • Through this programme, USAID and other financiers invested about USD 14.8 million between October 2012 and September 2016. • Other achievements were: o NEXTT has forged partnerships and facilitated new agribusiness investments worth USD 40 million in the corridor.[164] o Increased cashew nuts, honey, beans, plantains, and cassava products exports to the international markets. This was achieved through obtaining USD 9 million in new investment to support exporting firms, providing technical assistance and training to improve product quality, improve transport infrastructure and delivery capacity of public and private institutions as well as service providers that support exporters. As a result, 100 Nigeria exporters were able to accrue over USD 70 million in exports from cashew nuts, honey, beans, plantains, and cassava products. o The set-up of a Project Development Facility to stimulate early stage agribusiness investment. This facility currently has a pipeline of investment proposals accruing to USD 46 million. o Increased the corridor management group membership by 214%. o Supported in the set-up of Nigeria's National Food Safety and Management Committee (NFSMC) and provided technical assistance and training to some of its members. o Helped Nigeria Trade Facilitation Committee to ratify the World Trade Organisation's Trade Facilitation Agreement (TFA). This will help Nigeria further reduce the cost and time to trade goods across Nigeria's borders and effectively make import and export more efficient and competitive.

Having examined various approaches and strategies to develop MSMEs and boost export capacity across various countries, the subsequent chapter will, using the learnings from this review, proffer potential recommendations that could improve the MSMEs businesses and boost their export potential.

[164] USAID'S Support Boosts Trade and Investment in Nigeria

7 Recommendations to Support the Development of Programmes to Achieve Export Trade Objectives

This section addresses ToR project scope six (6) which seeks to *propose specific policy recommendations to enable specific implementation agencies build programmes that will achieve the desired export trade objectives. It is key that these recommendations are not generic but detailed, phased and time bound (mapped to the AfCFTA timetable – so that Nigeria does not delay implementation but equips itself in time to benefit fully). Where feasible, these should not be just positive actions specific MDAs need to take but also actions that MDAs must stop doing (e.g. removing admin barriers) for value chains to grow*.

In this section, we use MSMEs challenges (documented in section 4), export trade objectives, requirements for MSMEs export capacity development (see section 5) and the key learning points from reviewing other country's efforts at MSME development (see section 6) to proffer recommendations. This information was used to recommend short, medium- and long-term initiatives aimed at ensuring Nigeria achieves its set out trade objectives and is equipped with action points to boost MSME export capacity and market accessibility.

7.1 Recommendations

Nigeria's export trade objectives include increasing export earnings, becoming a net exporter of goods and services and improving the product quality standards among others.
Achieving these objectives especially considering AfCFTA implementation requires that actions be taken to increase production capacity, aggregate to increase the quantity of exportable produce, ensure produce quality meet international standards, enhance processing capability where required, and remove other barriers mitigating against the ease of export including bureaucratic barriers.

Having reviewed MSME's challenges in section 4, the development initiatives by MDAs in Nigeria to develop MSMEs in section 5 and case studies of other countries, state enterprises and special economic zones to improve MSMEs in section 6, this section proffers recommendations based on learnings. Recommendations have been segmented into short term, mid-term and long term. In addition, these recommendations cover actions that can be implemented to improve existing interventions by MDAs. It is expected that if implemented adequately, these recommendations would bolster Nigeria's export potential, improve MSMEs export supply response capacity and market access/entry.

Table 16 - Policy Recommendations to Enable MDAs Develop Intervention Programmes

Challenges	Recommendations	Applicable MDAs *It is suggested that bolded MDAs under each recommendation champion the execution of the recommendation in collaboration with other MDAs*	Considerations that informed recommendations[165]
Operations	**Short Term (less than six months)[166]**		
Production and sustainability challenges Internationally recognised certifications	• Leverage the services of agriculture extension workers, crop associations, research institutes, etc. to collate knowledge on best agronomic practices such as effective water management, soil improvement practices, etc. and train farmers on these practices to improve production and export supply capacity. • Train farmers to achieve farm, produce and process certification such as the Rainforest Alliance Certification.	**Federal Ministry of Agriculture & Rural Development,** Raw Materials Research and Development Council (RMRDC), Nigerian Export-Import Bank (NEXIM), Federal Institute of Industrial Research Oshodi (FIIRO), Nigerian Export Promotion Council (NEPC)	• Psaltry in partnership with British America Tobacco Foundation train farmers that are integrated to its supply chain on good agronomic practices. This has supported sustainability and improved production. • Kenya Tea Development Authority in partnership with Netherlands Ministry of Economic Affairs, Unilever, and the Sustainable Trade Initiative (IDH) trained farmers on sustainable agricultural practices that resulted in improved yield and premium payments for their produce. • China's success in using improved cultivation

[165] The totality of the evidence in the course of the work informed recommendation, but the column lists a few of the key considerations/sources.
[166] Some recommendations span across short, mid, and long terms. See other recommendation timelines for additional points.

			techniques to become one of the leading exporters of Shiitake mushroom.
Poor packaging and quality	• Train farmers on the need and impact of produce quality and packaging on export potential, demand, and market accessibility. • Connect farmers' organisations that can provide quality assurance and packaging services at subsidised rates. • Provide packaging equipment at a subsidised rate to farmers. A cluster model or the rental model used in Uganda, where an equipment is accessed and used by a cohort of farmers can be a cost-effective option in the short-term.	**Nigerian Export Promotion Council,** Nigerian Agriculture Quarantine System, Standard Organisation of Nigeria (SON), National Agency for Food & Drug Administration (NAFDAC)	• NEPC research showed that poor packaging and labelling is one of the major factors leading to the rejection of Nigeria's exports.
Logistics	**Short Term (less than six months)**		
Inadequate storage facility and high post-harvest loss	• Finalise the concession of Nigeria's grain silos to quicken its full operation.	**Infrastructure Concession Regulatory Commission (ICRC),** Federal Ministry of Agriculture & Rural Development	• Learnings from the state of play of Nigeria's grain silos concession process.
High investment cost in storage and logistics facilities that enable aggregation	• Organise workshops, stakeholder engagements, and innovation fairs that showcase new technologies and link farmer groups to buyers, inform investors about opportunities and available incentives for investing in or supporting commodities' export related activities.	**Nigeria Export Promotion Council, Nigeria Investment Promotion Council (NIPC),** Federal Ministry of Industry, Trade, and Investment, Federal Ministry of Agriculture & Rural Development	• Germany Trade & Invest activities to increase investment in Germany.

Port administration and delay	• Improve transparency in ports by implementing an effective grievance mechanism system, made known and accessible to the public.
	  • Enforce the reduction in the number of MDAs at the ports.
	  • Enforce full compliance with the use of Single Window Platform by all the relevant MDAs.
	  • The soon to be implemented e-customs platform aimed at automating customs processes is expected to enhance national security, block leakages, raise revenue and increase efficiency.
	  • the e- customs will revolve around full automation and processes which will include installation of scanners, e-port, logistics monitoring, cargo tracking, e-enforcement system etc.
	  • It is pertinent for the e-customs platform to incorporate other trade facilitation reforms such being a one stop shop for import / export activities, and housing a trade portal which clearly states the export, import and trade procedures applicable in Nigeria among others.
	
	The port administration requires a major overhaul which would be more long term in nature. These details are contained in the section for long term initiatives below
		Nigerian Ports Authority, Nigeria Customs Service, Federal Ministry of Transport, Nigerian Maritime Administration and Safety Agency (NIMASA), Nigerian Shippers Council	• Learnings from stakeholders' engagement and the impact of port inefficiencies on their businesses.

Marketing and Sales	**Short Term (less than six months)**		

Market access and entry	• Develop promotional videos and other marketing materials to advertise the benefits of patronising Nigerian exporters.	**Nigeria Export Promotion Council, Federal Ministry of Agriculture & Rural Development, Federal Ministry of Industry, Trade, and Investment.**	• Ghana Export Promotion Agency and Germany Trade and Invest implements the second recommendation to improve market access for its MSMEs.
Infrastructure	**Short Term (less than six months)**		
Slow / late disbursement of financial intervention funds Administrative delays and bureaucratic bottlenecks slowing the pace of fund disbursement	• Task staff with specific responsibilities and set KPIs attached to turn around time in processing funding application. • Implement robust monitoring, evaluation and reporting mechanisms to ensure KPI on turnaround are effectively communicated and implemented. • Decentralise fund approval and disbursement process to address systemic bureaucracy and quicken fund approval to ensure farmers receive funding at the appropriate cropping period • Rework funding cycle such that funds are approved and readily available for disbursement six months before the rainy/planting/export time. Farmers should be able to access funds before planting activities commences.	**Central Bank of Nigeria,** Federal Ministry of Finance, Bank of Agriculture (BOA), Bank of Industry (BOI), Nigerian Export-Import Bank (NEXIM), Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL), Nigeria Sovereign Investment Authority (NSIA), Nigerian Agricultural Cooperative and Rural Development Bank	• Learnings from the Anchor Borrowers' Programme and other interventions showed the slow pace in fund disbursement.
Unattractive loan repayment tenor	• Review loan tenor of intervention programmes as they do not support the survival and competitiveness of MSMEs. • For example, the gestation period for oil palm is four to five years and ensuring that loan tenor reflects the characteristics of MSMEs, and the uniqueness of their	**Central Bank of Nigeria,** Federal Ministry of Finance, Bank of Agriculture (BOA), Bank of Industry (BOI), Nigerian Export-Import Bank (NEXIM), Nigeria Incentive-Based Risk Sharing System for Agricultural Lending	• Learnings from stakeholder engagement. • Anchor Borrowers Programme loan tenor structuring.

	businesses is critical to their survival, growth, and competitiveness locally and internationally.	(NIRSAL), Nigeria Sovereign Investment Authority (NSIA), Nigerian Agricultural Cooperative and Rural Development Bank	
Inability to access finance High interest rates Poor funding of financial intervention programmes	• Increase funding sizes by raising budgetary allocation or encourage private sector participation, who would offer either debt, equity or other financial instruments to bridge the access to finance gap. • Incentivise and de-risk MSMEs financing and encourage long-term loans especially from commercial banks at an attractive interest rate.	**Central Bank of Nigeria, Federal Ministry of Finance,** Bank of Agriculture (BOA), Bank of Industry (BOI), Nigerian Export-Import Bank (NEXIM), Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL)	• Learnings from the performance of financial interventions such as the export expansion grant. • Learnings from stakeholder engagement on the obstacle to access intervention funds and funds from commercial banks.
Default in loan repayment by MSMEs	• Organise and execute an education, awareness, and orientation programme to re-orient citizens on the need to repay loans and the impact of default on the continuity of the interventions.	**Federal Ministry of Agriculture & Rural Development, Central Bank of Nigeria**, **Bank of Agriculture (BOA), Bank of Industry (BOI), Nigerian Export-Import Bank (NEXIM),** Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL)	• Learnings from the challenges faced executing the Export Development Fund and Anchor's Borrowers Fund.
Low funding of research and development activities	• Strengthen existing research institutions by providing funds and investing in infrastructure such as equipment to support continuous supply of improved seeds to farmers. • Increase budgetary allocation to the Federal Ministry of Agriculture & Rural Development and Federal Ministry of Science and Technology, and to education institutions	**Federal Ministry of Agriculture & Rural Development,** Federal Ministry of Science and Technology, Federal Ministry of Education, Federal Institute of Industrial Research Oshodi (FIIRO), National Agricultural Research System, Research Institutes across Crops, National University Commission	• The impact of research and development on Germany's SMEs - fostering product innovation and providing the competitive advantage for export.

	through the Federal Ministry of Education, strictly for research and development purposes.		• Stakeholder engagement with research institutes and farmers associations.
Operations	**Mid-term (six months to eighteen months)**		
Low level of mechanisation	• Incentivise innovation by creating an enabling environment including enacting relevant policies to that would support the commercialisation of research and development findings and other efforts of the National Centre for Agriculture Mechanisation to bridge the tractor and equipment gap in Nigeria and increase mechanisation in farming to improve productivity farmer's. • Upscale the number of tractors and agriculture machinery available in the country for farming by facilitating partnership negotiations between organisations currently in Nigeria's machinery rental market and global manufacturers. A criterion for these partnerships would be to rent these machineries to a sizable percentage of farmers engaged in export commodities production. These machinery rental organisations make an 50% upfront payment and spread the balance over a space of 1-2 years. The government can also offer a subsidy.	**Bank of Agriculture (BoA), Federal Ministry of Agriculture and Rural Development (FMARD), National Agency for Science and Engineering Infrastructure (NASENI),** Nigerian Export-Import Bank (NEXIM), Nigeria Export Promotion Council, Federal Ministry of Industry, Trade and Investment	• MSMEs in Uganda were able to capitalise on the machinery rental market to scale and grow.
Inability to access market intelligence information	• Establish a commodity board for the top 5 commodities. These boards would work in collaboration with NEPC to research and deliver on market intelligence information to farmers.	**Federal Ministry of Agriculture & Rural Development,** Nigeria Investment Promotion Commission (NIPC), Nigerian Export Promotion Council	• G20 has an Agricultural Market Information System (AMIS). Similarly, the Netherlands has the "Centre for the Promotion of Imports"

	• Develop a platform that profiles the Africa continent and provides market intelligence information and opportunities to MSMEs like Netherlands' "Centre for the Promotion of Imports" (CBI) and G20 Agricultural Market Information System (AMIS). A partnership with Agrikore or Farmcrowdy can be considered to improve on their current platform to provide market intelligence service.		(CBI) Market Intelligence Portfolio that focuses on expanding exports from developing countries to Europe through SMEs training and provision of market information on potential export sectors in Europe.
Policies and regulation uncertainties	• Develop a national policy or a strategic direction framework alongside measures to increase production and export for the top 5 commodities.	**Federal Ministry of Agriculture & Rural Development**	• NA
Aggregation, export capacity, and market accessibility	• Provide incentives to large organisations and multinationals to enable them integrate smallholder farmers into their value chain. This incentive can be in form of deduction on the Nigerian Export Supervision Scheme (NESS) Fees to be remitted by the company.	**Federal Inland Revenue Service (FIRS)/ State Board of Internal Revenue, Nigeria Export Promotion Council**	• Indonesia success on increasing private sector participation in the oil palm industry by offering reduced export taxes on oil palm exports.
	• Partner with Agrictech firms such as Farmcrowdy and Agrikore to facilitate the increased adoption and integration into their online marketplace to increase access to market. A criterion for the partnership will be to increase the reach of Nigeria's MSMEs to countries with high demand for each commodity.	**Federal Ministry of Agriculture & Rural Development,** National Information Technology Development Agency	• NA
Unskilled and uneducated work force	• Encourage capacity development and knowledge management by mandating all MSMEs to attend a short course on business management, business plan preparation, financial management, export, digital skills, use of technology, etc.	**Federal Ministry of Agriculture & Rural Development, Nigeria Export Promotion Council,** Nigeria Investment Promotion Commission (NIPC)	• Learnings from interaction with the Bank of Industry and CBN's Evaluation and Impact Assessment Report of the Commercial Agriculture Credit Scheme (CACS).

Lack of good business plan from MSME	• Set up a mentorship/coaching programme in partnership with SMEDAN, NASME, farmers association, etc. Mentors/coaches are expected to support the MSMEs with business and growth advisory services. The programme can be called “Mentor an MSME”. Services of mentors/coaches does not replace agriculture extension workers for farmers.		
Aggregation	• Build on the Growth Enhancement Scheme database and leverage this to link MSMEs to MNCs. However, this MSMEs must have met MNCs quality requirement or any other requirement as communicated by MNCs.	**Federal Ministry of Agriculture & Rural Development,** Nigeria Export Promotion Council	• Success of phone for farmers projects that led to reduced cost for farmers and improved productivity. • Success of Costa Rican Productive Linkages programme that integrates MSMEs into MNCs value chain.
Logistics	**Mid-term (six months to eighteen months)**		
Storage and aggregation infrastructure deficit	• A throughput agreement can be signed between farmers and concessioners of Nigeria’s grain silo to store their harvest. Concessioners can give farmers inventory credit facility such as that administered by the Bank of Agriculture.	**Federal Ministry of Agriculture & Rural Development, Infrastructure Concession Regulatory Commission (ICRC), Concessioners of Nigeria’s Grain Silo**	• Learnings from the state of play of Nigeria’s grain silo concession intervention
Port administration and delay	• Improve efficiency in Nigeria’s ports by integrating technology in all processes and operations at the port. • Train workforce and set up an appraisal system including targets. For example, maximum time for each port	**Nigerian Ports Authority,** Federal Ministry of Transportation, Nigerian Shippers Council, National Information Technology Development Agency	• Learnings from stakeholder engagement on challenges MSMEs face.

	process, resident time per vessel, total volume/number of transactions processed within a given period. • Build on the current truck transit park programme to integrate a truck call-up system. This would ease congestion at the ports and improve turnaround time marginally.		
Port administration and delay	• Build on the current truck transit park programme to integrate a truck call-up system. This would ease congestion at the ports and improve turnaround time marginally.	**Federal Ministry of Transport, Nigerian Ports Authority,** Nigerian Shippers Council	• NA
Lack of smooth trade facilitation for businesses	• Full implementation of the trade facilitation initiative soon to be launched by the NCS and the Global Alliance for trade facilitation to streamline border processes, lower trade related costs *(this project is aimed at advancing the application of the WTO TFA in Nigeria)*[167] • The initiative aims to identify sources of delays at border controls and implement solutions such as simplifying border processes and training border agency staff in improved techniques. • The initiative will commence with air cargo clearance before progressing to sea freight handling • While the project will be piloted in Lagos the government should lay down plans to roll out across all air and sea ports in the country	**Nigeria Customs Service (NCS),** Nigerian Port Authority, SMEDAN, Nigerian Federal Ministry of Industry, Trade and investment, border agencies	• Secondary Research
Infrastructure	**Mid-term (six months to eighteen months)**		

[167] Global Alliance for Trade Facilitation. Retrieved from https://www.tradefacilitation.org/article/a-new-collaborative-project-aims-to-streamline-trade-procedures-in-nigeria/ on 3rd March 2021

Insufficient fund allocation to interventions	• Employ a matching fund approach to increase available funds for financially related interventions such as the Export Expansion Grant and Export Development Fund.	**Central Bank of Nigeria, Federal Ministry of Finance,** Bank of Agriculture (BOA), NEXIM, Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL)	• Learnings from the performance review of EDF
High interest rates	• Develop a concessionary interest rate for export-oriented production or activities for organisations outside the special economic zones.	**Central Bank of Nigeria, Nigerian Export-Import Bank (NEXIM), Federal Ministry of Finance,** Federal Ministry of Agriculture & Rural Development, Nigeria Export Promotion Council	• Learnings from Ghana Export Promotion Agency strategy to increase export in line with AfCFTA implementation
Fund diversion by MSMEs	• Strengthen monitoring and evaluation mechanisms around development intervention to ensure value for money and to glean learnings on how to improve interventions. Similarly, undertake evaluation and impact of intervention, once in three years for all interventions.	**Monitoring and Evaluation Unit** in the executing MDAs or an outsourced M&E specialist if outsourced.	• NA
Access to equity finance	• A downward review of Nigeria's Alternative (ASeM) Stock Market capitalisation requirement (of not less than 50 million Naira) in order to admit more micro and small business into ASeM or the creation of an exchange segment to cater for more micro and small-scale enterprises. • Also, there will be a need to review downward the annual listing fee of 450,000 Naira or provide some segmentation arrangement by size. • Build investors' confidence and manage risk exposure by enacting and implementing a regulation that supports	**Nigeria Stock Exchange, Security and Exchange Commission,** Central Bank of Nigeria.	• The South Africa Alternative Exchange (AltX) for SMEs which has supported 25% of companies on AltX to migrate to the Johannesburg Stock Exchange (JSE) for larger companies.

	and ensure full disclosure of information to access the business' health.		
Operations	**Long-term (more than eighteen months)**		
Access to land for farming, land collateral for accessing funds	• Enact policies that create a transparent, liquid market for agricultural land, improving likelihood of land being used as collateral by farmers to secure loans.	**Ministry of Lands, Housing & Urban Development,** Federal Ministry of Agriculture & Rural Development, Central Bank of Nigeria	• NA
Access to land for farming	• Review the Land Use Act to allow ease of securing and perfecting title and remove bureaucratic process that lengthens the process. • Restructure land regulations to uphold only the promulgated federal and state laws on land rights than customary law, where women can rarely inherit land and typically cannot obtain land rights on their own.	**Ministry of Lands, Housing & Urban Development,** Nigeria Export Promotion Council	• Learnings from stakeholder engagement and challenges MSMEs face.
High post-harvest loss, aggregation and agro-processing infrastructure deficit	• Facilitate private sector investment in farm produce processing and storage facilities by enacting policies and offering incentives to encourage investments in these facilities.	**Federal Ministry of Agriculture & Rural Development, Federal Ministry of Industry, Trade, and Investment, Nigeria Investment Promotion Council (NIPC),** Bank of Agriculture (BOA), Central Bank of Nigeria, Nigerian Export-Import Bank (NEXIM), Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL)	• NA
Access to land for farming	• Federal and State Government collaboration to develop farm estates for the top 5 commodities in states with both comparative and competitive advantage. Government	**Federal Ministry of Agriculture & Rural Development, Infrastructure**	• Cross-river government investing in farming estate to increase cocoa production

	then focuses on facilitating private sector participation to build commodities clusters in these estates. Infrastructure concession such as road, power etc. can be supported to ensure ease in production and transportation of commodities for export.	**Concession Regulatory Commission (ICRC)**	• Indonesia success at increasing oil palm production • Chilean salmon success story
Irrigation	• Develop a policy to support private sector investment in irrigation systems and interventions as well as trainings to promote harvesting run-off water in farms. • Build small dams for irrigation purposes to supply a cluster of farmers water.	**Federal Ministry of Agriculture & Rural Development, Federal Ministry of Water Resources.**	NA
Logistics	**Long-term (more than eighteen months)**		
High cost of transporting produce to LAKAJI corridor due to distance and bad road network	• Improving transport infrastructure by building more connecting roads from farm gate to the corridor. • Encourage aggregators investment by providing incentives to aggregate at farm/cluster/community level and transport produce to the corridor.	**Ministry of Transport, Federal Ministry of Agriculture & Rural Development.**	• NA
High cost of transportation and poor road network	• Increase investment in infrastructure development in covering roads and rails and their connectivity through Public Private Partnership (PPP). In this partnership, private companies can invest in infrastructure development, monitise through operating the infrastructure or get other incentives such as in taxes.	**Federal Ministry of Transport,** Ministry of Works and Housing, Ministry of Finance,	• NA
Port administration and delay	• Overhaul the ports by enabling a conducive environment through policies that supports aggressive private sector investment. These investments should cover infrastructure and maintenance including revamping	**Federal Ministry of Transport, Nigerian Ports Authorities**, Ministry of Finance, Nigerian Maritime	• Learnings from stakeholder engagement on challenges MSMEs face.

	major ports across Nigeria in order to decongest Lagos ports, the deployment of efficient cranes, etc.	Administration and Safety Agency (NIMASA), Nigeria Shippers Council	
Infrastructure	**Long-term (more than eighteen months)**		
Access to finance Poor funding of intervention	• Develop a policy or framework to make MSMEs funding through crowd funding mechanism, equity funding, and venture capital attractive.	**Ministry of Finance, Central Bank of Nigeria**	• Learnings from stakeholder engagement and challenges MSMEs face.
Political interference and preferential treatment to some people	• Eliminate political interference by communicating application process and utilising technology in the fund application process such that applicants can track their application in real time. This would also foster transparency and build credibility in process.	**National Information Technology Development Agency,** Nigerian Communications Commission, Bank of Agriculture (BOA), NEXIM and NIRSAL	• NA
Research and Development	• Review research and development tax relief. Include an addendum to the research and development relief in Nigeria tax law for companies to include research activities aimed at supporting MSMEs growth and integration into the global value chain.	**Federal Inland Revenue Service**	• NA
Research and Development	• Collaborative Research Programme: Policies or interventions or funding to support collaborative research between research institutes, universities and SMEs. This can be achieved through creating a funding programme or research fellowship requiring all relevant stakeholders collaborate to solve a problem mitigating against SMEs growth.	**National University Commission,** Federal Ministry of Science and Technology, Federal Institute of Industrial Research Oshodi (FIIRO), National Agricultural Research System, Research Institutes across Crops	• The impact of research and development on Germany's SMEs - fostering product innovation and providing competitive advantage

Part Two

Part two consists of two sections and discusses the existing models across the world for MSMEs integration and aggregation specifically. It also recommends models for MSME commodity aggregation along the top 5 commodities with significant export potential value chains and concludes with critical success factors to support the successful implementation of the recommended models.

8 Existing Models for MSMEs Integration and Aggregation

This section addresses ToR project scope (2) which seeks to Identify and assess the efficacy of models that may be employed by selected large corporates and multinational companies to grow the ecosystem of MSMEs and integrate them into their local, regional and global value chains. This section is expected to highlight the key success requirements and drivers for the large corporates and multinational companies in their local supply chain and explore the role of large corporates and multinational in promoting sustainable value chains, looking at environmental and labour/contract rights parameters.

In line with the requirements above, this first sub-section discusses model employed by large corporates and multi-nationals to integrate MSMEs and enable access to local and international markets directly and indirectly. The approaches examined include *the demonstration effect approach, the participatory approach, the vertical linkage approach, the horizontal linkage approach and the trade linkage approach.* Examining these approaches entailed a comprehensive description of each model and the use of case studies to discuss where the models have been applied, stakeholders involved, critical success factors and successes recorded specifically with respect to export supply response capacity and market accessibility. Some case-studies cited include Olam Corporation involvement in Ivory Coast, Primark Corporation in India, and FrieslandCampina WAMCO in Nigeria. The subsection also provides insights into the adaptability of these models to value chains in-country and lessons learned for proper adaptability to Nigeria.

In addition, based on our understanding that this project seeks to identify other models and approaches that have been employed to aggregate MSMEs products effectively for seamless export activities outside of large corporates integrating MSMEs into their value chains. This sub-section also focuses on other successful approaches for MSME commodity aggregation towards improving market accessibility. Only models which can be replicated / adopted in Nigeria such as the ***Off-Takers Model, Cluster Development Model, Producer Organisation Model, and the Commodity Exchange Model*** were discussed. Similar to the integration model, these models are described vividly, and case studies referenced to shed more light on instances where they have been applied.

While the project team strived to gather as much information as possible, it is pertinent to note that the depth of analysis presented was impacted by the availability of detailed information across some discussion points. For example, the detailed performance of case studies on commodity integration to value chains and aggregation were not explicitly discussed in available literature.

Section eight (8) concludes by discussing the role of large corporates and multinational in promoting sustainable value chains

8.1 Overview of Models

8.1.1 Integration Model

This model of aggregation involves a partnership between MSMEs and large corporates/ multinationals. This partnership is achieved by large companies and multinationals employing different approaches or strategies to support and aggregate MSMEs produce thus integrating them into the global export market. The approaches do not only provide direct support but assist in strengthening the underlying ecosystem in which MSMEs operate.[168]

The collaboration is of mutual benefit to MSMEs and large corporates. For example, large corporates benefit from the reduction in production cost due to local sourcing of raw materials or semi processed materials from MSMEs which ultimately leads to an increase in revenue and profit margins for MSMEs. MSMEs benefit from the collaboration by having access to knowledge they need to identify, explore, and create commercially viable enterprises from their ecosystem. It also provides them with the unique opportunity to grow their businesses, be more competitive in the export market and enhance their role as agents of economic growth and development.

Some of the different approaches adopted to foster the integration model are discussed below

8.1.1.1 Horizontal Linkage Approach

Under this approach, multinationals and large firms form strategic long-term cooperation with MSMEs. The relationship is often characterised by interdependence, trust, and resource pooling to achieve a common goal. This is argued to be one of the best opportunities for the transfer of knowledge between multinationals and MSMEs and thus may be the most effective way for multinationals and big companies to grow the ecosystem of MSMEs and integrate them into the GVCs.

As a result of this cooperation, many MSMES may begin to alter their own structures and activities to mirror multinationals. These structural adjustments will not only facilitate day-to-day interactions between partners but may also increase MSMEs ability to internalise the knowledge encountered in the relationship and disseminate same within the ecosystem in which they operate.

Thus, the benefit of the cooperation between multinationals and MSMEs is not only for participating MSMEs, but for the industry as whole. This happens for different reasons. First, multinationals and big firms in a strategic long-term cooperation with selected MSMEs are more likely to interact with other MSMEs within the industry. Second, in many developing and emerging economies, MSMEs are often linked together, sometimes across industry, through different associations, administrative, financial, and informal controls. Therefore, the interaction, coordination, and labour movement within groups of MSMEs provide a mechanism where knowledge absorbed by MSMEs partnering with large companies and multinationals, may diffuse to MSMEs without partnerships with the large companies.[169]

[168] Although appealing, direct supports like the provision of finance and training have limited reach and temporary effect and may even be more expensive for large corporate organization and multinationals than supporting the ecosystem.
[169] Belderbos et al., (2001); Chen et al., (2004); Leff, (1976)

Case-Study

Primark Corporation and Self- Employed Women Association Partnership for Cotton in India

This case study examines the activities undertaken, approach employed and performance/ outcomes for the partnership between Primark corporation, a top player in the fashion industry and Self-Employed Women Association (female cotton farmers) in India. The key stakeholders involved in this relationship includes Primark Corporation, Self -Employed Women Association cotton farmers, CottonConnect, Public and Private agricultural experts.

- Since the inception of Primark Corporation, the company has had a long-term ambition of ensuring that the cotton supply chain is sustainably and responsibly sourced to meet the demands of its consumers globally. The company, which identified that working with small scale farmers (MSMEs) in India will make its strategic goal attainable decided to work with female small-scale farmers who came together under a Self-Employed Women's Association (SEWA).

- The decision to work with female farmers was due to the important but often unacknowledged roles female farmers play in cotton production in India. Primark explored the horizontal linkage approach of the integration model by forming a strategic partnership with SEWA cotton farmers. This was consolidated by initiating a sustainable cotton program (formed together with CottonConnect and agricultural experts) aimed at training about 1,251 female farmers through classroom sessions, infield training and learning groups geared towards improving the quality of produce by farmers in SEWA who in turn provided Primark with the necessary cotton produce for their textile production at the right quality and volume.

- The existing relationship between SEWA and local individual farmers was very critical to the success of the programme as it was easy to make the cotton farmers embrace the programme. In addition, the organisation of the programme in the local villages helped the female cotton famers secure the support of their male family members who were initially sceptical about the programme.

Performance:

- By 2016, the program resulted in a reduction of input costs by 19.2% (e.g. by buying seeds collectively with other farmers, reduction in additional labour cost and reduction in chemical pesticide and fertilizer usage) and a 10% water usage decrease, revealing sustainable water efficiency practices in action. This reduction increased the quality of cotton produced by the farmers leading to an increase in cotton produce purchased by Primark corporation.[170]

- The success of the programme further led to an extension of the programme to reach a further 10,000 farmers over a six- year period. [170]

- Even though information on export performance is not available, we can deduce that the integration between Primark and SEWA farmers led to indirect access to local and export markets for these farmers, ultimately leading to increased profit for the farmers by 247% in 2016.[170]

[170] Primark corporation report, 2019

8.1.1.2 Vertical Linkage Approach

This approach involves multinationals and other big corporate organizations deliberately engaging MSMEs as suppliers and distributors within their value chains. By doing this, multinationals and big firms contribute to raising the operation capabilities of MSMEs by improving their quality standards, efficiency of production and resources relating to procurement, design, quality control, training, or market information.[171]

The success of this approach is dependent on multinationals sharing knowledge and relevant information with MSMEs which will enable them build capacity.

This approach is immensely beneficial to both MSMEs as the integration helps MSMEs grow their eco system and ensure quality as well as standard for large corporate organizations and multinationals. It is also beneficial to large corporates as it provides them with access to cheap raw materials or semi processed goods integral for processing.

Furthermore, large corporates and multinationals engage MSMEs as either suppliers or distributors. This is achieved by significant investment in training programs and infrastructure management. The engagement/ integration with multinationals help MSMEs achieve economies of scales and participate indirectly in export markets while continuously aiming to meet global standards.

Case Study

Olam Corporation involvement in Ivory Coast

This case study describes the approach, activities and performance outcomes of Olam corporation, a leading food and agri-business organisation integrating small holder farmers in Ivory coast into their value chain. The key stakeholders involved in this relationship includes Olam corporation, farmers' associations such as African Cashew Alliance (ACA), APROCOT-CI (Cotton ginners association) and government bodies such as Conseil Café Cacao (CCC), and Conseil Coton Anacarde (CCA).

- In 1994 Olam corporation launched operations in Ivory Coast to expand its growth as a leading food and agri-business organisation. To achieve its strategic goals, Olam partnered with small business industry farmers who formed associations such as African Cashew Alliance (ACA), APROCOT-CI (Cotton ginners association), Conseil Coton Anacarde (CCA), and many more

- The corporation explored the **vertical linkage approach** of the integration model by collaborating with small business farmers to be the main suppliers for cashew and cocoa needed for production thus assisting in an increase in efficiency within the supply chain. In turn, Olam assisted in the formation of producer cooperatives that provided trainings on hand shelled cashews which resulted in the increase in quality, volume and value of the produce purchased by Olam for the development of products sold locally and internationally.

- One of the critical success factors that drove the success of this integration was the use of an Olam Farmer Information System (OFIS). This allowed Olam to easily identify the individual farmers and farmer associations in partnership with them to ensure targeted assistance and interventions are readily available for their growth and development.

[171] Botelho & Pfister (2011)

Performance:

- The Olam partnership model with small industry organisations in Ivory Coast, has been replicated in other African and Asian countries to expand their supply chain and quality of produce for specialised commodities both locally and internationally. This partnership has also led to the increase in sales revenue for Olam from USD 4 billion in 2005 to USD 24.2 billion in 2020.[172]

- In addition, the partnership between Olam and small holder farmers in Ivory Coast assisted in boosting export in Ivory Coast. This is evident by the growth in export volume (36,968 tonnes) and value (USD 20 million) in 1997 to export volume (620,296 tonnes) and value (USD 797million) in 2019.

- Also, through the purchase of products by Olam corporation from the small holder farmers, farmers had access to both local and international markets thus resulting in increased revenue for the farmers.

FrieslandCampina WAMCO Nigeria dairy development programme

This case study explains in detail the actions undertaken and performance/ outcome in integrating local farmers into the Friesland Campina WAMCO value chain in Nigeria.

The key stakeholders involved in this relationship include: FireslandCampina WAMCO, Federal Ministry of Agriculture and Rural Development (FMARD), Nederland Holding B.V., Animal Care Limited, International Fertilizer Development Centre and local farmers.

- In a bid to reduce production cost related to milk processing, FrieslandCampina WAMCO (FC WAMCO) partnered with local farmers in Nigeria to consolidate and support local sourcing from local farmers.

- The company adopted the vertical linkage approach where it identified farmers who will be major suppliers of milk for processing. To ensure milk supply was of superior quality, FC WAMCO partnered with the federal government as well as Nederland Holding B.V, Animal Care Limited, International Fertilizer Development Centre and Federal Ministry of Agriculture and Rural Development (FMARD) to set up a Dairy Development Programme which was focused on enhancing the quantity and quality of milk supply by local producers. The program cut across training for farmers and extension workers on testing of farm products for quality control, crossbreeding process, elimination of tsetse fly, and demonstration of hybrid and improved pasture cultivation, among others.

- The partnership with public and private institutions aided the success of the Dairy development programme leading to improved production and export for local.

Performance:

- The initiative caused a growth and improvement in local farmer milk production. This was evident by 3,500 farmers supplying milk to five milk collection centres and 20 milk points built by FC WAMCO in 2012.

[172] Olam corporation report, 2019

- In addition, the increased supply of this milk to the milk point boosted the profit for farmers as they had indirect access to international markets due to the sale of dairy milk to FC WAMCO at competitive prices. The learnings from the access to indirect markets has assisted in the gradual rise in the export of milk production in the country. This is evident by the increase in milk export from 1 tonne in volume and USD 1 thousand in value in 2014 to 282 tonnes in volume and USD 30,800 in value in 2019.[173]

- FC WAMCO consolidated its success by setting up farmers in dairy corporative. This was partly funded by the Dutch government. The company further seeks to link dairy farmers to financial institutions to enable them access commercial credits with the aim of improving the living standard and productivity of dairy produce.

8.1.1.3 Demonstration Effect Approach

This approach involves large corporates and multinationals exposing the basics of their products, services, technologies, organizational practices, and strategies to MSMEs in their sphere of operation. Therefore, these MSMEs may be able to improve their productivity and competitiveness by imitating the big firms and multinationals.[174]

Furthermore, this approach allows MSMEs imitate the activities of the large businesses and multinationals without necessarily understanding the complexity and procedures that underpin them.[175] It is true that such imitation, without the relevant capabilities and technical know-how, may not give MSMEs long-term improvement in productivity and competitiveness but it will at least result in short to middle term gains in the operations of MSMEs. For instance, MSMEs may be able to reproduce the styles and product designs large companies and multinationals employ to target customers in a specific international market, even without developing their own strong international market research capabilities. Similarly, MSMEs could copy multinational's selection of foreign suppliers, imitate the human resource policies and incentive structures of large cooperate organisations, or imitate their style of product packaging.

For the success of this approach, the diffusion of knowledge from large corporates to MSMEs is insufficient without available access to markets to scale up production and capital to ensure standardisation of produce from MSMEs.

Ford Motors involvement in Mexico

This case study explains in detail the action undertaken in integrating local automobile MSME in Ford Motors

The key stakeholders involved in the relationship include: Ford Motors, Auto mobile MSMEs

- Ford Motors an American multinational company, in a bid to expand, commenced operation in Mexico by the installation of a stamping and assembly plant. In other to meet its strategic objective, Ford partnered with local MSME firms providing various types of industrial services

- The company adopted the demonstration effect approach where it opened its operation to local MSMEs and in turn MSMEs were able to interact and collaborate with the Ford ultimately leading

[173] FAO Stat, 2020
[174] Spencer, 2008
[175] Kogut and Zander (1992).

them to pick up positive learnings that was added to improve MSMEs operations. Ford facilitated these learnings by doing the following:

- Ford recruited local MSME engineers and gave them opportunity to build experience and expertise in advanced manufacturing and organisational techniques by watching and participating in their operations.
- In a bid to boost local sourcing for equipment, Ford opened up its operations to local MSMEs in a bid to encourage them understand the operations and its complexities of their equipment with the aim of allowing MSMEs understand the process and be able to build equipment and install parts in cases of emergency situations where Ford operators and equipment are needed.
- The sustained partnership between the automobile MSME associations and Ford was integral to the success of the program

Performance:

- The initiative led to the diffusing of knowledge among MSMEs within the automobile ecosystem boosting exports of automobile and automobile parts in the country from USD 40.8 billion in 2016 to USD 52.6 billion in 2018.[176]

In line with the subject matter, the demonstration effect model can also be implemented for commodities especially in Nigeria. This could be achieved by multinationals having agreements with MSMEs to open operations to MSMEs from sourcing to processing of finished good products. This will enable MSMEs to imitate some of the multinational activities principally in areas of production, management, packaging and market accessibility (local and international) without having to go through same rigor or expend same resources as multinationals.

8.1.1.4 Participatory Approach

This approach entails managers of large corporate organizations and multinationals participating in local institutions and industry associations within the ecosystem of MSMEs. The embeddedness of managers in local social relationships serve as a means of knowledge diffusion, because relatively codified or explicit knowledge can spread from one organization to another via informal networks of knowledge exchange.[177]

By participating in local business organizations such as boards of trade, business association, chambers of commerce and consortia, the executives of multinationals and big companies will likely forge business and social connections with the owners of MSMEs. The idea here is that the greater the interaction between managers in multinationals and individuals that run the MSMEs in the local business community, the more knowledge one would expect to diffuse from the former to the latter.

Although these organisations are established with their own industry-specific objectives, they could also act as intermediaries or linkages that facilitate the dissemination of knowledge between large companies/multinationals and MSMEs within an ecosystem.

It is critical to note that the success of this approach between large corporates and MSMEs is hinged on relevant government agencies creating enabling business environment for such partnerships to thrive. This

[176] https://www.export.gov/apex/article2?id=Mexico-Automotive-Parts-and-Supplies
[177] Granovetter (1985); Brown and McNaughton (2002); Conley and Udry (2001)

could be achieved by the provision of tax rebates to large corporates who engage in such partnerships with MSMEs.

Information for a robust case study on the participatory approach of the integration model and its resulting impact on export performance was not readily available. However, from our analysis of the approach, it does not appear that the approach will be a good fit for Nigeria as multinationals won't find participating in boards and business associations attractive due to the various conflicts of interest and bureaucracy that arise from having various forms of associations or organisations serving a commodity.

8.1.1.5 Trade Linkage Approach

This approach views trade linkages as ways multinationals help MSMEs to integrate into Global Value Chains. This can be through direct and indirect insertion. In the direct insertion approach, firms in the formal economy can join GVCs by directly participating in exports that feed into the production of multinationals in the third country. Alternatively, MSMEs participate in GVCs by supplying to or sourcing from local affiliates of foreign multinationals (through FDI linkages), or by supplying larger, more established domestic firms which in turn supply inputs to foreign multinationals. Available evidence has shown that MSMEs are typically less export oriented than large firms and by supplying to the large firms in one way or the other, they can be integrated into the GVCs.

In the indirect insertion approach, MSMEs who suppliers to large local and multinational firms benefit from GVCs through indirect exports. This can be achieved by supplying intermediate goods and services to typically larger firms whether domestic or foreign owned which then carry out the main export. In OECD countries, evidence shows that MSMEs account for a larger share of value added in international trade when indirect exports are considered.

For the trade linkage approach to be successful, several factors need to be considered. Some of the factors include the attributes of the products from the MSMEs (product quality), product capacity, product price, flexibility, etc. The Cape gooseberries trade linkage in Colombia serves as a relevant case study for trade linkage approach of the integration model.

Case study

Cape gooseberries trade linkages in Colombia

This case study details the actions undertaken, approaches and performance/ outcome in linking trade for Cape gooseberries in Colombia.

The key stakeholders involved in this relationship includes Frutierrez (a large exporter), small holder farmers

- The growth of Cape gooseberries production has been on the rise in Colombia evident by the increase in farmers from less than 250 farmers in 2000 to over 300 farmers in 2004. Despite the poor domestic demand for the product there is a high demand for the produce from Colombia by countries like Canada, Germany, United states, Japan, etc.[178]

[178] FAO Report, 2006

- The demand for the product brought about the development of a company called Fruiterrez who was a large exporter of the product to countries like Canada and Germany. The company handled around 40 % of the production in the area and exported to other countries where it was further processed for consumption. However, this became very unstainable as participating directly in production was causing them to make losses especially due to produce been prone to pest and diseases easily.

- The combat these losses, Fruiterrez adopted a trade linkage approach where they linked MSME farmers (who produce very close to Bogotá airport and the Corabastos wholesale market) to their businesses to ensure a permanent supply of fruit according to market requirements. Fruiterrez achieved this by buying all the produce during the year from MSME farmers starting in the high season according to established parameters of quantity and quality after which the company pays for the delivery of the produce.

- The critical success factor for the cape gooseberries trade linkage in Colombia was based on the process of selection of the farmers by Fruiterrez which involved selecting resourceful farmers who have managed to overcome difficult planting periods and farmers who have understanding of the market and how to adapt to regular changes. Also, the location of the farmer near Bogotá airport made conducting exportation activities efficiently.

Performance:

- The production of cape gooseberries led to the generation of over 250 direct jobs in the production area and numerous direct and indirect jobs in commercialization.[179]

- linkage of MSMEs with Fruiterrez aided in the increase of the volume of export for countries in the international markets for example, there was an increase in the volume of export for cape gooseberries to the United States from 81tonnes in 2005 to 700 tonnes in 2018.[179]

8.1.1.6 Adaptability for Nigeria

The table below discusses how the approaches to the integration model can be adopted for Nigeria taken into consideration the various challenges MSMEs face in the country.

Table 17 - Integration Model and its Adaptability for Nigeria

Integration Model Approach	Fit for Nigeria
Horizontal and vertical linkage approach	• MSMEs in Nigeria do not have access to equipment or international quality certifications that will be integral to improving production activities. This is evident by only 1 percent of MSMEs having access to quality equipment and certification.[180] • The linkage approaches (both horizontal and vertical) serve as a good fit in addressing these issues as strategic partnership and sourcing of raw materials

[179] Fresh plaza report, 2020
[180] World Bank Enterprise Survey for Nigeria, 2014

	from MSMEs will encourage large corporates to diffuse technologies, strategies and quality standards to MSMEs causing them to thrive within the ecosystem in Nigeria.
Trade linkage approach	• One of the key reasons for the reduced export from MSMEs in Nigeria (which stand at 7%) is as a result of weak relationships and linkages between MSMEs and large corporates. • The linkage approach could address this challenge in Nigeria by fostering partnership between large corporates and MSMEs. This partnership will enable MSMEs to join the export value chain by supplying intermediate produce to large corporates/multinationals who in turn export this produce to other international markets or subject the produce to further processing leading to improved produce for the global value chain.
Demonstration effect approach	• The growth of Information, Communication and Technology (ICT) which is critical for the growth of MSMEs in Nigeria has been very low. For example, only an average of 11% of MSMEs own websites and use email addresses which is critical in assessing a global network in Nigeria.[23] The poor rate of adoption or utilisation of ICT by MSMEs remains a constraint in successful participation in export markets. • The demonstration effect approach will be an effective fit for MSMEs in Nigeria as observing and learning best practices from large corporates which includes the usage of ICT in service delivery, will deepen its importance to MSME businesses thus leading to an increase in ICT adoption.

It is important to note that for sustained success in the linkages between MSMEs and large corporates there are some key factors that must be present. They include:

Information and Matchmaking

- Government should ensure large corporate organisations and multinationals are regularly informed about potential local suppliers, distributors, and technology partners in their industry. Information provided can vary from a simple list of potential local suppliers and distributors in each industry to detailed electronic information exchanges containing information about prices, quality and even processes used by MSMEs. Information can be passed using national websites, business directories and business contact.

Encourage large corporates and multinationals to engage in partnership

- Government can directly encourage large corporates and multinational companies to form linkages with MSMEs. This can be achieved by inducing or incentivising large corporates for successful partnership with MSMEs in form of strategic tax and duty exemptions.

Enhancing the capacity of MSMEs

- Government can facilitate the successful linkage between MSMEs and large corporates by enhancing the capacity of MSMEs. One of the ways that this can be achieved is by encouraging and enhancing the use of technology. This is however difficult for many developing countries who often classify these objectives as long- term ambitions. However, some short- term actions can be taken to achieve immediate effect. For example, helping MSMEs to attain minimum technological, educational, and operational level demanded by their potential partners (i.e., the large corporate and multinationals). This could be achieved by relevant MDAs encouraging capacity building trainings for MSMEs, subsidising prices on critical components of operations e.g. equipment, etc.

8.1.2 Off-takers Model

Off-takers model is a model arrangement between a producer and a buyer to purchase or sell portions of the producers manufactured goods or yet to be manufactured goods. This is mostly structured by having an offtake agreement which could be drawn up based on the peculiarity of the farmers, farming conditions and aggregation requirements for export and profit potential. Some off takers work directly with farmers and build an aggregation structure which is part of the operational system. The structure is typically owned by the off taker, who makes a financial investment in both the set-up and running cost of the aggregation structure.

Nile Breweries Limited partnership with SMEs for development of beer in Uganda serves as a relevant case study for the off-taker model.

Nile Breweries Limited and SME partnership for the development of beer in Uganda

This case study details the actions undertaken, approaches and performance/ outcome in enlisting an off taker to assist in moving sorghum produce from farmers to Nile Breweries Limited in Uganda.

The key stakeholders involved in this relationship includes local sorghum farmers' associations, Nile Breweries Limited, AgroWays Limited, National Semi-Arid Resources Research Institute.

- In 2000, Nile Breweries Limited (NBL), a leading Ugandan brewery with global SABMiller beverage company wanted a lower- priced product to sell within the Ugandan market. NBL had been importing most of the ingredients for its beers, including expensive malted barley. The high cost of production coupled with an excise tax of 60% made the import – based products too expensive for many local consumers.

- After research by National Semi-Arid Resources Research Institute (NASARI) in 2001, a new variety of white sorghum, Epuripur, was identified to have excellent brewing qualities as seen during the pilot brewing process using the sorghum which resulted in a high quality, clear beer.

- In a bid to properly aggregate Epuripur from farmers, NBL contracted AgroWays Limited, a local agricultural service off taker with some exposure to grain trading and processing. The company was responsible for supplying seed, as well as purchasing, aggregating, cleaning, grading, drying, and storing the sorghum prior to delivery at the brewery. Through its relationship with AgroWays, NBL offered a supportive sorghum production and off-taking programme, which was welcomed by farmers affected by falling global demand and prices for cotton, the principal cash crop in the targeted growing areas for the initial supply programme. Sorghum became a much-needed substitute cash crop.

- Under the contract with NBL, AgroWays paid the farmers associations for grains received, then processed, warehoused, and delivered the crop to the brewery with its fleet of trucks. Approximately 80% of the sorghum that arrived at the AgroWays facility required further processing (i.e., cleaning, drying, and bagging). For example, the grains delivered by the farmers were put in bags of various sizes which were converted to 50-kilogram bags (as specified by NBL for their production) for delivery to the brewing facility.

- The critical success factor for the NBL, AgroWays and sorghum farmers' partnership was the regular communication between the three parties to constantly meet local and international demand for their produce.

Performance

- The partnership has benefited over 20,000 farmers by providing them with market access opportunities as NBL off-takes their produce. Furthermore, the knowledge gained from the Epuripur production package, such as good farming practices and the proper use of inputs and seeds was applied to corn and sorghum as a staple food.

- In addition, learnings from the continuous partnership between Sorghum farmers and NBL assisted in boosting sorghum export in the country from 188 tonnes in volume and USD 32,000 in value in 2001 to 77000 tonnes in volume and USD 54 million in value in 2019.[181]

- Farmers are also reaping additional benefits from the overall demand increase for sorghum as they are seeing higher prices been paid for the commodities both from local and international players. A case in point is the increase in price per kilogram from 1,090 Uganda schillings in 2014 to 1,240 Uganda schillings 2019 representing a 12% price increase leading to higher income for farmers.

In Nigeria, the off takers model has been utillised by various farm groups and organisations in the country such as cashew and sesame farmers. The model has been achieved in Nigeria by local buying agents purchasing largely from individual farmers and supplying to exporters and processors. The model has been beneficial to small holder farmers. However, there is need for optimisation of the model for the country as it possesses peculiar challenges such as the local buying agent monopolising the market by buying produce at market prices that are mostly favourable to them thus leaving the farmers with reduced profitability

[181] FAO Stat 2020

ultimately making production and production activities unsustainable. Also, engaging numerous individual small holder farmers each producing small volumes introduces very high transaction costs for both off takers and farmers. These challenges can be resolved by ensuring farmers are equipped with sufficient knowledge about market demand and proper aggregation of farmers to ensure reduced transaction and processing costs.

8.1.3 Cluster Development Model

A cluster refers to a group of small holder farmers engaging in similar activities engaging in similar activities, within a specific geographical location, forming clusters to produce and market their commodities. For example, collaborating in group to buy input, joint selling to the same buyer, joint negotiations and sharing of implements. Also, a central packing logistical system further contributes to successful cluster formation.

The cluster approach has been identified as an approach that supports farmers gain the necessary competitive position to sustain their business, creating more opportunities to scale up production, participate in export markets and provide full-time job opportunities, especially in rural areas where all clusters are mostly located.

By grouping the small holder farmers into clusters per product, the benefits of aggregation come forward which include improved management of supply chain system, better management of local and international markets and lower transaction cost, ultimately contributing to greater profitability and sustainability of these enterprises.

Free State Poultry farming cluster serves as a relevant case study for the cluster model

Free State Poultry farming cluster

This case study examines the approach employed by Free State poultry in South Africa to boost its production, export potential and market growth.

The key stakeholders involved in this relationship includes: Free state poultry and South African Agri Academy.

- Free State Poultry Cluster is situated in Free State, Lejweleputswa District in South Africa and consists of thirteen (13) cluster members involved in poultry farming, specifically, broilers, layers and poultry feeds. The aim of the cluster is to work together to complete the value chain of supplying poultry products to informal and formal markets of South Africa as well as participate in export to neighboring countries.[182]

- To continuously improve production and export capacity for cluster members, training in areas such as poultry production management, basic marketing and financial management, is offered to all cluster members on a continuous basis. Through the cluster all small-scale poultry farmers are able to work together to ensure the sustainability of their enterprises. The main activities of the cluster are to produce fertile eggs, hatch fertile eggs, produce broilers, table eggs, feed and provide abattoir and administration services. This will assist the cluster members in purchasing inputs and selling the final product as one unit/group. This will also assist in negotiating for discounts from suppliers and accessing bigger local and export markets.

[182] Report of the Expert Committee on Micro, Small and Medium Enterprises, 2019

- Information on critical success factors for the clusters was not available. Nevertheless, our analysis revealed that the total cooperation and knowledge sharing by the farmers in the clusters is a key determinant in achieving success around improvement in production capacity and market access.

Performance

- The success of the Free State poultry cluster led to an investment of over R64,000 by the South African Agri Academy. This has enabled the cluster commence exportation to neighboring countries like Zimbabwe and Lesotho.

In Nigeria, the cluster model has been very beneficial to various farming groups and organisations. For example, the National Cotton Association of Nigeria (NACOTAN) in conjunction with the Anchor Borrowers Programme has also implemented the cluster system for cotton aggregation. The cluster system is designed such that there are cluster heads who oversee about 10 to 15 farmers. These cluster heads take their cotton harvests to a collation centre, NACOTAN then takes the aggregated produce to the offtake location. This process has increased the local production rate hereby making room for cotton export.[183]

8.1.4 Producer Organisation Model

In this model, commodities producers who are mostly small holder farmers with common interest and concerns come together to form organisations or associations where their combined production output are aggregated / centralised in an organised way. In producer organisation model, farmers are not necessarily bound by locations and the formed organisation has a functional governance structure, and a system for managing cashflow, crops, etc. For example, cooperatives. The organised system and institutions are required to help small producers aggregate their demand and supply and receive competitive prices for their input materials and commodities produced to maximise their benefits.

In addition, the forming of organisations also assists farmers to have a better understanding of consumer markets, receive training and technical support to improve their productivity, and tap into financial services such as loans and insurance needed to scale up production for local consumption and export.

The producer organisational model plays a pivotal role in promoting social development and local/international market entry in many local communities. The organisations fall under two broad categories. They include:

- ***Informal farmer group*** - In this group, farmers forms associations for collective benefit but are not registered as a group and do not have any governance structure or group account. The group does not require members to have a shared purpose

- **Formal farmer group** - In this group, farmers forms a registered group with functional governance structure supporting supply chain efficiency and reduces the costs of marketing inputs and purchasing costs. Formal farm groups can be driven by off takers.

The main objective of this model is to generate increased income and market accessibility (local and international) for the producers through an organised system which is difficult for individual small scale

[183] National Cotton Association of Nigeria (NACOTAN)

producers who do not have the necessary input requirements or produce enough to derive the benefit of economies of scale or participate in the export market.

The coffee production in Rwanda and the farmer- driven cooperatives in Latin America serves as relevant case studies for this model.

Coffee production in Rwanda

This case study examines the aggregation of individual coffee farmers in Rwanda into associations as well as the performance of the associations regarding export and market access.

Key stakeholders include coffee farmers, Rwandan government, United States Agency for International Development projects, agriculture private and public sector players, international donors.

- In the early 2000s, Rwanda, one of the countries with an ideal climate for high quality coffee production was recognised for producing sub- par quality coffee products usually unacceptable in local and foreign markets.
- This was largely due to lack of market information, quality control, uneven production, limited infrastructure and organisation necessary to produce high-quality products.
- In a bid to combat this, the Rwandan government liberalised the sector by removing a variety of barriers to trade, creating new incentives for groups and individuals to participate in coffee production.
- Rwanda also partnered with the United States Agency for International Development projects PEARL I and PEARL II foundations and private sector investors to provide programmes to help small scale coffee farmers form associations and cooperatives to enable them have access to funding (USD 10 million over 11 years), wash stations, input materials and materials required for improving product uniformity and quality.
- The partnership with the private sector and international donors helped reshape the coffee industry given over 100 coffee- washing stations have been built in the country. In addition, donors supported the development of market access links between farmer associations, producers and foreign buyers.
- The enabling environment created by the Rwandan government as well as the partnership with international organisations was a critical success factor leading to the transformation of Rwanda's coffee industry.

Performance

- The association of farmers and their participation in the export market led to an improvement in coffee export revenues from USD 35 million in 2007/2008 to USD 68 million in 2018/2019, making the commodity one of the major providers of foreign exchange earnings for the country.

- Additionally, the farmers who grew coffee had the opportunity to sell their coffee beans at high prices. For example, coffee cherries rose prices increased from between 60-80 Rwandan francs to over 180 Rwandan francs in 2018.[184]

Producer driven organisation In Peru

This case study examines the aggregation of individual farmers into Cepicafe cooperative and the performance/ outcomes of the cooperatives in providing market access and participating in export.

Key stakeholders include: Cepicafe cooperative, Douwe Egberts Foundation (assisted in the training of the Cepicafe cooperative members).

- In a bid to improve the quality of life of its community and participate in export markets with high quality products, Cepicafe a cooperative of small coffee producers in Peru was created in 1995. The cooperative organises coffee, sugar, fruits and cocoa for 7,000 producers in the northern region of Peru through nearly 400 organisations.

- The growth, versatility and access to training for the cooperative led them to receive the Fairtrade Labelling Organisations (FLO) certificate in 1997, which helped them to address several issues such as low quality of coffee and limited access to markets.[185]

- The factors that contributed to the success of Cepicafe cooperative was not identified. However, knowledge sharing among the farmers in the cooperative was essential for seamless cooperation. In addition, ensuring quality and obtaining organic and fair-trade certifications helped increased demand for Cepicafe cooperative coffee and contributed in supporting to enter the higher market segment, where farmers receive premium payments due to the quality of cocoa produced.[186]

Performance

- Cepicafe has grown to become the19th largest exporter in Peru having access to international markets and selling nearly USD 10 million worth of coffee per year to several exporters in Europe and United States.[185]

In Nigeria, farmer associations have been created across various commodities such as cocoa, oil palm, cotton, etc. Interactions with some producer organisations in Nigeria such as the sesame, soybean, oil palm, and cotton producer organisations showed that more emphasis was placed on meeting local needs as opposed to export due to the shortfall in local supply compared to demand.

[184] World bank report, 2018
[185] Grow Africa report, 2019
[186] https://www.tdc-enabel.be/en/2019/11/05/cepicafe-quality-cocoa-from-peru/

More producer organisations can be encouraged to participate in export if their production capacity and export supply response capacity is increased. To achieve this, interventions to increase farm plantation size, improve yield and production, ensure quality of produce for export will be required.

8.1.5 Commodity Exchange Model

A commodity exchange is an open and organised marketplace where commodities are traded. The trading is done in an organised way through a system of bids (to buy) and offers (to sell), governed by a set of rules. It is also a platform that brings together buyers and sellers to conduct business through a team of brokers who make it easier for them to find each other and agree on prices. Given the transactions are made public, they also reveal what the current market price is. This is called price discovery.[187]

In terms of aggregation of small holder farmers produce for export, the commodity exchange works by ensuring that produce by farmers are aggregated together in one location usually a warehouse owned by the commodity exchange. By doing this, commodity exchanges are then able to enlist their brokers to connect small holder farmers to traders and exporters who are easily able to purchase products at competitive prices beneficial to both the exporters and the farmers. This model is beneficial to both farmers and exporters as it encourages easy tracking of price movement due to the publishing of prices that the buyers and sellers agree on. It also ensures that transactions are handled quickly and efficiently as well as ensure that products are standardised due to the grading of produce based on quality.[187]

There are various examples of Commodity exchange models in Africa, such as the South African Futures Exchange for South Africa (SAFEX), Ethiopia Commodity Exchange (ECX) and Zambia Agricultural Commodity Exchange (ZAMACE).[188] However, for the purpose of this study, the Agricultural Commodity Exchange for Africa (ACE) in Malawi has been used as a case study below.

Agricultural Commodity Exchange for Africa (ACE)

The case study describes the features, approach and performance of Agricultural Commodity Exchange in Malawi.

Key stakeholders include farmers' associations, food processors, grain trading firms, private warehouse companies

- ACE is the most developed commodity exchange in Malawi. It began in 2003/ 2006 and offers both spot and forward contracts. The contracts traded on ACE requires physical delivery of commodities either at the time of trade or at a specified future date. ACE has a diversified shareholder structure that includes grain trading firms, food processors and farmers' associations. The diversified ownership structure is beneficial in terms of building a sector wide confidence in the exchange.[187]

- Due to the farmers' associations having ownership in ACE, small holder farmers producing different commodities aggregated their produce and enlisted them in ACE for swift marketing of their produce.

- ACE assisted in the movement of produce from the small holder farms to warehouses privately owned by individual companies. This warehouse is bonded, insured and has the capacity to

[187] East Africa Grain council,2011

effectively grade commodities. The farmers are also provided warehouse receipts which enable the development of forward contract for commodities.[188]

- The key players (farmers, food processors, etc.) in the commodity market having ownership of Agricultural Commodity Exchange was a critical factor for the success of ACE.

Performance

- The warehouse receipts issued by the facilities has now been allowed as collateral by different banks in Malawi such as First Merchant Bank, National Bank of Malawi and Standard Bank at interest rates that are nearly half the commercial lending rate of Malawi (which is currently at 20%). This fund has also helped in boosting production capacity and export potential for the various commodities owned by the farmers.

- In addition, the acceptance of the exchange by small holder farmers has led to an increase in the development of market centres which has increased access to market from 1 in 2010 to 7 in 2014.[187]

In Nigeria, commodity exchange is currently in its infancy as the only commodity exchange available is AFEX commodity exchange. The exchange was formed with the aim of creating a market where small holder producers of commodities have access to ready market for the sale of their commodities. The company has connections to over 120,000 small holder farmers and own warehouses across 60 locations in 17 states in Nigeria. it also trades in 6 commodities in the country and sits on a huge data base of price information and transactional volumes of commodities in the country. Like other commodity exchanges, AFEX has been successful at aggregating produce from these small holder farmers and storing in their warehouse. However, they focus on small holder farmers who have very close proximity to their warehouses for easy aggregation. After the warehouse aggregation an AFEX broker helps to market the produce from small holder farmers to exporters.[189]

To ensure the continued success of the AFEX commodity exchange, there should be access to good road network to reach remote locations where small holders reside as well as improved technology to ensure commodity exchange activities are continually tracked and managed.

8.2 The Role of Large Corporates and Multinational in Promoting Sustainable Value Chains

This subsection explores the role of large corporates and multinational in promoting sustainable value chains, looking at environmental and labour/contract rights parameters. It also touches on the economic dimension of sustainability.

Poor sustainability performance can hamper the growth of an industry as seen in the case of Indonesia oil palm industry currently battling with EU restrictions due to unsustainable production practices and labour rights abuse.[190] On the other hand, enshrining sustainable and positively reinforcing environmental practices can lead to increased demand and premium payment for produce. Kenya Tea Development Agency

[188] Indaba Agricultural Policy Research Institute, 2014
[189] AFEX commodity exchange
[190] Top Indonesian palm oil developments in 2020

approach of training farmers and supporting relevant sustainable agriculture certification as described in section six is a typical example.

Figure 13 - The sustainable food value chain framework

Food and Agriculture Organisation of the United Nations, Rome 2014

The figure above shows critical elements for a sustainable value chain for any commodity, it's linkage to export, and the interrelationship with the three dimensions of sustainability - economic, societal, and environmental dimensions.

The economic dimension refers to activities at each level in the core value chain segment (production, aggregation, processing, and distribution) to support profitability at that level. Societal dimension relates to equitable "distribution of the benefits and costs associated with the increased value creation." It also covers the impact of these MNCs activities on workers, communities, and the society at large including creating a decent work environment. The last dimension, environmental dimension, entails the impact MNC's activities have on the environment, negatively or positively. It is expected that negative impact is minimised and positive impact should be sustained and reinforced.

In response to the global call to address global warming and adopt sustainable approaches in human and business activities, large corporates and multinational are actively pushing for sustainable practices across their value chain and are adopting different approaches to achieve it. These includes:

- Developing corporate social responsibility (CSR) initiatives to address social or environmental issues; [191]
- Supply-chain sustainability – demanding suppliers to comply with codes of conduct covering social and environmental practices;[192]
- Encouraging sustainable certification or eco-labels for products; and

[191] Tannis Thorlakson, Joann F. de Zegher, Eric F. Lambin, “Sustainability in global supply chains”, Proceedings of the National Academy of Sciences Feb 2018, 115 (9) 2072-2077

[192] Corporate Social Responsibility in Global Value Chains, “Evaluation and monitoring challenges for small and medium sized suppliers in developing countries”, United Nations New York and Geneva 2012

- Fairtrade - trade partnership between firms in developed countries and producers in developing countries which seeks that equitable payment and fair prices are paid to producers for their produce.[193]

Case Study

Blue Skies Incorporation's contribution to the development of Ghana's pineapple value chain

- Blue Skies Incorporation is a fruit processing company established in 1998 through foreign direct investment in Ghana. Most of Blue Skies product are pre-packed and supplied to supermarkets in Europe. Blue Skies grew by scaling its operations in Ghana and by replicating its business model in countries like Brazil, Egypt and South Africa.

- As part of ensuring economic and social sustainability across its supply chain, Blue Skies offered free training, technical support and interest-free loans for inputs and equipment to small-scale farmers. Farmers are also paid unfailing two weeks on delivery of their produce, at an annually agreed price which factors inflation, premiums related to Fairtrade and Ethical Trade Organic certification. In alignment with the Sustainable Development Goal five and eight – gender equality and decent work and economic growth respectively, Blue Skies employs about 1,500 staff with women accounting for 40% of the management team. Staff salaries are also paid at a rate almost four times Ghanaian's minimum wage and staff are provided with a safe and healthy work environment thereby pushing the frontiers of social sustainability in the company.

Blue Skies also adopts environmental sustainability practices to its operations by reducing the negative impact its business has on the environment. Blue Skies ensures environmental sustainability through responsible production by recycling all its food waste.[194]

In Nigeria, two companies were identified during the field research stage of this project that supports sustainability across its value chain. First, AFEX Commodity Exchange. AFEX Commodity Exchange approach is a successful example of ensuring social sustainability across its value chain. PwC identified two approaches employed by AFEX to create a sustainable value chain. This includes only admitting farmers who are 18 years and above to address child labour concerns. Second, ensuring that smallholder farmers are paid as at when due and are compensated adequately for their efforts.

Psaltry International Company Limited, an agro-allied company is another case study in Nigeria. Psaltry approach enables two dimensions of sustainability - economic and environment. Through Psaltry's partnership with British America Tobacco Foundation, cassava farmers were provided with funds, farming inputs and trained to employ good agronomic practices.

Economic sustainability is made possible through the provision of finance and farming inputs to improve yield, productivity, increase farmers' income, and profitability. The trainings help the farmers to apply good agronomic practices that both boost yield and safe the environment by safeguarding the health of the farming land for future generations.

[193] World Fair Trade Organisation
[194] Food and Agriculture Organisation of the United Nations, "Developing Sustainable Food Value Chain", Rome 2014

Having reviewed various models for commodity aggregation and their adaptability for Nigeria, the subsequent section recommends models for the commodity aggregation specific for 5 of the 10 commodities discussed in section 5.

9 Recommended Models for MSME Commodity Aggregation

This section addresses ToR project scope five (5) which seeks to *propose specific models for aggregation of MSMEs along the top 5 commodities with significant export potential value chains, critically assess value chain gaps and requirements for export. Each proposed model of aggregation should include a blueprint for implementation (including associated costs).*

The section commences with a sub-section which highlights the quantitative and qualitative criteria employed in shortlisting the top 5 commodities from the list of 10 commodities identified in section 5. The subsequent 5 sub-sections discuss each of the five shortlisted commodities providing a brief overview of each commodity and their value chain gaps and proposes models for aggregating commodities in order to promote export supply response capacity and market accessibility.

For each value chain, the current aggregation model in use is discussed and based on the challenges identified in the existing model, new models or improvements to existing models are proposed, drawing on the successful approaches discussed in section 5. The rationale, implementation and benefits of each model proposed are vividly highlighted.

It is pertinent to note that the learnings from majority of the interviews and discussions held with respect to this project were used in developing the blueprint for the proposed aggregation models. Also, given the qualitative nature of the information available, we were unable to reliably estimate costs for implementation.

The section concludes with remarks on the success factors critical for the proposed models to be successful and recommendations on building capacity in line with the success factors. These critical success factors and recommendations are based on learnings from section 6 of the report as well.

9.1 Criteria for Shortlist

The AfCFTA impact and readiness report identified 35 priority products which align with Africa's top 20 imports as well as 5 service sectors under the AfCFTA Phase I agreement. Some work has been done on section 6 of this report to streamline the initial 35 priority products down to 10 products using quantitative and qualitative criteria. The 10 shortlisted products are further streamlined to 5 commodity products in this subsection.

Selection criteria for the 5 commodity products

Africa import of the commodities This criterion includes the value of the commodities that are imported by African countries.

Product with significant export potential: This is derived by multiplying supply, demand (corrected for market access) and bilateral ease of trade. The supply and demand are projected into the future based on GDP, population forecast, demand elasticities and forward-looking tariffs. The estimated value serves as a benchmark for comparison to actual exports. It is important to note that the actual trade value can be below or above the potential value.

Nigeria's export to Africa: This includes the value of commodities that are exported to Africa from Nigeria.

Nigeria total global export: This represents the value of commodities that are exported to the world by Nigeria.

Based on the criteria identified above the data for the 10 products are:

Table 18 - Shortlisting Matrix to Determine Top 5 Commodities

Commodities	Africa import of the commodities ($ million)	Products with significant export potential ($ million)	Nigeria's export to Africa ($ million)	Nigeria's total global export ($ million)
Cocoa	37.2	8.6	0.0	724.6
Oil palm	3,900.0	1.7	0.04	0.5
Cashew	46.0	0.5	0.0	23.0
Sesame	158.7	9.4	3.50	292.6
Soya beans	882.1	0.1	0.3	15.0
Rubber	18.4	0.3	0.0	5.9
Fishery	4.2	0.0	0.0	49.6
Rice	6.7	0.0	0.0	0.0
Cotton	0.4	0.2	0.7	12.3
Cassava	6.2	0.0	0.0	0.0

Source: International Trade centre database- Export potential map

The products were then separated based on the top 5 leaders for each of the criteria.

Table 19 - Top 5 Commodities per Criterion

S/N	Africa import of the commodities ($ million)	Products with significant export potential in Africa ($ million)	Nigeria's export to Africa ($ million)	Nigeria's total global export ($ million)
1	Oil palm	Sesame	Sesame	Cocoa
2	Soya beans	Cocoa	Cotton	Sesame
3	Sesame	Oil palm	Soya beans	Fishery
4	Cashew	Cashew	Oil palm	Soya beans
5	Cocoa	Rubber	Cashew	Cashew

The final 5 products were selected based on the products that reoccurred at least in **TWO criteria**. The final 5 products include **Oil palm, Soybean, Sesame, Cocoa, Cashew.**

The following factors were considered and influenced the choice of proposed aggregation models for the top 5 commodities. Learnings from the successful aggregation models across the world, current challenges encountered in each commodity value chain and the challenges with the current aggregation models, suggestions from commodity associations during stakeholder engagement and the ease of applicability and implementation of aggregation model.

9.2 Recommended Aggregation Model for Oil Palm

9.2.1 Overview

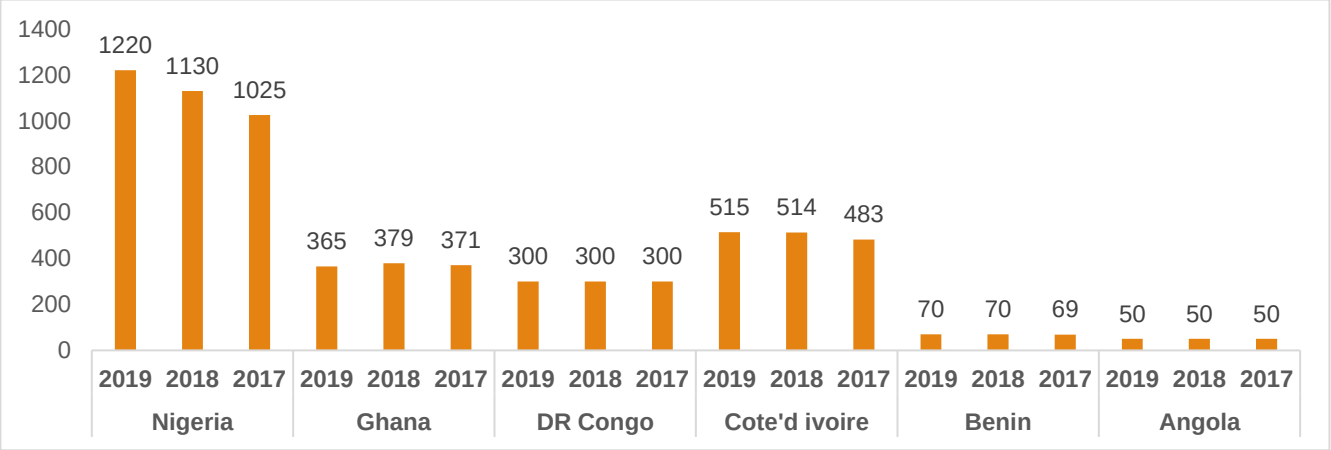
Oil palm is one of the most consumed agricultural products in the world. Two main varieties of oil are extracted from oil palm seeds - crude palm oil (CPO) and palm kernel oil (PKO), although, the nut is used in producing palm kernel cake (PKC) – which is further used for preparing cattle feed or for generating electricity. In 1960, Nigeria was the largest oil palm producer with a global market share of 43%. Currently, Nigeria is the 5th largest producer of oil palm but with less than 2% of total global market production.[195] Malaysia and Indonesia top the list of producers in the world and are responsible for ~85% of global trade.[196]

Oil palm is widely grown in West Africa, Central Africa, South East Asia, South America, and Central America alike.[197] Oil palm production stood at 730 million MT in the year 2000 with a negative growth rate of 3.95% but production capacity reached its all-time highest value of 1,025 thousand MT in 2017, with a growth rate of 3.54%. Currently, in Africa, Nigeria is the largest oil palm producer when compared to other African countries with production levels of 1,220 thousand MT recorded in 2019.[198] According to the Federal Ministry of Trade and Investment, Nigeria plans to invest ~180 billion Naira to increase palm oil production by

[195] PwC Report, 2019, X-raying the Nigerian palm oil sector
[196] https://www.vanguardngr.com/2020/09/why-nigeria-should-reclaim-its-position-in-palm-oil-production/
[197] https://pindfoundation.org/project/palm-oil-value-chain-project/
[198] United State Department of Agriculture database, 2020

8-fold by 2027. This investment would see the doubling of oil palm acreage and aims to meet all the country's domestic demand while producing excess for export.

Figure 14 - Oil Palm Production for Selected African Countries ('000 MT)

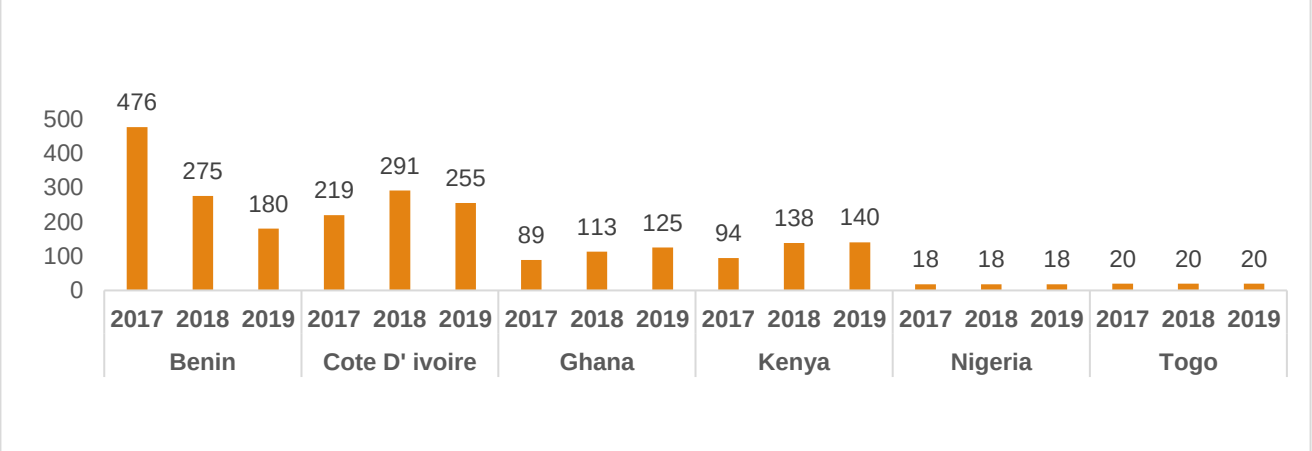


USDA Data base,2020

Approximately 85% of oil palm farming / production is carried out by small holder farmers, spread across the country and operating at different capacity levels.

Despite Nigeria been the largest producer of oil palm in Africa, the country is not among the top 5 exporters of the product. This is evident by the country exporting only 18,000MT in 2019 a low figure when compared to other top African exporting countries like Cote D'ivoire (255,000 MT) and Benin (180,000MT).

Figure 15 - Top 6 Oil Palm Exporting Countries in Africa ('000 MT)



USDA Data base, 2020

The low export value is largely attributed to different factors. These includes inefficient processing techniques, presence of large plantation with low yields, inability to access adequate infrastructure amongst others.

The demand for oil palm in Africa has continually increased. This is apparent by the world highest per capital oil palm consumptions been recorded in Africa. For example, "in 2018 the highest palm oil per capital consumption was registered in Djibouti (431kg per person) followed by Togo (40kg per person), Ghana (18kg per person) and Kenya (14kg per person), while the world average per capita consumption of palm oil was estimated at 7.09 kg per person".[199] In addition, the countries with the highest volumes of oil palm

[199] Global Trade, 2020

consumption in Africa for 2020 were Nigeria (1.4 million MT), Egypt, (1.2 million MT) and Kenya (830,000 MT) representing over 30% of total consumption making the countries be integral in the demand for oil palm in Africa.[199]

Nigeria's huge production level is an indication of its potential to meet its growing demand and become a net exporter of oil palm. However, this can only be achieved where significant efforts are made to consciously increase domestic production.

9.2.2 Value Chain Gap

Oil palm is of strategic importance as it is used in the production of more than half of the products sold in supermarkets globally. However, from being one of the leading exporters of crude palm oil in the 1960s, Nigeria is now a net importer. Below are some of the gaps identified in the oil palm value chain.

Infrastructure: The required quality of palm oil with low fatty acid content is not being attained by farmers because they lack the necessary technologies for wholesome planting, land clearing and for processing. The epileptic power supply in the country also makes storage of oil palm difficult for farmers.

Farming inputs: The production of seeds/seedlings is very expensive and time consuming. Hence, unsuspecting and ignorant farmers buy adulterated seeds/seedlings, and this poses a challenge to the quantity and quality of the produce. Large production of oil palm requires ownership of estates; however, small holder farmers have little access to lands and in most cases incur high cost of rental charges on land for plantation.

Financing: Oil palm is a highly capital-intensive venture and smallholder farmers have challenges in accessing funds due to stringent conditions and collateral requirements which do not favour them.

Aggregation: Oil palm MSMEs currently aggregate their produce by selling individually to local companies for local consumption and export. The challenge with this model is that the oil palm produced by the farmers is of very poor quality (contains fatty acid). This has led to a reduction in export potential from MSMEs. This challenge can be attributed to the lack of knowledge sharing between the farmers as a result of working individually.

Discussions with the National Palm Produce Association of Nigeria revealed that MSMEs are struggling to meet local demand and this limits their ability to play in the export market as most MSMEs produce to meet local demand.

9.2.3 Proposed Aggregation Model

In a bid to boost Nigeria's oil palm export capacity to meet the growing demand for oil palm in Africa, efforts aimed at encouraging increased production and yield, seamless product aggregation, and effective product logistics flow are required. Below are recommendations on practical models that can be employed to boost oil palm aggregation in preparedness for the export market.

Table 20 - Recommended Aggregation Model for Oil Palm

Current Aggregation Model	Challenges	Proposed Aggregation Model / Rationale	Benefit
• The current model involves oil palm MSMEs	• The oil palm produced by the farmers is of very poor quality	**Proposed Aggregation Model** • The proposed model to foster MSME aggregation in preparedness for export is a **hybrid model which involves the combination of the off-taker model**	• MSMEs will experience an increase in revenue due to the sharing of

selling their produce as individuals to local companies for local consumption or export	(contains fatty acid) which has led to a reduction in export potential from MSMEs • Discussions with the National Palm Produce Association of Nigeria revealed MSMEs are struggling to meet local demand and this limits their ability to play in the export market as most MSMEs produce to meet local demand.	**and the integration model** which will entail a contractual agreement between off takers and oil palm MSMEs as well as mutually beneficial agreements with large corporates. **Rationale for Proposed Model** • The hybrid model chosen is as a result of the challenges faced with the current model utilised for aggregation. • The hybrid model has been identified as best suited to bridge the quality gap experienced by oil palm MSMEs in preparation for export as well provide a suitable means of ensuring that produce is aggregated in the best possible way for the export market. **Description of Proposed Model** • The integration model aspect will involve the vertical linkage approach which will entail large corporates and multinationals sourcing produce from oil palm MSMEs for further processing to sell in the export market. • The large corporate will identify individuals or group oil palm MSMEs which they will have an agreement with to integrate them into their value chain. • Due to the commitment by the large corporates, oil palm MSMEs will receive the necessary support which will in turn help to boost the quality of their products, thereby meeting the necessary criteria for acceptance by the large corporates and export market. • The oil palm MSMEs will then have agreements with off takers who could comprise of private owned companies and government owned institutions. The agreement will clearly elaborate on the responsible parties with regards to aggregation produce and moving them to an agreed collection point. • The off takers will handle all the supplementary product activities such as warehousing and logistics where they can partner with a logistic company to aggregate all the oil palm produce from the various collection points to the large corporates for further processing or/and get them to the shipping line for exportation.	aggregation cost being handled by the off takers and the oil palm MSMEs • MSMEs will have access to knowledge on improving production, production capacity and quality of produce due to partnership with large corporates • MSMEs will also experience growth in sales and potential profit margin due to the contractual agreement off-takers. •

9.3 Recommended Aggregation Model for Soybeans

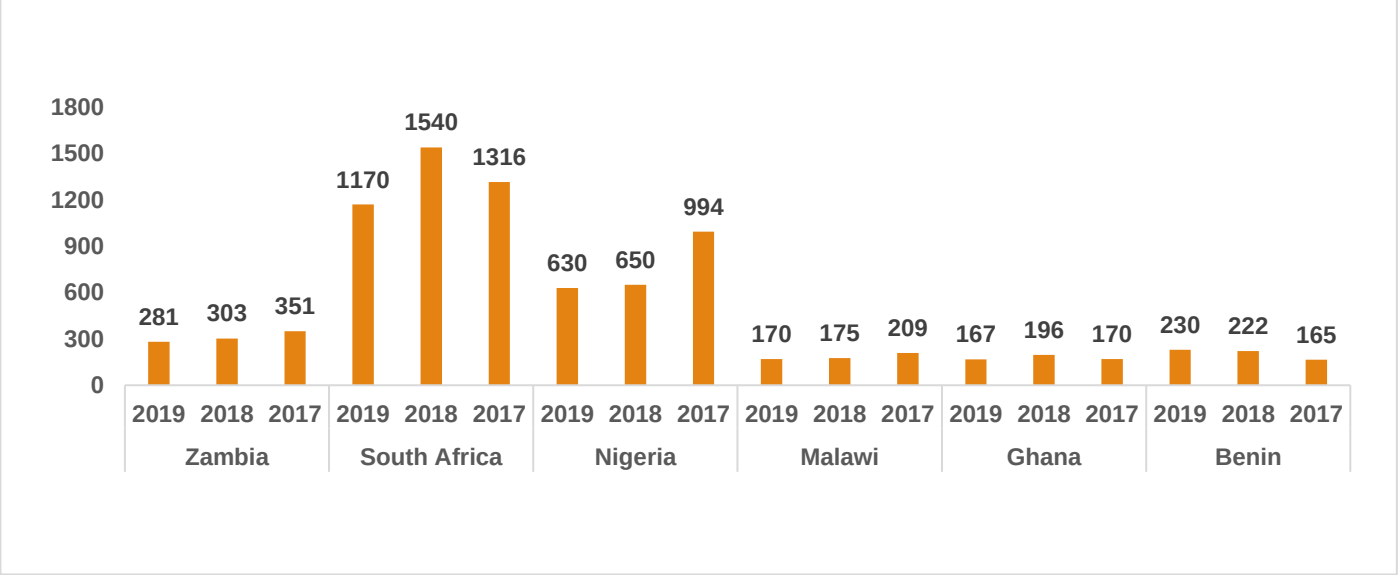
9.3.1 Overview

Soya bean is on the major food and industrial crop grown in every continent. Soya bean have been described as an excellent source of high-quality protein with low saturated fat, no cholesterol, and a great amount of dietary fibre, making it the best dietary choice to reduce the risk of cardiovascular diseases. There is also a growing market for human consumption of processed soy in forms such as corn-soy blend that offer a low-cost source of protein.[200]

The United States is the top producing country for Soya bean followed by Brazil and Argentina in 2019. The three countries combine to provide over 81% of global soybean supply.[201]

In the context of the global soya bean industry, Africa remains a small player, with total African production accounting for less than 0.7% of the global production in 2019. Soya bean is mostly produced by smallholder farmers in Sub-Saharan Africa as the farmers account for over 90% of total production. South Africa is the largest producer with 1,170 thousand MT in 2019 followed by Nigeria and Zambia with 630 thousand MT and 281 thousand MT respectively.

Figure 16 - Top 6 Soya bean Producing Countries in Africa ('000 MT)

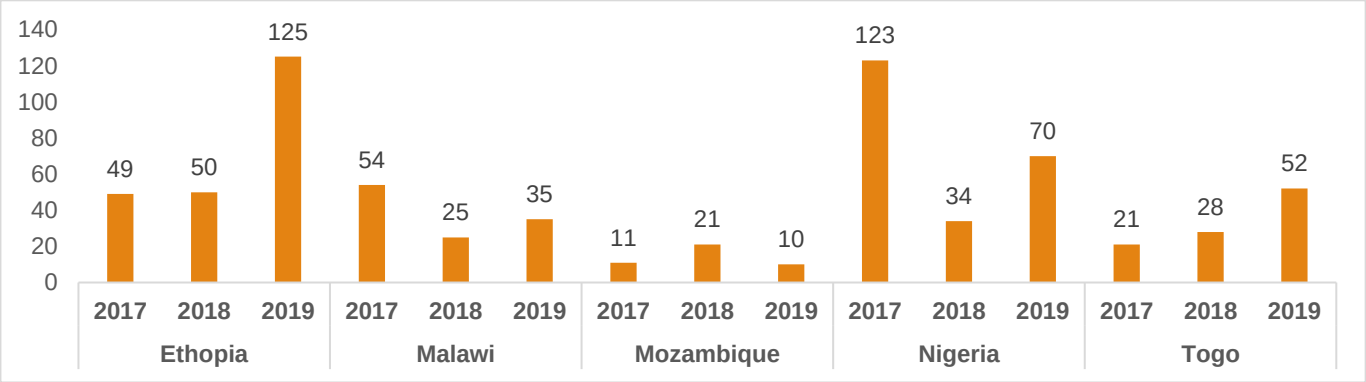


FAO STAT Data base, 2020

Nigeria is one of the largest exporters of soya bean in Africa. For example, the country exported about 70,000 tonnes of soya bean which was the most in Africa only behind Ethiopia who exported 125,000 MT of soya bean. In 2017, Nigeria was the largest exporter of soya bean. However, the soya bean quantity exported from Nigeria dropped as a result of the increase in negative quality perception of the product from the country such as the high content of aflatoxin, high presence of foreign matter, excessive dryness and many more.[202]

[200] African Center for Economic Transformation,2018
[201] UN FAO,2019
[202] Olam Nigeria Report, 2018

Figure 17 - Top 5 Soya bean Exporting Countries in Africa ('000 MT)



FAO STAT Data base,2020

The demand for soya bean in Africa is high as seen by Africa consumption accounting for nearly 20% of soya beans produced in the world. Similarly, the demand for the product has also grown as seen by the increase in the import quantity and value of the product into Africa from 4.3 million tonnes (USD 1.7 billion) in 2018 to 5.1 million tonnes (USD 2.1 billion) in 2019.

The high production and export level in Nigeria present an opportunity to continuously meet the growing demand for soya bean in Africa. However, this can only be achieved when significant efforts are made to consciously improve the quality of the produce.

9.3.2 Value Chain Gap

The soya bean value chain in Nigeria is dominated by small farmers, household processors, artisanal processors, industrial processors, soya bean traders, intermediate traders and large-scale traders. The soya bean value chain however suffers some challenges which affect the quality and quantity of production. Some of the value chain gaps include:

Infrastructure: The absence of mechanization, insufficient storage facilities such as silos and poor road network that links farms to market result in high post-harvest losses for soya bean farmers.

Farming inputs: The use of low yield seedlings by small holder farmers poses a challenge to the quantity and quality of the produce.

Financing: Inadequate investment and funding in soya bean production. More funding is required to boost production.

Aggregation: Currently, private companies send agents to move across field of individual soya bean MSMEs and purchase soya bean produce. Discussion with the Soya bean Association of Nigeria revealed that there is an increase in illegal exportation (exportation through the improper channels) due to individuals working in isolation and setting their own standard and structures.

9.3.3 Proposed Aggregation Model

Table 21 - Recommended Aggregation Model for Soya beans

Current Aggregation Model	Challenges	Proposed Aggregation Model / Rationale	Benefit
• Currently, private	• Discussion with the Soya Bean	**Proposed Aggregation Model**	• The cluster system will

companies send agents to move across field of individual soya bean MSMEs and purchase soya bean produce	Association of Nigeria revealed that there is an Increase in illegal exportation (exportation through the improper channels) due to individuals working in isolation and setting their own standard and structures.	• The proposed model for aggregation of MSMEs in preparedness for export is the **Cluster development model**. **Rationale for Proposed Model** • The cluster model has been identified as the most suitable model to ensure farmers are aggregated and to reduce the challenges with farmers running individually for export. **Description of Aggregation Model** • The soya bean MSMEs would be divided into clusters and properly identified as a member of the cluster with a cluster head overseeing all the activities of the cluster. • MSMEs soya bean produce will be aggregated by the cluster head to a collation centre where it will be sold from, for both local consumption and export.	cause soya bean MSMEs to share knowledge and information on farming practices, market pricing, etc which will influence their ability to play in the export market. • There is a reduction in illegal export as all MSMEs will belong to a cluster and work within the operations of that cluster.

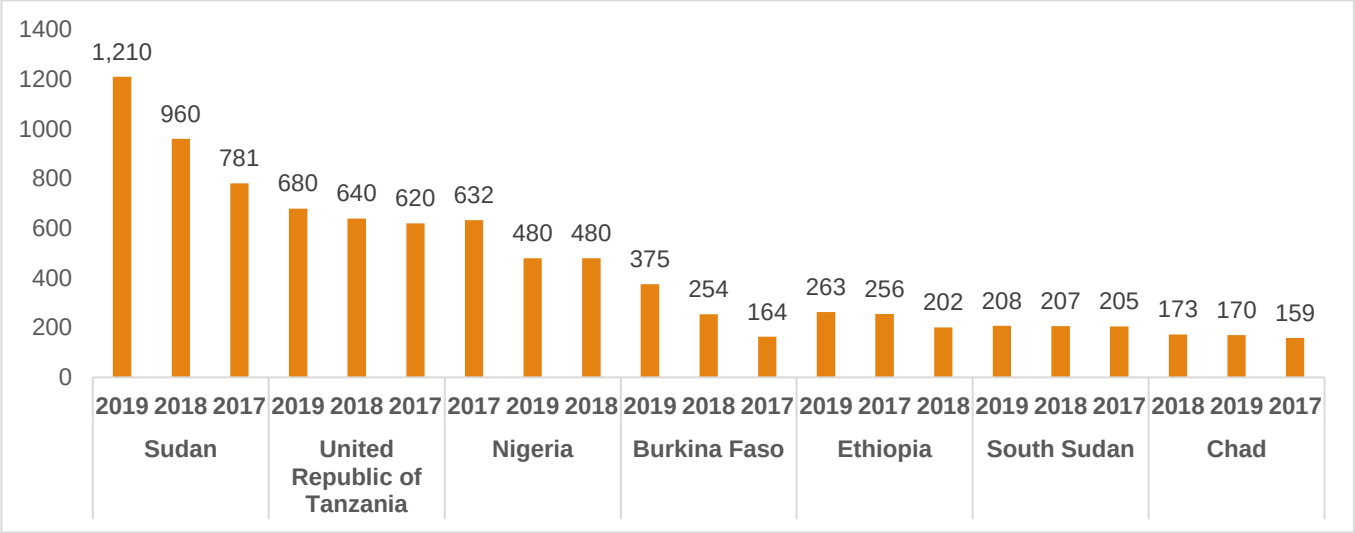
9.4 Recommended Aggregation Model for Sesame

9.4.1 Overview

Sesame seed is one of the oldest oilseed crops domesticated well over 3000 years ago, Sesame seeds production has on a yearly increase along with its demand. Sesamum has many other species, most being wild and native to Sub-Saharan Africa. Sesamun indicum, the cultivated type, originated in India and is tolerant to drought-like conditions, growing where other crops fail. The edible oilseeds come in an assorted range of white, black & brown and are one of the most favoured crops to farmers for its resistance to withstand unfavourable weather conditions & grow with minimum attention. The product is mainly produced in southern Asia and Africa. China and India accounting for approximately 24% of global production.

In Africa, sesame is known as one of the most popular produce in Africa. It is often called the “survivor plant” due to its ability to resist drought where other crops have failed, use less funding in cultivation and consume little input materials. Sesame production in Africa accounts for over 40% of the world’s sesame seed production. Sudan is the top producer of sesame with 1.2 million MT in 2019 followed by Tanzania and Nigeria with 680,000 MT and 480,000 MT respectively.

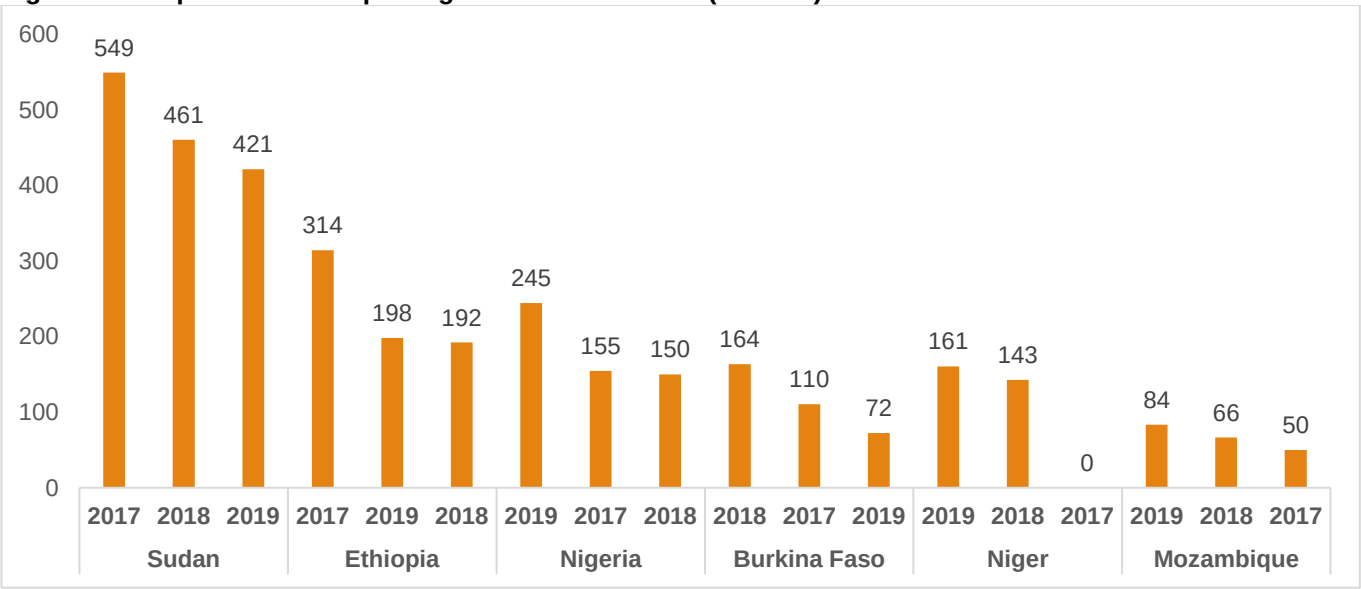
Figure 18 - Top 7 Sesame Producing Countries in Africa ('000 MT)



FAO STAT Data base, 2020

In terms of export, Sudan is ranked as the top exporter of sesame with 421,000 MT in 2019 followed by Nigeria with 245,000 MT and Ethiopia with 198,000 MT over the same period. The growth in sesame exportation in Nigeria has been attributed to the presence of an existing market in countries which are major importers like China, Turkey, Japan, India and many more. Also, 40% of the sesame produced in Nigeria has been exported at an incremental growth rate of 3% per year.

Figure 19 - Top 6 Sesame Exporting Countries in Africa ('000 MT)



FAO STAT Data base, 2020

The demand of sesame in Africa continues to increase due to the immense benefit that can be derived from the product. This demand has led to an increase in the import value of the product within Africa from USD 88.8 million in 2017 to USD158.7 million in 2019.

Owing to the increasing level of production and export in Nigeria, the country is well placed to meet demands for sesame in Africa. However, growth in meeting the demand can only be achieved when some critical success factors have been met. The factors include improvement of transport infrastructure to move inputs for production to farms and harvested produce to the export market amongst others.

9.4.2 Value Chain Gap

The sesame value chain in Nigeria consists of small farmers, household processors, seed merchants, industrial processors, intermediate traders and large-scale traders. The sesame value chain however suffers some challenges which affect the quality and quantity of production. Some of the value chain gaps include:

Infrastructure: Smallholder farmers lack the necessary technologies for wholesome planting, land clearing and for processing. The epileptic power supply in the country makes storage difficult for sesame farmers.

Farming inputs: The production of sesame seeds/seedlings is very expensive and time consuming. Hence, unsuspecting and ignorant farmers buy adulterated seeds/seedlings, and this poses a challenge to the quantity and quality of the produce.

Financing: Sesame is a highly capital-intensive venture and smallholders have challenges in accessing the funds due to stringent conditions which do not favour them.

Aggregation: The current model of aggregation employed by sesame farmers is the off-taker model. Here aggregators buy farm produce directly from farmers. These aggregators then sell either to another set of aggregators for export or to processors.

The model has been successful as evident by the growing export of sesame in Nigeria. However, a few challenges were discovered from the interview with the National Sesame Seed Association of Nigeria. Farmers employ an individualistic approach which increase cost for aggregators. Aggregators then push for cheaper prices to minimise transport cost. This puts pressure on farmers to reduce prices, which affects profit margin. Farmers do not have the logistics capabilities to deliver farm produce to end users.

9.4.3 Proposed Aggregation Model

Table 22 - Recommended Aggregation Model for Sesame

Current Aggregation Model	Challenges	Proposed Aggregation Model / Rationale	Benefit
• The current model employed is the off-taker model. • Here aggregators buy farm produce directly from farmers. These aggregators then sell either to	• The model has been successful as evident by the growing export of sesame in Nigeria. • However, a few challenges were discovered from the interview with the National Sesame Seed	**Proposed Aggregation Model** • In addition to the current **off-taker model, a hybrid, which will include the cluster model** and **integration model is** suggested. **Rationale for Proposed Model** • Kano State is a trading hub for sesame seeds in Nigeria due to the availability of warehouses. These warehouses currently serve as an intermediary aggregation point (off-taker) for farmers. These warehouses then provide buyers as well as parties interested in exports with farm produce. This model has	• These addresses the current individualistic and unstructured approach being applied in aggregation. • Address storage concerns and provide a readily available market for MSMEs (hybrid 1). • MSMEs revenue would increase,

another set of aggregators for export or to processors.	Association of Nigeria. • Farmers employ an individualistic approach which increase cost for aggregators. Aggregators then push for cheaper prices to minimise transport cost. This puts pressure on farmers to reduce prices, which affects profit margin. • Farmers do not have the logistics capabilities to deliver farm produce to end users.	achieved some degree of traction and success. As a result, optimising, structuring, and replicating these successes across the 22 states actively engaged in sesame production is recommended. • Cluster model is proposed to serve as both a cost reduction incentive for aggregators while farmers benefit from economies of scale and bulk selling. • Integration model is also recommended to address logistics concerns. **Description of Proposed Model** • First, MSMEs form clusters. Then, MSMEs sell to off-takers or large corporations (through integration) • Hybrid 1: Cluster-Off-Taker-Integration Model: This is more suited for **clusters without logistics capabilities and are not integrated into large corporations' value chain.** However, the off-takers would have an existing relationship and agreement with a large corporations or multinational company. The off-takers could comprise of private owned companies and government owned institutions. • MSMEs form clusters based on their location, etc. Each cluster has an agreement with an off-taker that buys the farm produce. Off-takers sell to large corporations and multinational companies. • The off-takers will handle all the supplementary product activities such as warehousing and logistics and get these farm produce to the shipping line for exportation and to the large corporates.	with MSMEs using hybrid 2 model expected to experience higher gains per transaction than those using hybrid 1. • MSMEs would be integrated into the large corporates/ multinationals value chain. • MSMEs will have access to knowledge on improving production, production capacity and quality of produce from large corporations.

		• Hybrid 2: **Cluster-Integration Model:** This is more suited for **clusters with good storage/warehousing facilities and are integrated into large corporations' value chain** such that there is no need for an off-taker. • MSMEs clusters sign an agreement for regular supply to the large corporations and get a cost advantage as opposed to delivering the produce individually or going through an off-taker. • These large corporates/ multinational bear or share logistics cost with MSMEs.	

9.5 Recommended Aggregation Model for Cashew

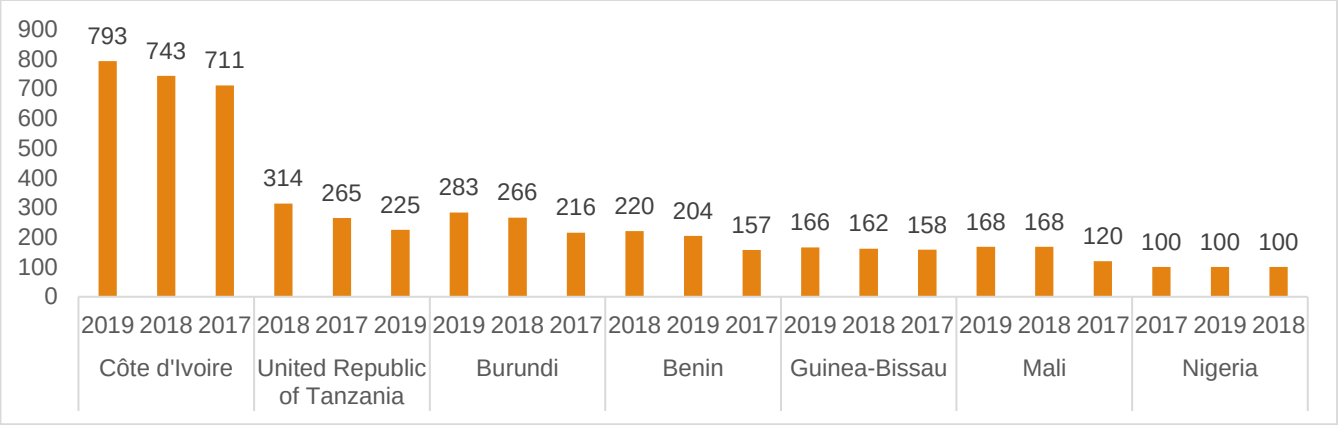
9.5.1 Overview

Cashew nut is made up of a fruit in which the kernel is embedded. The real fruit of the cashew is commonly a nut. It is a kidney- or heart-shaped achene, in any normal variety. Its colour varies from bottle green to greyish brown (dried fruit). It is globally one of the most popular tree nuts and is eaten as a snack or incorporated as an ingredient in a variety of foods. Cashew ranks third in the international tree nut trade with over 20% of the market.[203] The crop is grown mainly in India, Ivory Coast, Brazil and Vietnam. Globally, the cashew market is anticipated to grow at a Compound Annual Growth Rate (CAGR) of 4.6%.

Among all the cashew producing nations, Africa countries contributes about 56% of global production with two million farmers while Asian countries contributing 44% in 2019.[204] The market for cashews in Africa is estimated to witness a CAGR of 4.5% in terms of production between 2020-2025. Côte d'Ivoire is the highest producer of cashew with 793,000 MT in 2019 followed by Tanzania and Burundi with 314,000 MT and 283,000 MT respectively in same period. Nigeria is not among the top 5 producers as the country only produces 100,000 MT.

[203] Science direct, 2020
[204] Modor Intelligence report, 2019

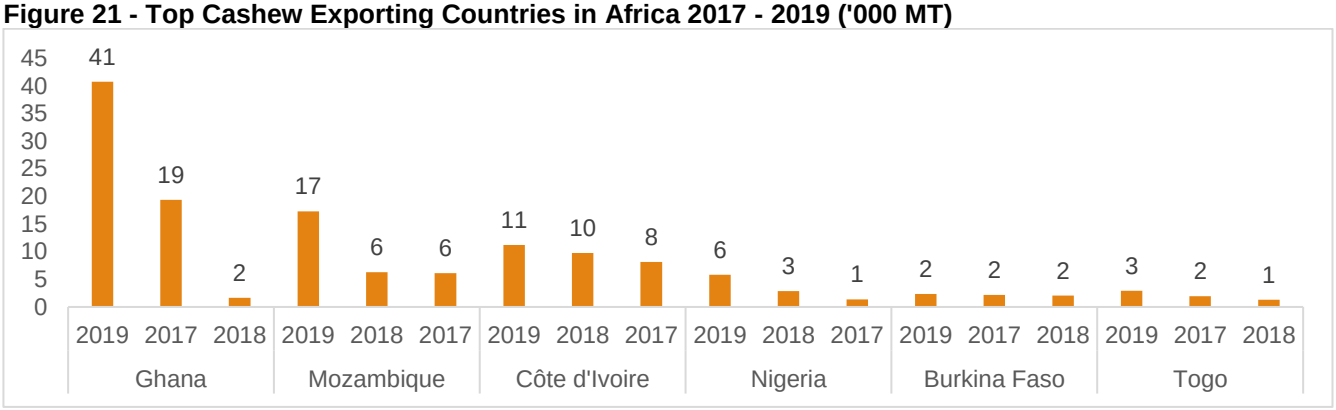
Figure 20 - Cashew Production for Selected African Countries (‘000 MT)



FAO STAT Data base, 2020

In terms of export, Ghana had the highest ranking with 41,000 MT followed by Mozambique with 17,000 MT and Côte d’Ivoire with 11,000 MT in 2019. Nigeria only exported 5,000 MT in 2019 making it the fourth largest exporter in Africa. The low export in the country could be attributed to financing, infrastructure and input issues faced by small holder farmers who need to push the product to the market.

Figure 21 - Top Cashew Exporting Countries in Africa 2017 - 2019 ('000 MT)



FAO STAT Data base,2020

The demand for cashew in Africa is increasing due to the various aspects of the produce been marketable such as the shelled cashew, unshelled cashew, etc. The increase in demand is evident by the increase in import of the product in Africa from USD 40.9 million in 2016 to USD 46 million in 2019.

Nigeria in other to meet the demand for cashew in Africa needs to scale up its production activities. This can be achieved by reducing all bottle necks experienced by smallholder farmers e.g. poor seedling, access to land and many others.

9.5.2 Value Chain Gap

The cashew value chain in Nigeria is dominated by smallholder farmers and cooperative society producers. There are six main actors in the value chain- the producers, processors, industrial processors, wholesale traders/transporters, retailers, and consumers.

Infrastructure: Inadequate storage and distribution facilities coupled with poor logistics challenges result in huge losses to farmers.

Farming inputs: The continuous use of old varieties of cashew by farmers has significantly led to a reduction in productivity. Most cashew MSMEs are old farmers have not adopted mechanized farming and

still use basic farm implements such as cutlasses and hoes. The old age of most trees also limits cashew nut production.

Financing: Cashew farmers experience difficulty in accessing credit facilities due to the high cost of credit facilities and its rigorous requirements. The facilities available to cashew farmers should be unique due to the growing and maturing process of cashew trees, as most facilities available are for very short tenures.

Aggregation: The National Cashew Association of Nigeria (NCAN) is vertically integrated comprising of growers, processors, and exporters. As a result, MSMEs can easily access off-takers or interested exporters. The off-taker model is currently being employed in the aggregation of cashew. NCAN actively supports and promotes export potential development of its members. However, NCAN has identified logistics, storage, and port delays as three major export barriers.

9.5.3 Proposed Aggregation Model

Table 23 - Recommended Aggregation Model for Cashew

Current Aggregation Model	Challenges	Proposed Aggregation Model / Rationale	Benefit
• The National Cashew Association of Nigeria (NCAN) is vertically integrated comprising of growers, processors, and exporters. • As a result, MSMEs can easily access off-takers or interested exporters. The off-taker model is being employed.	• NCAN actively supports and promotes export potential development of its members. • However, NCAN has identified logistics, storage, and port delays as three major export barriers.	**Proposed Aggregation Model** • The proposed model to foster MSME aggregation in preparedness for export will be **an optimisation of the current off-taker model and the addition of the integration model.** **Rationale for Proposed Model** • Nigeria is one of the leading producers and exporters of cashew globally. This speaks to some measure of success across the cashew value chain. As a result, building on current strengths and optimising to address off-taker and exporters challenges could lead to further gains. • More off-takers, who would invest in building storage facilities are required. • The integration model is suggested to help reduce the negative impact of poor logistics in the cashew value chain. • Producer model is an option but was not suggested because NCAN do not currently engage in aggregation.	• Addresses the logistics and storage challenges aimed at improving exports. • MSMEs integration into large corporates and multinational companies' supply chain. • Knowledge transfer from large corporates to MSMEs. • Market access and growth in profit for MSMEs.

		Investment in infrastructure, restructuring, and overcoming trust issues and other anthropological factors would be required for the producer model to operate and be effective. **Description of Proposed Model** • Off-takers invest in building storage facilities and developing logistics competencies. This can be enabled by government policies, regulations, or incentives. • The integration model aspect will involve the vertical linkage approach which will entail large corporates and multinationals sourcing their products from either the off-takers or MSMEs. • Large corporates and multinational invest in value chain activities such as warehousing and logistics. • Also, these large corporates can establish buying centres that purchase farm produce from MSMEs and transport these produce to the factories. These buying centres are operated by the large corporates and not third-party aggregators.	

9.6 Recommended Aggregation Model for Cocoa

9.6.1 Overview

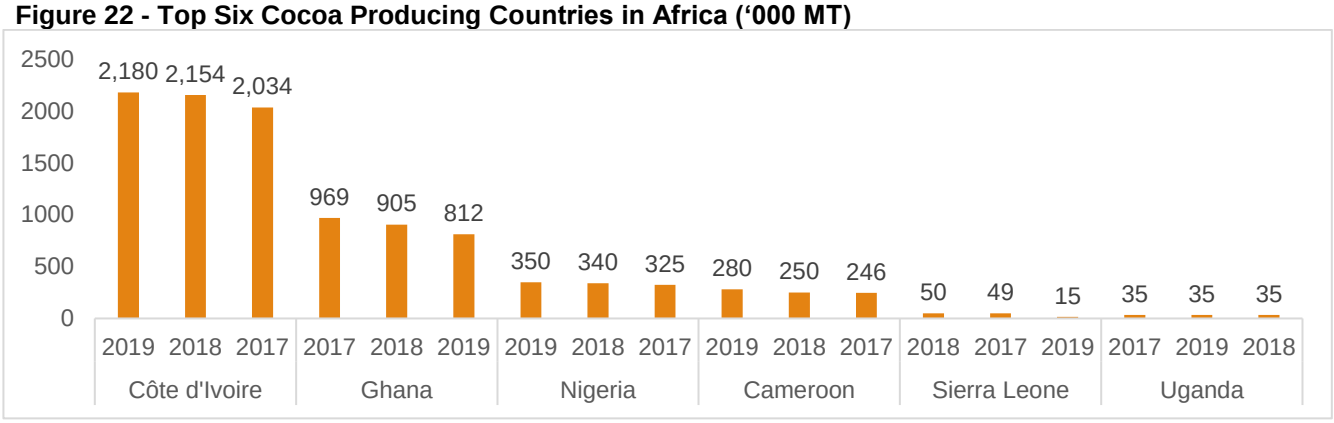
Cocoa is one of the major products that is of importance to both producing and consuming countries worldwide. It has become an important ingredient in the confectionery, food and beverage industries, and, more recently, in the pharmaceutical and cosmetics industries. Globally, cocoa is produced by over 6 million farmers, contributing to the livelihood of 40 - 50 million people. In 2019 the global cocoa market size was USD 24.5 million. It is expected to reach USD 29.5 million by 2025.

In terms of production, Africa is responsible for over 70%, followed by America and Asia with 16% and 11% respectively.[205]

[205] UNCTAD, 2018

Côte d'Ivoire is the largest producer of cocoa in Africa with 2,180 thousand MT in 2019 followed by Ghana with 812 thousand MT and Nigeria with 350 thousand MT in the same period. In Côte d'Ivoire and Ghana, 90% of the farmers rely on cocoa for their primary income.

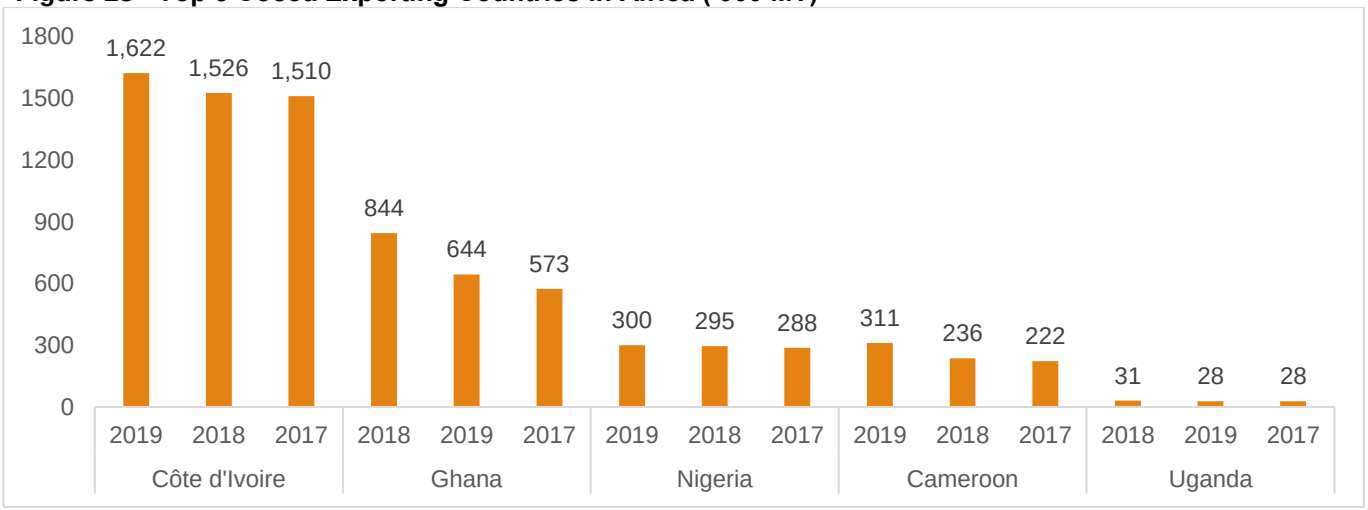
Figure 22 - Top Six Cocoa Producing Countries in Africa ('000 MT)



FAO STAT Data base, 2020

In terms of export, Nigeria ranks as the 3rd largest exporter of cocoa in Africa with 300,000 MT in 2019 only behind Côte d'Ivoire and Ghana with 1.6 million MT and 644,000 MT respectively. Nigeria main export destinations for cocoa in 2019 included Netherlands (43 percent - USD109 million), Germany (18.3 percent - USD 45 million), Indonesia (11.9 percent - USD 29 million), Belgium (11.2 percent - USD27 million), and Malaysia (6.2 percent - USD15.5 million) among others.

Figure 23 - Top 5 Cocoa Exporting Countries in Africa ('000 MT)



FAO STAT Data base,2020

The current export capacity level in Nigeria has been attributed to salient issues such as access to finance, neglect of extension services, low quality seedlings and many more.

The demand for cocoa in Africa has steadily increased due to the versatility of the product in different sectors such as the food, beverage and cosmetic sectors. This demand has led Africa's import value of cocoa related products to increase. For example, the import of cocoa bean in Africa has grown from 8,209 tonnes in 2017 to 11,693 tonnes in 2019.[206] .

Nigeria's huge production and exportation level is an indication of its potential to meet its growing demand and become the leading exporter of cocoa. However, this can only be achieved where significant efforts are made to consciously increase domestic production.

[206] International Trade Statistics

9.6.2 Value Chain Gap

The Nigerian cocoa value chain includes small and medium scale farmers, local buying agents, cooperatives, merchants, processors and few local manufacturing firms that produce beverages. The cocoa value chain continues to experience robust relationship between stakeholders as they move products from the farms to the markets for local supply and subsequently for exporting. However, the value chain suffers some gaps which militate against productivity and profitability of the cocoa industry. These gaps include:

Infrastructure: Nigeria is making little money from cocoa as it fails to turn it into chocolates which will contribute more to the country's economic development and GDP growth, this is due to the limited availability of domestic processing facilities for cocoa in the country, hence the bulk of cocoa produced are exported to countries such as Netherlands, Germany etc.

Farming inputs: The continuous use of old varieties of cocoa by farmers has significantly led to a reduction in productivity. Most cocoa MSMEs are old farmers have not adopted mechanized farming and still use basic farm implements such as cutlasses and hoes. Also, fertilisers and chemicals such as herbicides and pesticides for killing weeds and common pest of cocoa are expensive for local farmers to afford.

Financing: Cocoa farmers experience difficulty in accessing credit facilities due to the high cost of credit facilities and its rigorous requirements.

Standardization of outputs: The cocoa beans which are sold to licensed buying agents by farmers for manual processing and removal of contaminates have been said to contain lots of contaminants which do not meet the standards of buyers and processors.

Weather & Climate: Unfavourable weather conditions such as flooding, and draught has also led to a negative impact on cocoa production and export quantity.

Shipment/Ports: In terms of export, MSMEs face the challenge of relatively long clearance time at the ports which runs into several days, the traffic gridlock and inefficiency at the ports of Lagos State delay shipment of products and make most MSME exports less profitable.

Aggregation: Currently, cocoa farmers use the off-taker model where either the cocoa MSMEs or the off taker pick up their produce and process for local consumption and export. Discussion with the Cocoa association of Nigeria revealed that there are no challenges with the way the model is currently been handled. However, there are critical success factors for the aggregation to be more effective and for an improvement in product quality for an enhance export.

9.6.3 Proposed Aggregation Model

Table 24 - Recommended Aggregation Model for Cocoa

Current Aggregation Model	Challenges	Proposed Aggregation Model / Rationale	Benefit
• Currently, cocoa aggregation is achieved using an off-taker model where either the cocoa	• Discussion with the Cocoa Association of Nigeria revealed no challenges with the way the model is	**Proposed Aggregation Model** • The proposed model for the aggregation of MSMEs for export is a **hybrid model which comprises of the current off taker model and an integration model**	• MSMEs will experience increase in knowledge and skills in handling their products in a bid to ensure that they meet

MSMEs or the off taker picks up their produce and process for local consumption and export	currently been handled. However, there are critical success factors for the aggregation to be effective of which improved improvement in product quality to better enhance export was identified	**Rationale for Proposed Model** • The addition of the integration model to form a hybrid model is to address product quality issues identified as an inhibitor to export growth. **Description of Proposed Model** • The integration will comprise of large corporates and multinationals adopting the trade linkage approach of allowing cocoa MSMEs participate in export by supplying the local affiliates of multinationals • Cocoa MSMEs can be integrated through associations and organisations they have formed • The large corporates accept the supplied cocoa produce and process them to be sold locally or exported to other countries • In addition, the Cocoa MSMEs will continue to run the off-taker model as well where the products will be aggregated and sold to the off takers by the farmer organisations • The off takers process the produce to be sold wither to the export market or to large corporates for further processing before export.	required specifications. • Large corporates and cocoa MSMEs will also experience growth. Large corporates will experience growth due to use of local MSMEs for production which is relatively cheaper and cocoa MSMEs will experience growth in profit as a result of the constant patronage they will enjoy from the association with large corporates.

9.7 Critical Success Factors

In a bid to ensure the achievement of the aggregation models identified in the previous section the following critical success factors listed below are to be considered.

Table 25 - Critical Success Factors for Commodity Aggregation

	Critical Success Factors	Recommendations
1	**Increase in productivity**- • In a bid to successfully compete in the export market, there needs to be an increase in productivity as product levels of commodities are	• Enable the provision of relevant extension services to farmers, it could be offered by input suppliers as a package for selling their products

	currently not meeting domestic demand. For the increase in productivity to be successful there is a need to improve some supplementary aspects of production. They include: ○ Increase access to arable land for production as the current land tenure system and present land policy are not favourable to young MSMEs who may be interested in investing in commodities. ○ Improve accessibility to quality seedlings as the farmers do not have access to quality seedlings. ○ Improve access to vital farming inputs like fertilizers to ensure timely production and export.	• Facilitate the access to affordable and available seedlings to farmers when needed. • Explore options in reducing the bureaucratic bottleneck associated with land use. For example, reduction of cost of land registration and allocation. • Engage policy makers on the need for the review of the land use act to capture current realities around customary laws and informal markets
2	**Access to finance** • Despite the presence of various development initiatives focused on providing credit facilities for small scale farmers, they are still faced with financial challenges as most of the funds available have stringent criteria attached to them. The inability to access these funds will make increase in production and processing for export difficult. • Also, repayment of credit facilities provided to farmers has been a bottleneck. This is as a result of farmers not properly managing farming activities (especially associated to cost) leading to difficulty in recycling funds for other MSMEs.	• Explore the use of associations / cooperatives in accessing funds for members in order to reduce cost of servicing individual farmers • Explore cost strategies in the management of funds provided to farmers. For example, periodic submission of report to financial institutions on farm progress made and cost limitation activities employed by farmers, provision of advisory services for the farmers to ensure funds are used effectively. This will lead to an increase in profit ultimately boosting farmers ability to pay back loans and credits
3	**Infrastructure Improvement**- • There is need for improvement in infrastructure of the cocoa sector which has be hampered by poor levels of investments. For example, access to proper road infrastructure leading to farms are in dilapidated conditions when compared to major roads/ ports leading to boarders of other countries. • Also, the absence of sufficient power supply has caused farmers to rely on alternative energy which	• Engage policy makers (LGAs/ State Governments) or development partners (World Bank, large multinationals, etc.) on social responsibility to upgrade feeder roads for easy access to commodities. • Provision of cheaper alternative power supply such as solar energy. • Establishment of PVC oriented Solar Roasters/ Dryers (This converts sunlight directly into electricity).

	results in a 35% increase in cost of total production cost.[207] • Other infrastructure issues include irrigation and inadequate park houses and cold chain facilities which render the Nigeria commodity export produce to be very uncompetitive.	• Encourage MSMEs farmers to form production clusters. This will allow the targeting of infrastructure needs as production activities occur.
4	**Government legislation / policies** • There is need for improvement in government legislation and policies which will make it favourable for MSMEs to play in the export market for example, o Commodities transactions are hampered by multiple taxation (taxing MSMEs same way as large corporates), illegal levies and charges that result in high cost of operations and transactions o Land use policies across Nigeria's states are not favourable leading to a reduction in access to land to increase production and exportation o Policy/regulatory barriers that lead to delay of products at port areas for export o Bureaucracy in obtaining exporting licences from Nigeria export agencies making difficult for MSMEs to play in the export space. o Foreign exchange regulations which hinder exporting activities in the country	• Explore advocacy campaign across states to implement favourable policies and reduce the high cost of doing business and bureaucracy in the export market. • Explore policies which are geared towards rewarding aggregation of MSMEs which will ultimately boost both production and export capacity. For example, enacting a policy on tax relief for large corporates which partner and assist in the aggregation of MSMEs to boost production and export potential. • Facilitate engagement with state governments with production advantage to commit a portion of their budget to boosting production and MSMEs farmers in the state to prepare to play in the export market. This could be achieved by the development of the business case for those products together with estimated profit margins to motivate state government to undertake such endeavour. However, in situation where there has been no traction on budget allocation it will be useful to consider making it a mandatory policy.

[207] Grow Africa report, 2019

10 Appendices

10.1 Appendix 1 – List of Stakeholders Surveyed

	Institutions/ agencies/ association/ Large corporations for primary research
	TOR SCOPE 1
1	Nigerian Agricultural Quarantine Service
2	Agricultural Fresh Produce Growers and Exporters Association of Nigeria (AFGEAN)
3	Nigerian Association of small and Medium Enterprise (NASME)
4	Lagos Free Trade Zone
	TOR SCOPE 2
5	Federal Ministry of Agriculture and Rural Development (FMARD)
6	Psaltry International Limited
7	Afex Commodities Exchange
8	Oluji Cocoa
	TOR SCOPE 3
9	National Palm Produce Association of Nigeria (NPPAN)
10	Soybean Farmers Association of Nigeria (SOFAN)
11	Taraba State Soybean Association
12	National Cashew Association of Nigeria
13	National Cotton Association of Nigeria
14	National Rubber Producers, Processors and Marketers Association of Nigeria (NARPPMAN)
15	National Sesame Seed Association of Nigeria
16	Nigerian Institute of Oil Palm Research
17	Cocoa Research Institute of Nigeria
	TOR SCOPE 4
18	Bank of Industry
	TOR SCOPE 5
19	Edo state palm produce association of Nigeria
20	Nigeria Palm produce association of Nigeria

10.2 Appendix 2 – List of References

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