

**The Federal Republic of Nigeria  
Small and Medium Enterprises  
Development Agency of Nigeria  
(SMEDAN)**

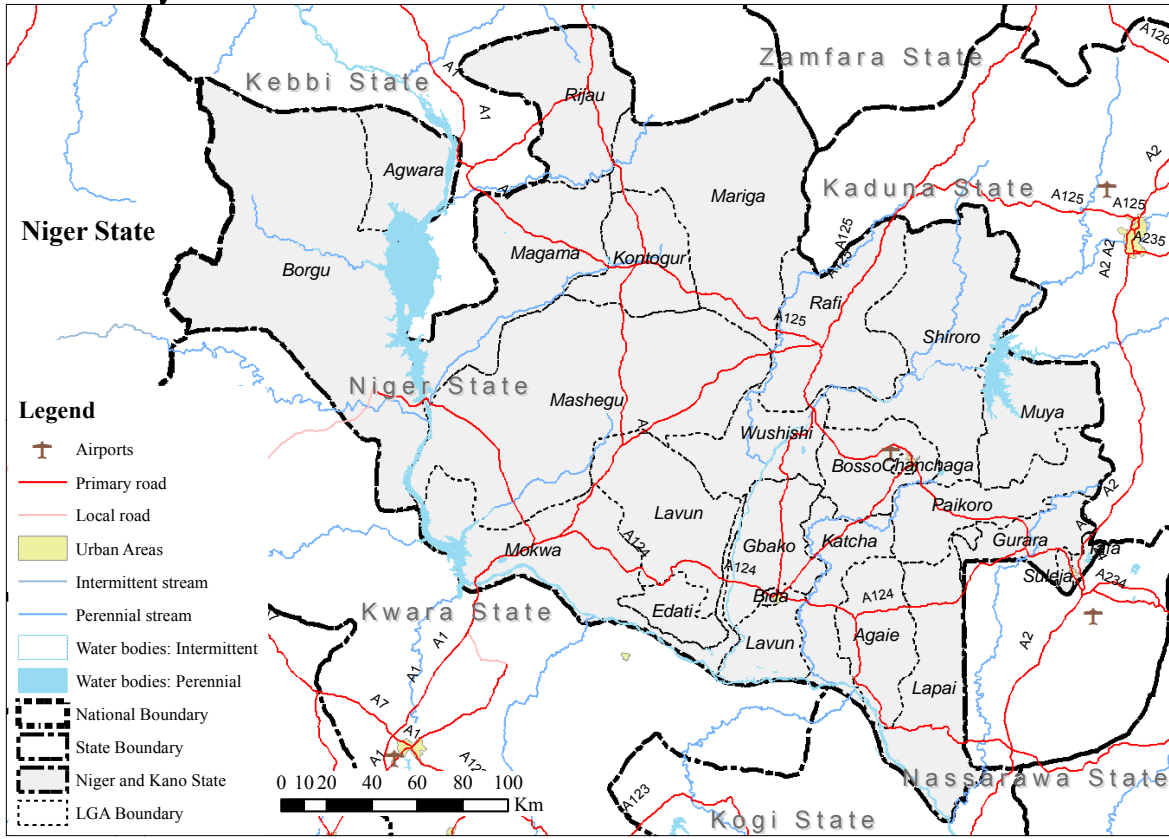
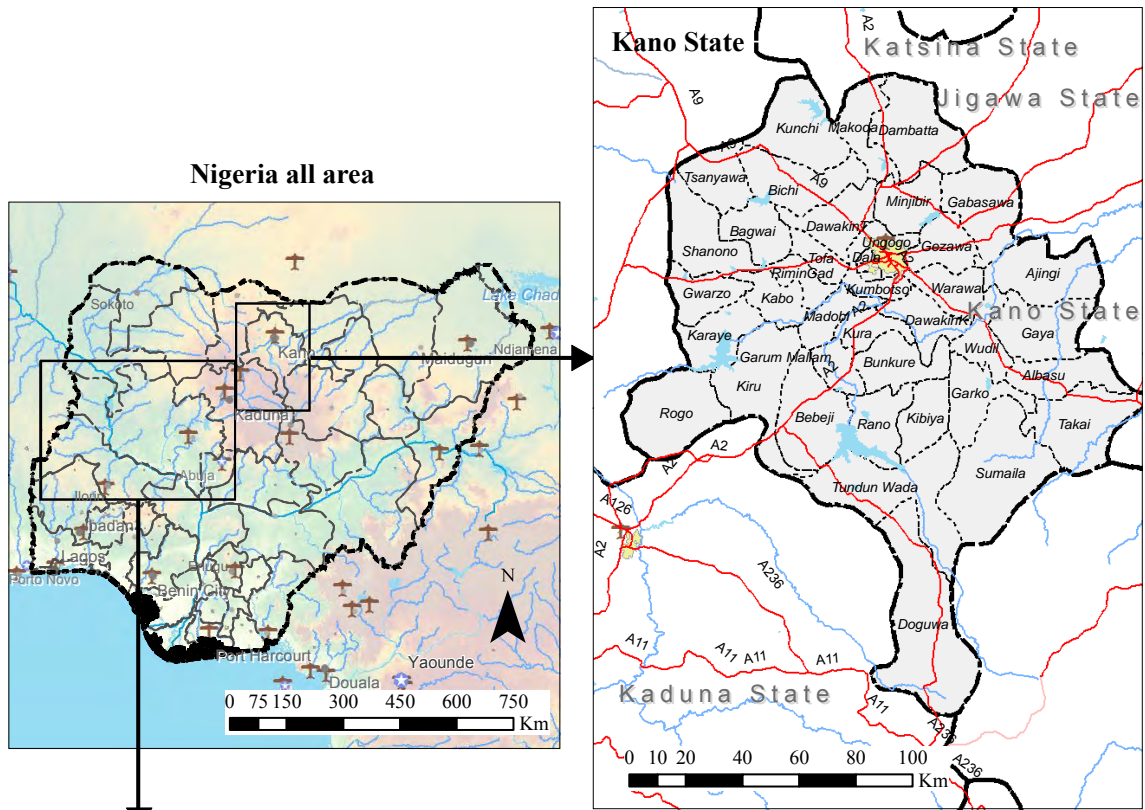
**Technical Cooperation for Development  
Planning on the One Local Government One  
Product Programme for Revitalising the  
Rural Economy in the Federal Republic of  
Nigeria**

**FINAL REPORT SUMMARY**

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**Japan International Cooperation Agency (JICA)**

**IC Net Limited  
Overseas Merchandise Inspection Co., Ltd.  
Yachiyo Engineering Co., Ltd.**



Source: ESRI Japan; Project Team

Map of Nigeria

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## CHAPTER 1 Background, objectives, and implementation flow of the Technical Cooperation

### 1.1 Background

The Federal Republic of Nigeria, with a population of 150 million, is the largest country in West Africa. In 2008, its rate of economic growth was 6.4%, while its GDP per capita was USD 1,460. Relatively favourable economic growth has been seen in recent years. Nigeria is number five in OPEC's ranking (2006) of oil-producing countries; 91% of its total exports come from petroleum (2008). To make the heavily petroleum-dependent industry structure more diverse, the National Planning Commission (NPC) developed the National Economic Empowerment and Development Strategy I (NEEDS I) (2003–2007) and NEEDS II (2008–2011). These initiatives focus on agricultural productivity and small- and medium-enterprise development to create employment opportunities at the community level and increase incomes for those who are under the poverty line.

However, numerous problems remain regarding business management practices; the investment environment; and product marketing of micro, small, and medium enterprises (MSMEs), which hinder increases in their productivity and value addition. To address this situation, Nigeria's Small and Medium Enterprises Development Agency (SMEDAN) developed a concept paper for the One Local Government One Product (OLOP) Programme in April 2009, adopting the concept of the One Village, One Product (OVOP) movement implemented in Oita Prefecture, Japan, to revitalize the rural economy, improve employment opportunities, and alleviate poverty in rural areas in Nigeria. The governments of Nigeria and Japan have agreed to implement the Technical Cooperation for Development Planning on the One Local Government One Product Programme for Revitalising the Rural Economy in the Federal Republic of Nigeria (the Technical Cooperation) from February 2010 to verify the proposed institutional arrangement and approach for the implementation of the OLOP Programme.

### 1.2 Objective and outputs

The Technical Cooperation aims to propose an action plan and institutional framework for implementing the OLOP Programme in order to revitalise rural communities by developing local businesses. Its outputs are

- (1) Analysis of policy and institutional framework concerning OLOP Programme implementation
- (2) Implementation of pilot projects to identify and analyse issues related to OLOP Programme implementation and to identify measures to address them
- (3) Based on analysis of results obtained from pilot projects, development of (1) a revised OLOP Programme Concept Paper, (2) an OLOP Programme Action Plan, and (3) OLOP Programme Implementation Guidelines

### 1.3 Implementation flow

Figure 1 shows the flow of the Technical Cooperation. The cooperation period is divided into the following phases:

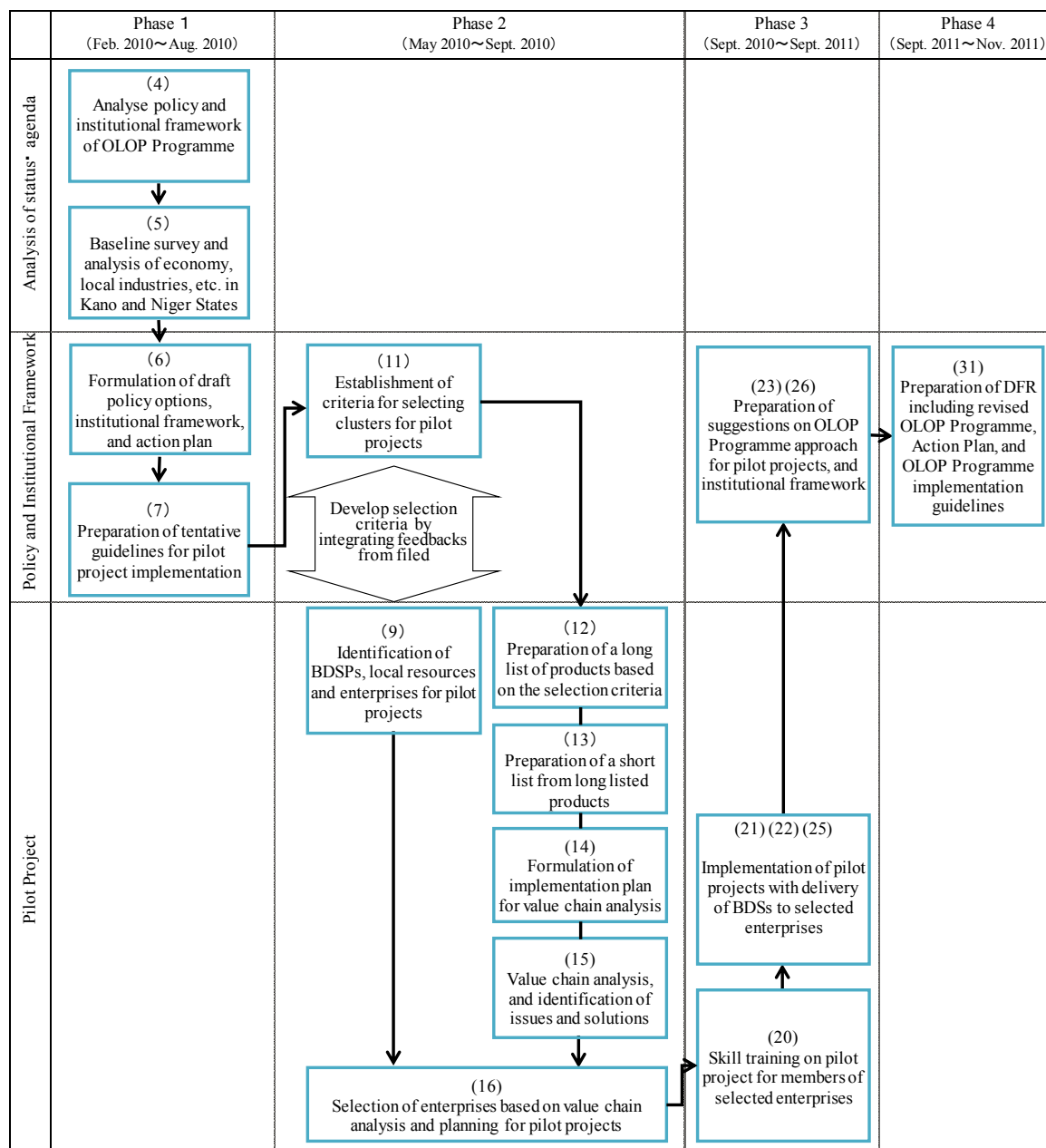
***Phase 1: Analysis of OLOP Programme framework (mid-February to mid-August 2010)***

- Analysis of the OLOP Programme's existing policy and institutional framework

***Phase 2: Preparation for pilot projects in Kano and Niger States (mid-May to mid-September 2010)***

- Selection of products for pilot project implementation
- Baseline survey and value chain analysis, and identification of issues and solutions

- Selection of clusters, business types, and enterprises for pilot project implementation
- Phase 3: Implementation of pilot projects (Mid-September 2010–end-July 2011)**
- Business consultation and formulation of business strategies with selected enterprises
  - Skills training for selected enterprises
  - Implementation of pilot projects with delivery of business development services (BDSs)
- Phase 4: Development of an Action Plan for nationwide implementation of the OLOP Programme (August–end November 2011)**
- Analysis of the results of pilot projects
  - Support SMEDAN in developing a revised OLOP Programme Concept Paper, Action Plan, and OLOP Programme Implementation Guidelines



Source: Project Team

**Figure 1 Implementation flow of the Technical Cooperation**

## CHAPTER 2 Review of the OLOP Programme

### 2.1 Methodology for reviewing the OLOP Programme

#### 2.1.1 OLOP Programme Concept Paper

The OLOP Programme is basically intended to support rural MSMEs in creating value addition for locally available raw materials. By considering social, cultural, and economic environment of the rural MSMEs in Nigeria, the programme was developed based on the concept of the One Village One Product (OVOP) movement implemented in Japan. The original OVOP Programme Concept Paper envisaged that one product would be selected in each Local Government Area (LGA)<sup>1</sup> for BDS delivery to enhance economic development. The OLOP Programme approach consists of three activities: (1) selection of products, clusters, business types, and MSMEs for BDS delivery by using agreed-upon criteria; (2) provision of BDSs to the selected MSMEs to enhance their business performance; and (3) development of business development service providers' (BDSPs) service delivery capacity.

The institutional framework for the OLOP Programme includes the federal, state, and local governments. The National Steering Committee, chaired by the Minister of the Federal Ministry of Trade and Investment (FMTI); the National Programme Implementation Secretariat, established at SMEDAN; state committees; and local government area committees are proposed to be established for promotion of the Programme. The Concept Paper considers LGAs as the focal point of programme implementation. They are expected to receive and evaluate proposals from MSMEs, select target MSMEs for BDS delivery, nurture BDSPs, and monitor and evaluate Programme implementation.

#### 1.1.2 Methodology for reviewing the OLOP Programme

##### (1) Aspects of reviewing the OLOP Programme Concept Paper

The Technical Cooperation Team reviewed the following four aspects of the OLOP Programme Concept Paper:

- 1) Relevance of the basic concept of the OLOP Programme to concerned policies
- 2) Feasibility of the proposed institutional framework
- 3) MSMEs' demand for BDS provisions
- 4) Effectiveness of the proposed approach of the OLOP Programme

##### (2) Methodology for reviewing the OLOP Programme Concept Paper

To review the relevance of the basic concept of the OLOP Programme to concerned policies and determine the feasibility of the proposed institutional framework, the Team interviewed government officials and other personnel concerned, and conducted a literature survey of government policy documents and reports of various MSME projects supported by the governments and donor agencies.

To verify the demand for BDS provisions and the proposed approach of the OLOP Programme, the Team conducted baseline and value chain surveys and analysed their results. As shown in Table 1, 12 pilot projects, involving six products and approximately 50 enterprises, were implemented in Kano and Niger States.

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<sup>1</sup> Federal Government, State Government, and Local Government Area form the three-tier-governance in Nigeria. The OLOP Programme considers LGA as one of the important actors to support MSMEs for economic development. Thus, the programme is called "One Local Government One Product Programme."

In each state, two national staff members of the Technical Cooperation Team were hired to experiment with the delivery of BDSs. The experts of the Team conducted baseline and value chain surveys and analysis, business diagnoses and consultations, technical development, marketing, facilitation of bank loans, monitoring and evaluation of the pilot projects, and capacity development of the national staff members. Through the implementation of the pilot projects, the Team verified that the government agencies could implement the national staff members' and experts' activities.

The Team estimated the number of MSMEs belonging to the selected product categories and the state-wide size of their economies in both Kano and Niger States, to determine the scale of public investment necessary to implement the Action Plan effectively. The market structures and behaviours of the selected products were analysed to determine issues, possible solutions, and necessary public resources to deliver appropriate BDSs. The Team also examined the types of BDSs and timing of their delivery, to determine higher value-added products.

**Table 1 List of pilot projects**

State	Product name	Pilot project name	
Kano State	1) Rice	Kura rice parboiler project	
		Kura rice miller project	
		(Kura rice trader project) <sup>*1</sup>	
		(Kano rice trader project) <sup>*1</sup>	
	2) Leather	Kano traditional tannery project	
		Kano leather products manufacturers project	
Niger State	3) Groundnut oil	Dawakin Tofa groundnut oil traditional processor project	
		Kano groundnut oil mechanical processor project	
	1) Shea products	Kacha shea butter traditional processor project	
		2) Groundnut oil	Kontagora groundnut oil traditional processor project
			Kontagora groundnut oil mechanical processor project
	3) Yam	Paiko yam trader project	

Note: 1) Limited intervention to the rice traders is provided due to small BDS demand.

Source: Project Team

## 2.2 Review results

### 2.2.1 Relevance of the basic concept of the OLOP Programme to specific policies

#### 1) Relevance to the development policies of the Federal Government of Nigeria

NEEDS is a national plan for prosperity with four goals: (1) reorienting values, (2) reducing poverty, (3) creating wealth, and (4) generating employment. This plan proposes promoting private enterprise as one strategy for achieving these goals; the government is expected to play the roles of facilitator and regulator in helping the private sector grow, create jobs, and generate wealth. NEEDS also gives special support to agriculture and small and medium enterprises (NPC, 2004). Thus, the OLOP Programme is highly relevant to the national socioeconomic development anticipated by NEEDS.

The Nigeria Vision 20: 2020 expresses Nigeria's aim to improve its citizens' living standards and become one of the top 20 economies in the world by 2020. The First National Implementation Plan (2010–2013) of Vision 20: 2020 positions the small and medium enterprises sector a critical element for achieving the goals of Vision 20: 2020 by contributing to employment generation, wealth creation, poverty reduction, and sustainable economic development. The National Implementation Plan's



chapter on small and medium enterprises, as well as its chapter on trade and commerce, mentions the OLOP Programme as one of the priority programmes for generating employment and creating wealth.

### **2) Relevance to the Federal Government of Nigeria's policies on MSME promotion**

The Industrial Policy of Nigeria was developed by the FMTI [formerly the Federal Ministry of Commerce and Industry (FMCI)] with the overarching objective of accelerating industrial development by increasing value addition at every stage of the value chain. Some of the objectives explicitly target small and medium enterprises, whereas the others apply to MSMEs. The National Policy on Micro, Small, and Medium Enterprises and the OLOP Programme were developed as implementation instruments of that policy.

The National Policy on Micro, Small, and Medium Enterprises was developed by SMEDAN with support from the UNDP. The policy recognises that the success of MSME policy depends on the activities and interactions among concerned stakeholders. The policy aims to provide an overall framework for coordinated planning and action by all stakeholders in the promotion of MSMEs. The policy treats agro-processing and commodity value chains as important areas to be promoted. This policy direction corresponds to the concept of the OLOP Programme to promote agro-processing MSMEs in rural communities.

### **3) Relevance to the Kano and Niger State Governments' policies on MSME promotion**

The Kano State Economic Empowerment and Development Strategy (KSEEDS), which stipulates government policy and strategies for small and medium enterprises, defines the overall development strategy of Kano State. In the case of Niger State, the Niger State Economic Empowerment and Development Strategy (NSEEDS), and the Development Action Plan (DAP) for Niger State define the overall development strategy. NSEEDS identifies agro-based industry as the major sector to be promoted. As for strategies for promoting commerce and industry, KSEEDS, NSEEDS, and DAP place major emphasis on small and medium enterprises<sup>2</sup>, and are consistent with the objectives of the OLOP Programme.

## **2.2.2 Feasibility of the proposed institutional framework**

### **(1) Assessment of concerned organisations**

#### **1) Federal Ministry of Trade and Investment**

##### ***Current situation***

The ministry was renamed the Federal Ministry of Trade and Investment (FMTI) in 2011. The ministry has a number of agencies, including SMEDAN. A recently adopted main agenda of the ministry is to create mass employment and reduce poverty. According to the 2011 amendment appropriation, the total allocation for the ministry including the budget of parastatals is NGN 12.5 billion, of which NGN 10.6 billion is recurrent budget while NGN 1.9 billion is capital budget. For the main ministry excluding the parastatals, the total allocation is NGN 3.9 billion, of which NGN 3.4 billion is recurrent budget, whereas NGN 0.5 billion is capital budget. Personnel costs absorb about 70% of the total budget.

##### ***Proposed roles and responsibilities under the OLOP Programme***

It is proposed that FMTI supervises the overall implementation of the OLOP Programme and provides policy guidance. The Minister of FMTI may chair a national committee to oversee the overall

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<sup>2</sup> The term 'small and medium enterprises' in the policies should be understood to mean MSMEs.

implementation of the OLOP Programme and coordinate stakeholders including SMEDAN and state governments.

## **2) SMEDAN**

### ***Current situation***

SMEDAN has its headquarters in Abuja, with six departments and local branches including zonal offices, business support centres (BSCs), business information centres (BICs), and industrial development centres (IDCs). SMEDAN is a coordinator of relevant agencies and a facilitator for MSMEs. As of 2011, SMEDAN has a total of 298 staff members, 212 of whom are at the headquarters, while 86 are at branch offices in different states. SMEDAN is allocated a total budget of NGN 1.65 billion under the 2011 amendment appropriation. The total budget is divided into a recurrent budget of NGN 685 million and a capital budget of NGN 960 million. The large majority of the total capital budget goes to the two new projects implemented mainly in Oyo State.

### ***Proposed roles and responsibilities under the OLOP Programme***

It is proposed that SMEDAN be responsible for overall implementation of the OLOP Programme in collaboration with state governments and service providers. The OLOP Programme is expected to cover all states in Nigeria, and SMEDAN is in a good position to take the lead role. SMEDAN representation in each state is limited, and collaboration with state governments will be critical for SMEDAN to manage programme implementation.

## **3) State Ministries of Industry and Commerce in Kano and Niger States**

### ***Current situation***

The Kano State Ministry of Commerce, Industry, Cooperatives, and Tourism (KMCICT) has five departments: administration and general services, industry, commerce, cooperatives, and tourism. The total number of staff members of the ministry except members of administration and general services is 175.

In 2009, Kano's estimated state budget, including recurrent and capital, was NGN 121 billion. The budget has become larger over the last five years. Statutory allocation has always been the largest source of revenue and was 46% of the total budget in 2009. KMCICT has been allocated less than 1% of the total state budget. Recurrent expenditure was NGN 130 million (56%) and capital expenditure was NGN 102 million (44%) in 2008. Execution rates of the capital budgets are reportedly low.

The Niger State Ministry of Investment, Commerce, and Cooperatives (NMICC) comprises five departments: administration; planning, research, and statistics; commerce; industry; and cooperatives. The total number of personnel assigned to the ministry is 233, of which nearly half belong to administration. Under NMICC, two agencies operate for the promotion of MSMEs: the Niger State Commodity and Export Promotion Agency (NSCEPA) and the Niger State Small Medium Enterprises and Microfinance Agency (SMEs/MF Agency). NSCEPA, with 18 staff members, is a rather new agency established in 2008.

The state budget of Niger including recurrent and capital expenditure was about NGN 69.09 billion in 2009. The budget has been increasing for the last three years. Statutory allocation contributes the largest share, at around 70–80% of the total budget. The ratios of recurrent and capital budgets were 41% and 59%, respectively, in 2009. NMICC has been allocated less than 1% of the total state budget. Because the actual allocation of the state capital budget was 31% of the estimate in 2009, the execution rate of NMICC's capital budgets must also be small.

***Proposed roles and responsibilities under the OLOP Programme***

The state ministries of industry and commerce are proposed to serve as the focal points of the OLOP Programme implementation within each state. The approach of the OLOP Programme matches the roles and responsibilities of these ministries. Human resources appear to be available, but they may need capacity building. The capital budgets of the ministries seem very limited, and financial resources should be provided to cover the cost of programme activities at the state level.

**4) Local government areas in Kano and Niger States**

***Current situation***

A local government area (LGA) is composed of several departments under a chairman. The exclusive functions of LGAs are few, but they also share important responsibilities with state governments, including provision of primary education and health services, and development of agriculture. The average number of staff at each LGA is around 600 in Kano and 1,100 in Niger State.

The average annual budget of LGAs in Kano and Niger is around NGN 2 billion, and their budgets are heavily dependent on the allocation from the federal account for revenue. In the total annual budgets of LGAs in both Kano and Niger States, recurrent budget is about 60% and capital budget is about 40%.

***Proposed roles and responsibilities under the OLOP Programme***

It is proposed that LGAs and state governments jointly support MSMEs under the OLOP Programme. The functions and capacity of LGAs seem insufficient as driving agents for effective implementation of the OLOP Programme. LGAs' strength may be their information on the locality and their networks with local stakeholders, which would make a valuable contribution to the OLOP Programme.

**5) Financial institutions**

***Current situation***

MSMEs are in great need of finance, but few have access to financial services. Each state contains branch offices of the Bank of Industry (BOI) and other banks, including microfinance banks. However, financial services are often not accessible or affordable to MSMEs. Interest rates are often too high for MSMEs. Many MSMEs lack collateral or cannot prepare business plans and other documents required by financial institutions.

***Proposed roles and responsibilities under the OLOP Programme***

It is proposed that financial institutions be involved in the OLOP Programme to provide financial services. An arrangement should be made so that only trained MSMEs supported by the OLOP Programme would be referred to the collaborating financial institutions, and the applications of these MSMEs would be assisted by the OLOP Programme. Some financial institutions may require capacity building on their side to efficiently appraise loan applications.

**6) Government agencies and public institutions**

***Current situation***

Government agencies and other public institutions, such as universities and research institutes, can provide services to MSMEs. For example, the Niger State Commodity and Export Promotion Agency (NSCEPA) provided training in shea butter processing; the Technical Incubation Centre (TIC) provided training in bookkeeping; and the Federal University of Technology provided analysis of shea butter samples under the pilot projects in Niger State.

***Proposed roles and responsibilities under the OLOP Programme***

These government agencies and public institutions are proposed as OLOP Programme service providers. The capacity of some government agencies and public institutions may be limited, or some agencies and institutions may need to redesign their services to suit the needs of MSMEs. In such cases, the OLOP Programme could assist the government agencies and public institutions in improving their services to MSMEs.

**7) Private service providers**

***Current situation***

Private service providers include machine manufacturers, business consulting firms, and other ancillary service providers. There may not be many private service providers in rural areas, or existing private services may not be very accessible and affordable for MSMEs.

***Proposed roles and responsibilities under the OLOP Programme***

It is hoped that private service providers such as consulting firms and fabricators of machines will provide services to MSMEs under the OLOP Programme. There should be some mechanism built into the OLOP Programme to encourage the growth of private service providers.

**8) NGOs**

***Current situation***

Some NGOs have been trained and certified by SMEDAN as service providers; NGOs can be good service providers for MSMEs. For example, an NGO with extensive experience working with rural women provided bookkeeping training for traditional groundnut processors under the pilot project in Kano.

***Proposed roles and responsibilities under the OLOP Programme***

These NGOs are proposed as OLOP Programme service providers. Depending on the need, SMEDAN could identify potential NGOs with different specialities to be trained and certified as business service providers.

**(2) Proposed institutional framework for the OLOP Programme**

**1) Basic principles**

The three basic principles of the establishment of the institutional framework for the OLOP Programme are:

- Define clear authority and responsibilities
- Reduce coordination cost
- Ensure transparency and compliance

**2) Authority and responsibilities of concerned organisations**

The institutional framework of the OLOP Programme is composed of two major categories of organisations: governmental organisations vertically coordinated from the federal government through LGAs, and various public institutions, financial institutions, private service providers, and NGOs that can provide services to MSMEs. Figure 2 describes the institutional framework of the OLOP Programme.

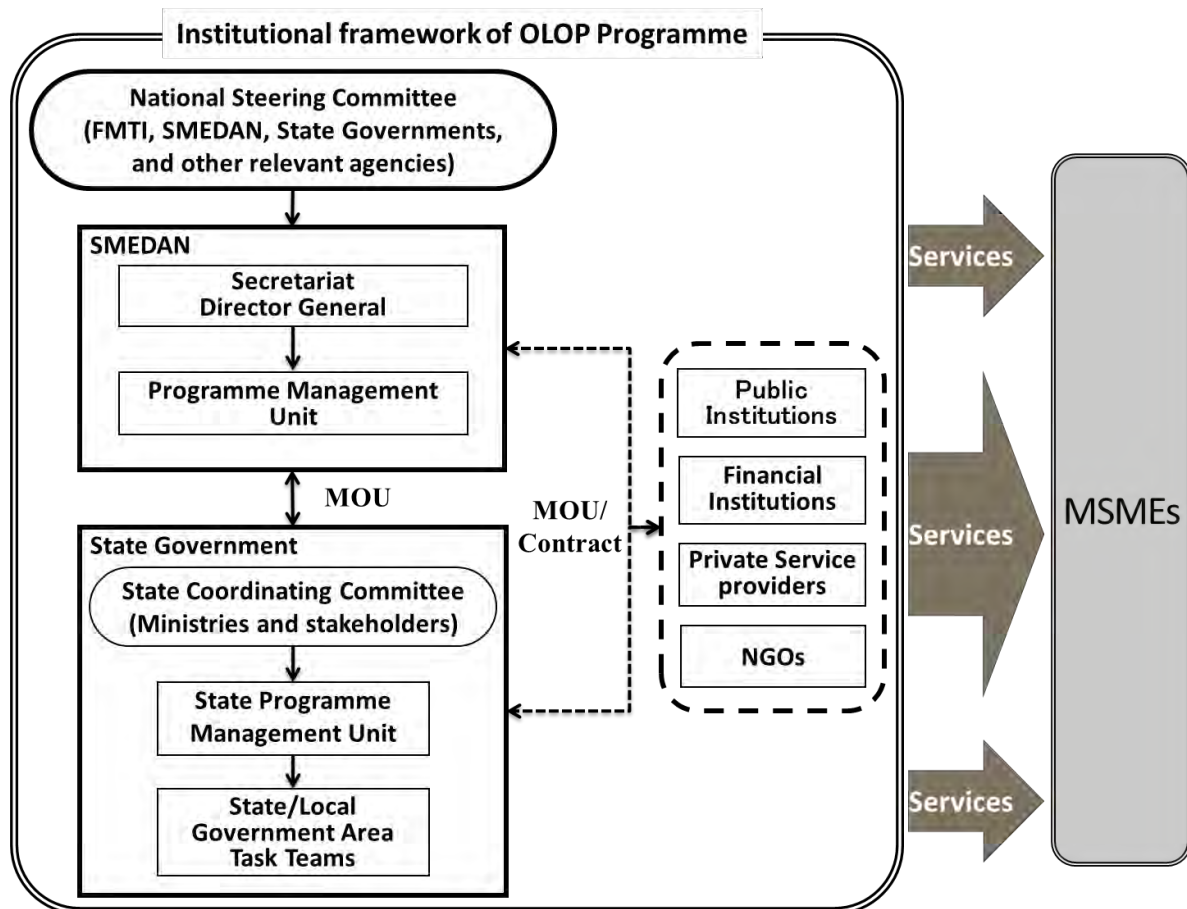
**National Steering Committee**

The National Steering Committee (NSC) shall be established at the federal level with responsibility for overall implementation of the OLOP Programme and provision of policy guidance. The NSC shall be chaired by the Minister of Trade and Investment. Members of the NSC shall include the Director General of SMEDAN, commissioners of the state ministries of industry and commerce, and representatives of relevant public and private sector organizations and NGOs.

**SMEDAN**

SMEDAN is responsible for implementation of the OLOP Programme in coordination with state governments. The office of the Director General of SMEDAN shall function as the Secretariat of the OLOP Programme. The Programme Management Unit (PMU) shall be established under SMEDAN. PMU shall control and coordinate both federal and state-level implementation of the OLOP Programme. A memorandum of understanding (MOU) shall be signed between SMEDAN and each state government to agree on the terms of cooperation for the implementation of the OLOP Programme.

SMEDAN may also sign MOUs or contracts with other organisations, including public institutions, financial institutions, private service providers, and NGOs, that shall be providing business services to MSMEs supported under the OLOP Programme.



Source: Project Team

Figure 2 Institutional framework of the OLOP Programme

### ***State governments***

A State Coordinating Committee (SCC) shall be established in each state to oversee implementation of the OLOP Programme in the state. The Commissioner of the Ministry of Industry and Commerce shall chair the SCC. Relevant state ministries and other stakeholders shall participate in SCC as members. A State Programme Management Unit (SPMU) shall be established and housed within the state government. SPMU shall control and coordinate state-level implementation of the OLOP Programme. A state government may sign an MOU or contracts with other organisations operating in the state, including public institutions, financial institutions, private service providers, and NGOs that shall be providing business services to MSMEs supported under the OLOP Programme.

A state government shall involve LGAs as necessary in implementing programme activities. LGAs may assist state governments in the implementation of activities by providing information on the locality and by using networks with local stakeholders.

### ***Business service providers***

Various organisations shall be involved in the OLOP Programme as business service providers under an MOU or contracts with SMEDAN or state governments. These business service providers include the following types of organisations:

- Public institutions such as universities and research institutes
- Financial institutions such as banks and microfinance institutions
- Private entities such as consulting firms and fabricators of machines
- NGOs trained and certified by SMEDAN and other potential NGOs

## **3) Programme implementation management**

### ***Preparation of the Annual Work Plan and Budget***

SMEDAN shall be responsible for preparing the Annual Work Plan and Budget (AWPB) of the OLOP Programme, including both federal and state activity components. The AWPB shall be submitted to the NSC for review and approval. After the NSC approves the AWPB, it shall be sent from the PMU at SMEDAN to the State Programme Management Units (SPMUs) in the participating states.

### ***Implementation of the Annual Work Plan and Budget***

SMEDAN, in collaboration with the state government, will implement activities specified in the AWPB. Most of the activities to support MSMEs shall take place at the state level, and SPMU shall be the main player for carrying out activities to support MSMEs in the state. The PMU at SMEDAN shall supervise state-level programme implementation and facilitate communication and collaboration among state governments.

### ***Monitoring and evaluation***

The state governments are responsible for regular monitoring of programme activities in the states. Periodic monitoring reports shall be sent from state governments to SMEDAN for review and feedback. SMEDAN shall also monitor state-level programme implementation through its branch offices. SMEDAN shall conduct an annual evaluation of the OLOP Programme and annual reports shall be prepared by SMEDAN with inputs from state governments to be reviewed and approved by NSC.

### 2.2.3 MSME demand for BDS provision

#### 1) Current situation and issues

##### *Supply and demand for BDSs*

MSME demand for BDS provision in the areas of business management capacity development, formal loans, technical development, and marketing is large. The results of the baseline survey indicate that the most requested free BDSs are subsidies and technical assistance provided by government agencies. Non-free BDSs loans, management consulting services, and facilitation services are also in high demand. To fully utilize such services, the target enterprises of the services must have basic management capacity.

Against these high BDS demands, the level of recognition for each BDSP is not high: Only 16% of the surveyed enterprises recognise SMEDAN as a BDSP. Recognition levels of BDSs provided by state governments, NGOs, and the private sector are 37%, 21%, and 12%, respectively, which are not extremely low. The percentage of enterprises with experiences receiving BDSs is low. Nine per cent of enterprises receive service provisions from SMEDAN, followed by 7% from state government, 4% from NGOs, and 2% from private companies. This analysis indicates the strong need for enhancement of BDSPs and their BDSs.

##### *Supply and demand for financial services*

Regarding loans from formal banks, 1% of surveyed enterprises obtained loans from commercial banks, while 3% obtained loans from microfinance banks. Only a limited number of enterprises have access to loans, since none of them has loans from government banks. This explains the important role of BDSs, which bridge enterprises not only with private financial banks but also with government financial institutions. Financial services are provided only to a limited number of enterprises although there is large demand for access to finance. Seventy per cent of surveyed enterprises wish to gain access to loans; 16% of them were rejected during the loan-application process; and more than 47% of enterprises cannot identify loan services.

Since the MSME demand for loan services is high, while loans from the formal sector are limited, many MSMEs obtain loans from informal sources. Forty-five per cent of surveyed enterprises obtain loans from family members, relatives, friends, and local moneylenders. The loans from the informal sector are relatively small, and therefore demand for loans from MSMEs must still be present. Therefore, it is reasonable to assume that through appropriate BDS provisions to high-potential enterprises, MSMEs can be expanded by obtaining formal loans.

#### 2) Proposed measures

Although demand for BDSs in the areas of business management capacity development, formal sector loans, technical development, marketing, and facilitation services are large, only a small part of the demand has been met by services provided by the federal and state governments and other BDSPs. This has likely led to lost opportunities for MSME growth. Against this backdrop, the capacity of public sector BDS delivery must be enhanced to provide a sufficient amount of high-quality and high-impact BDSs to growth-oriented MSMEs.

## **2.2.4 Effectiveness of the proposed approach of the OLOP Programme**

### **(1) Selection of products, clusters, business types, and enterprises for BDS delivery**

#### **1) Situation prior to pilot project implementation**

The OLOP Programme aims to concentrate its interventions on products selected in each LGA with high business potential. At the initial stage of OLOP Programme implementation, a short list of products shall be developed by stakeholders, such as the Ministry of Trade and Industry, the Ministry of Agriculture, the Ministry of Local Government, the Chamber of Commerce, business associations, and NGOs involved in MSME promotion. From this list, a manageable number of products shall be selected as target products for the OLOP Programme by establishing evaluation criteria. However, the procedure has not been tested because implementation of the OLOP Programme has not begun.

#### **2) Issues and results of pilot project implementation**

The issue was that the proposed selection procedure had never been followed. Therefore the effectiveness of the procedures was not known. The Technical Cooperation Team has applied the proposed approach to the pilot projects carried out in Kano and Niger States, and lessons have been drawn from the experiment. In addition to the original procedures, baseline survey and value chain analysis were introduced to strengthen the fact-based approach to secure a value-chain-wide understanding of markets for selected products and baseline information on enterprises for BDS delivery.

The analysis of the pilot project results indicate that state-wide selection of products for BDS delivery is appropriate rather than applying the LGA based selection. This is because (1) value chain of a product extends beyond the boundaries of LGAs; (2) LGA based selection will result in the selection of too many products to support by the government constrained by limited resources; and (3) low implementation capacity of LGAs. This also means that state governments rather than LGA governments should be the major agents to drive the implementation of the OLOP Programme. The analysis also yielded the following implications.

#### ***Establishment of the short list of products and selection of target products***

- A workshop is a good means to involve concerned stakeholders in developing a short list and sharing their knowledge about listed products. Application of stakeholders' knowledge proved useful and cost effective since no formal information collection was involved prior to the workshop.
- Scoring products based on agreed upon criteria provides participants with directions for discussion and chances to reveal and resolve their conflicting interests. This likely facilitates coordination of and cooperation among the participants.

#### ***Baseline survey and value chain analysis***

- The baseline survey and value chain analysis proved useful in examining how the roles and functions of each type of business interacted with other business types, and in clarifying the issues facing each type of business with a view to finding measures to address them. This knowledge is useful for designing interventions to improve performance of each enterprise and the value chain as a whole.
- The baseline survey and value chain analysis proved useful in selecting high-potential business types and motivated enterprises for efficient BDS provisions which will likely result in the generation of large economic impact with limited public resources.
- The cost of the baseline survey and value chain analysis is affordable for the Nigerian governments.



## **(2) Provision of services to MSMEs within the selected clusters**

### **1) Situation prior to pilot project implementation**

The OLOP Programme Concept Paper does not define methods and details of BDS provision, and thus, there was no information on performance of various types of BDSs to be delivered by the public sector organizations.

### **2) Results of pilot project implementation and implications**

Since there was no information on performance of the various types of BDSs, the contents of BDSs in the following five areas were developed and provided to the selected enterprises during the pilot project implementation.

- Business consultation
- Business management
- Production skills and technologies
- Marketing
- Financing

The results of the pilot project implementation indicate that the continuous, dynamic<sup>3</sup>, and fact-based BDSs proved effective in strengthening MSMEs' business management capacity; increasing value addition and employment opportunities; and improving technology, production portfolio, and financial strength. On the other hand, it was observed that the quality and quantity of BDSs are limited. There are issues related to insufficient service delivery capacity of governments, SMEDAN, and BDSPs in the face of major BDS demand. One of the most serious issues identified is the insufficient number of qualified personnel for the delivery of high-quality BDSs, and in this case, the challenge is securing a large number of such personnel without increasing the number of government officers. At the same time, the need to enhance constant inflows of motivated and well-trained candidates of young entrepreneurs to business and industry is also identified.

The results of pilot project implementation regarding each type of BDS are introduced in more detail in the sections that follow.

#### ***Business consultation***

The pilot projects adopted a process of business consultation comprising business environment analysis, confirmation of management principles, and strategy formulation. It is confirmed that business consultation is useful for the management of enterprises to analyse thoroughly both the internal and external issues of target enterprises and identify strategies for improving their business.

#### ***Business management***

Many MSMEs lack business management skills, and there is significant demand for capacity building in business management. No enterprise participating in the pilot projects kept books. Without books, enterprises were not able to analyse their business costs and profits. In addition to bookkeeping, group management was an issue in some of the pilot projects. MSMEs of the same type of business tend to organise themselves into cooperatives or associations, and these groups need capacity building in terms of business management skills.

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<sup>3</sup> Provision of dynamic BDSs means to provide flexible, timely, and best-possible BDSs and feedback in response to the changes in market conditions, prices, and business performance in accordance with a business strategy set for each enterprise.

The results of the pilot project indicate that BDS provision to small and medium enterprises is more cost effective than to micro enterprises. The major challenge faced by the pilot projects was the low literacy and weak capacity of MSMEs owned by rural women. These enterprises including parboilers, traditional groundnut processors, and shea butter processors, and required major assistance and frequent visits by the Technical Cooperation Team. These groups may need someone assigned to provide them with regular and long-term assistance. It was also proven that BDS provision to small and medium enterprises with higher management capacity yielded better results. This indicates that the strategy to target BDS delivery to these small and medium enterprises must be an option to increase the cost effectiveness of BDS provision.

### ***Production skills and technologies***

The pilot project showed that improvement of production skills and technologies results in productivity improvement, cost reduction, and quality improvement. It also proved that these skill and technological development must be accompanied by market development of improved products to yield better profitability

For traditional groundnut oil processors, improved machines allow the enterprises to process groundnut oil several times faster compared to the traditional manual oil extraction method. Over 100 units of these machines have been sold within Kano as well as to neighbouring states. However, the processors faced difficulty in marketing, since the regular traders who came to their houses were not willing to buy that much more oil, and the processors were left with excess stock. Shea butter processors in Niger had a similar experience. They learned the method to produce shea butter of better quality that should fetch better prices. However, it was difficult for them to find customers who would appreciate the quality and pay higher prices for it. Since this method was a little more laborious than their regular processing, they would not practice the new method if the selling prices were the same as before. Addressing the issues of production skills and technology alone is often not enough to assist MSMEs in making larger profits.

### ***Marketing***

It is confirmed that marketing is one of the most serious challenge MSMEs face. Through Action Plan implementation, many more resources should be allocated to BDSs to enhance MSMEs' marketing capacity. Improved access to markets is the key for MSMEs to expand their business. In the field of marketing, MSMEs may require long-term support to pursue the process of exploring new markets, identifying potential clients, and negotiating deals with new clients.

As mentioned above, groundnut oil processors in Kano and shea butter processors in Niger had to look for markets to sell their products. The traditional tanneries in Kano used to have one major local trader who would buy hides and skins from the tanneries for export. This arrangement was discontinued due to some problems, including low prices and delay in payments. The tanneries wished to reopen their business with the trader and look for other opportunities of exporting their products.

Marketing services can be provided by government agencies and other concerned parties such as private consulting firms and NGOs. In the case of shea butter, the Niger State Commodity and Export Promotion Agency (NSCEPA) organised a shea butter workshop to which it invited shea butter processors and shea butter traders. At the workshop, visually demonstrating the high quality verified by a test kit successfully attracted the interest of traders.

In the case of traditional tanneries, the staff of the Technical Cooperation Team approached the trader who had stopped dealing with the tanneries to hold discussions on their behalf. As a result, they came to an agreement to resume business dealings on the condition requested by the tanneries that payments be made within one-and-a-half months after delivery. This is a good example of a marketing service to match MSMEs with clients. The tanneries also wished to explore new markets. The Team facilitated a tannery visit to the National Export Promotion Council's (NEPC) zonal office in Kano to seek NEPC's

assistance. NEPC advised them to display their products in international expositions held in neighbouring countries, and prepare pamphlets to introduce their products.

### ***Financing***

It is confirmed that MSMEs are in great need of finance, but few have access to financial services, and BDS provision must be aggressive in this area of MSME support. Many of the enterprises participating in the pilot projects wished to have loans, but very few had actually borrowed money from banks or other formal financial institutions. None of them kept proper books of their businesses. Very few would be able to prepare all the documents, including business plans, that are usually required by financial institutions. For financial institutions, MSMEs may not appear to be trustworthy customers.

MSMEs can be referred to financial institutions and given assistance to fulfil the requirements of these institutions. Under the pilot project, a group of rice millers was assisted in obtaining a loan from the BOI. The rice millers were using old and inefficient machines that affected the quality of their products. The Technical Cooperation Team helped them draft a business plan and submit a loan application to the BOI. The rice millers did not have the capacity to go through this process by themselves, and this kind of service to facilitate dealings between MSMEs and financial institutions is necessary and beneficial to MSMEs.

A delayed and time-consuming loan-application-review process is another challenge in providing financial services to MSMEs. To address this issue, a collaborative arrangement between financial institutions and those who assist MSMEs should be established to achieve fast and smooth loan appraisal and disbursement.

## CHAPTER 3 OLOP Programme Action Plan

### 3.1 Overview of the OLOP Programme Action Plan

#### 3.1.1 Objective and approach

The OLOP Programme Action Plan aims to enhance the business management capacity of MSMEs and to nurture future entrepreneurs to increase value addition and employment opportunity.

In order to achieve the above objective, the following approach is established for effective and efficient Action Plan implementation:

- (1) Enhancement of BDS delivery capacity of the federal government, SMEDAN, state governments, and BDSPs for the establishment of a well-functioning OLOP Programme implementation mechanism.
- (2) Supply of well-trained and experienced BDS Officers and candidates for entrepreneurs through formal and on-the-job training.
- (3) Careful selection of high-potential products, clusters, business types, and enterprises for provision of focussed and effective BDSs.
- (4) Provision of continuous, dynamic, and fact-based BDSs regarding business consultation, business management, production skills and technologies, marketing, and financing.

#### 3.1.2 Implementation arrangement

Figure 2 presents the proposed institutional framework of the OLOP Programme; the Action Plan will be implemented under this framework. An MOU between SMEDAN and state governments will define working relationship between the PMU and the SPMU for the management of the Action Plan.

The major responsibilities and functions of the PMU regarding programme management, monitoring, and evaluation are as follows:

- Preparation of the Annual Work Plan and Budget
- Supervision of the implementation of Action Plan activities by the SPMU
- Coordination of Action Plan activities at the federal level
- Preparation of the annual evaluation report

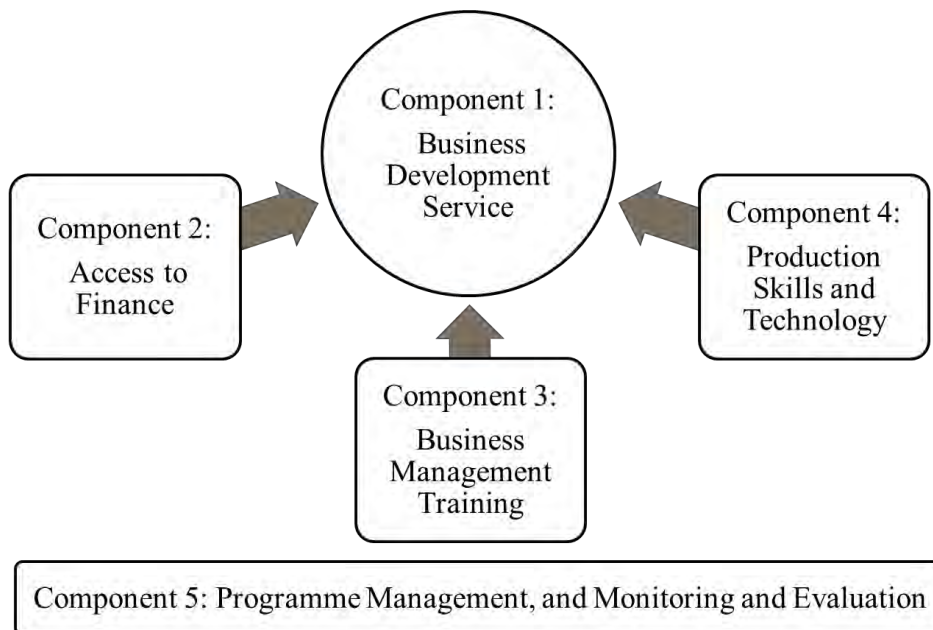
The major responsibilities and functions of the SPMU regarding programme management, monitoring and evaluation are as follows:

- Preparation of a proposed Annual Work Plan and Budget
- Implementation of Action Plan activities in the state
- Regular monitoring and annual evaluation of Action Plan activities in the state

#### 3.1.3 Action Plan component structure

Figure 3 gives a schematic description of the OLOP Programme Action Plan component structure. The Action Plan is composed of 5 Components and 14 Sub-components. The driving force of the Action Plan is Component 1, which acts as the interface between MSMEs and the OLOP Programme. To address the large demand and supply gap of BDSs, Component 1 is designed to recruit and train a large number of BDS Officers, and deploy them to participating states in an effort to meet the demand with quality BDS deliveries. Under Component 1, BDS Officers will also be trained as entrepreneurs,

and by the end of their service term, they are expected to prepare themselves to run businesses or industrial establishments in their selected sectors.



Source: Project Team

**Figure 3 Action Plan component structure**

Components 2, 3, and 4 develop and organise financial, training, and technological contents to be delivered through Component 1 in order to provide cost effective and efficient BDSs to MSMEs. Component 5 provides management, monitoring and evaluation, and administrative services for the entire Action Plan implementation. The management of the Action Plan should be results-based and consistent with a clear set of business ethics and principles as well as facts obtained through the monitoring and evaluation system. Activities of the components will be determined through the process of Annual Work Plan and Budget development based on identified BDS needs, such as MSMEs’ credit, capacity, and technical development needs. The key to successful implementation of the Action Plan is the proper functioning of Component 5. Thus, it is important to assign qualified staff members with leadership and proven management skills to the PMU and SPMUs.

## 3.2 Description of Action Plan components

### Component 1: Business development service

The objective of Component 1 is to provide continuous, dynamic, and fact-based BDSs to MSMEs efficiently and effectively. MSMEs’ BDS needs are great, and meeting this need requires a large number of qualified BDS providers. At the same time, constant flows of motivated and skilled entrepreneurs, who are the drivers of innovation and industrial advancement as well as market growth, are lacking. Since providing BDS services can be a good way to learn entrepreneurship under proper supervision, about 1,000 BDS Officers will be recruited over a 10-year Action Plan period, and trained as both BDS providers and candidates for entrepreneurship under Component 1.

Component 1 includes the following three sub-components:

- Sub-component 1-1: BDS Officer and young entrepreneur training
- Sub-component 1-2: Selection of products, clusters, and enterprises
- Sub-component 1-3: Continuous, dynamic, and fact-based BDS provision

Sub-component 1-1 will contribute to a significant increase in the number of high-quality BDS Officers who are really needed on the state-level service delivery frontlines. Under this sub-component, states will be selected to participate in the OLOP Programme; BDS Officers who are also potential future entrepreneurs will be trained and deployed, and their performance monitored and evaluated. Sub-component 1-2 focuses on value-chain-wide analysis to obtain key knowledge of the impact points in the particular value chain where provisions of limited BDS resources need to be concentrated. Sub-component 1-3 represents the Action Plan's continuous, dynamic, and fact-based service delivery strategies. Such strategies are necessary to identify motivated enterprises and entrepreneurs, increase their rate of success, and achieve the reduction of business risks, which is a prerequisite for obtaining formal loans.

### **Sub-component 1-1: BDS Officer and young entrepreneur training**

#### **1) Objective and key features of BDS Officer and young entrepreneur training**

The objective of sub-component 1-1 is to recruit, train, deploy, and manage high-quality BDS Officers to the participating states to meet the BDS demand of MSMEs.

The following are key features of this sub-component:

#### ***Addressing BDS needs and supplies of qualified young entrepreneurs to capture new business opportunities***

- Increase the number of qualified BDS Officers to scale up BDS delivery.
- Train and nurture BDS Officers as young entrepreneurs.
- Keep the number of government officers and SMEDAN staff at the current level.

#### ***Active participation of state government***

- Participation of state governments will be assessed by the federal government and SMEDAN on the basis of their commitment to the objectives of the OLOP Programme and willingness to bear management responsibility and the costs of the Programme.

#### ***Recruitment, training, and deployment of qualified BDS Officers, and support for starting businesses***

- BDS Officers will be recruited through a nationwide competitive process.
- Recruited BDS Officers will have five-year contracts with the PMU to be trained and deployed to SPMUs to have BDS delivery experience.
- Performance of BDS Officers will be evaluated by both the PMU and SPMUs.
- The PMU and SPMUs will provide top-notch in-service and on-the-job business training from within the region and administrative services to BDS Officers.
- Before the completion of the BDS Officers' service terms, the PMU and SPMUs will support the BDS Officers in starting their businesses.

#### ***Management and sustainability***

- Businesspersons with competent and dynamic private sector management skills will manage this sub-component.
- The PMU, in close collaboration with the SPMU, will bear financial and management responsibility for implementing the sub-component.

- The sub-component will employ performance-based management by managers formulating and executing an Annual Work Plan and Budget of the Action Plan.
- Initially, costs of the sub-component (e.g. employment costs for BDS Officers and their activities) will be borne by the PMU. However, depending on the performance of the Action Plan, the costs may be borne by the SPMU in the future

### 2) Activities

This sub-component consists of the following activities:

- Identification of participating states for the OLOP Programme and enacting MOUs
- Recruitment of BDS Officers
- Induction training of BDS Officers
- Deployment of BDS Officers to the SPMUs
- BDS service facilitation and delivery by BDS Officers
- Performance-based management and evaluation of BDS Officers
- In-service training, mentoring, and advisory services to BDS Officers
- Business development activities of BDS Officers
- Completion of term contract of BDS Officers, and post-contract monitoring and networking

A merit-based and competitive nationwide recruitment of BDS Officers will be conducted each financial year. Recruited BDS Officers are given five-year contracts with a one-year probation period. The terms of the contract will be consistent with all pertinent labour laws. Assuming that each state will receive a maximum of 15 to 16 BDS Officers, 30 BDS Officers will be recruited, trained, and deployed to two participating states in the first year as shown in Table 2. Sixty, 90, and 120 BDS Officers will be recruited in the second, third, and fourth year, respectively. From the fifth year onward, 120 BDS Officers will be recruited. A detailed annual recruitment, training, and deployment plan will be carefully developed since project implementation capacity at the SPMUs may grow gradually, and an appropriate mix of senior and junior BDS Officers in each state is important to manage the productivity of the SPMU. At the end of the 10th year implementation, 1,020 BDS Officers will have been recruited, and among them, 540 officers will have completed their five-year contracts. In this sub-component, recruitment of motivated and capable young BDS Officers and the appointment of qualified human resources managers for them must be secured.

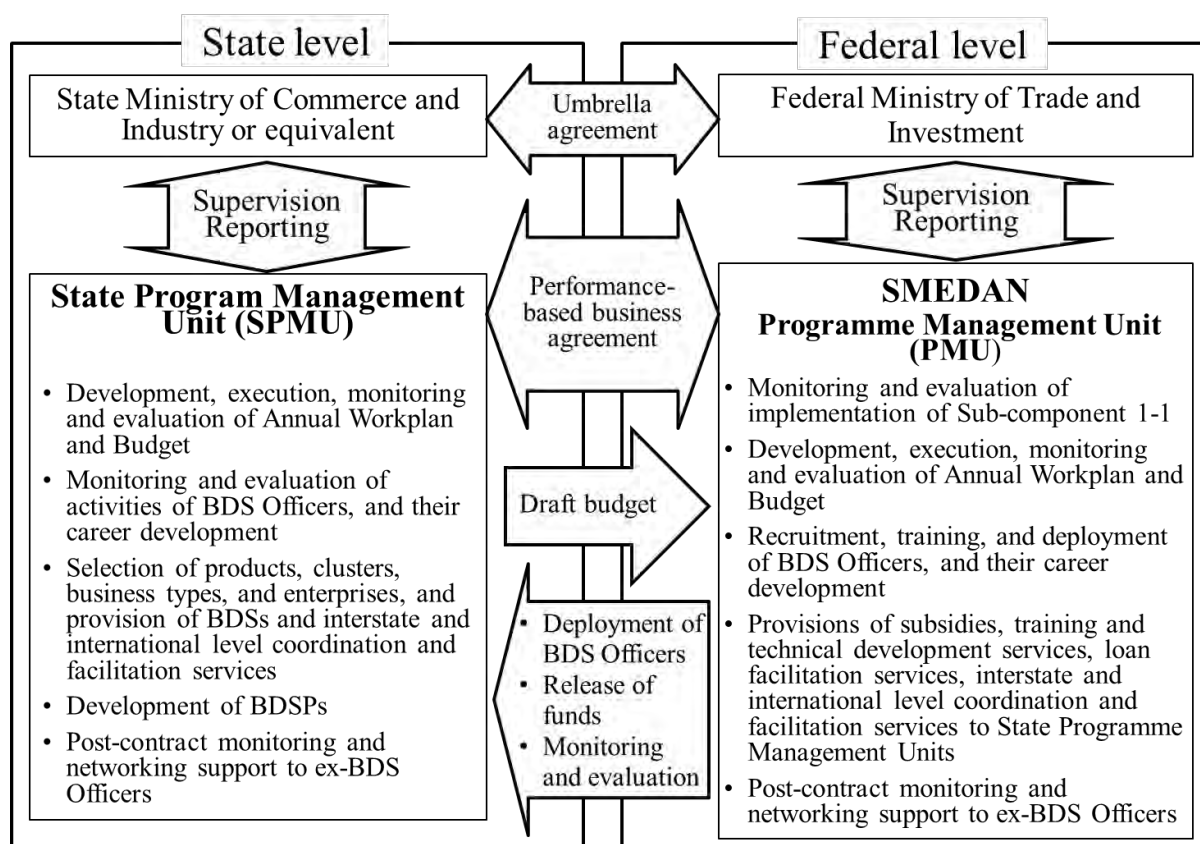
Figure 4 summarises the implementation arrangement of sub-component 1-1. This implementation arrangement will be established within the institutional framework of the OLOP Programme presented in Figure 2.

Table 3 indicates the estimated numbers of MSMEs supported and jobs created, assuming that the Action Plan is implemented for a 10-year planning period. Further assuming that a BDS Officer deployed to a participating state supports 15 MSMEs annually, the total number of supported MSMEs becomes 64,800. For creation of new jobs, assuming that each supported MSME hires an additional two employees upon receipt of BDS assistance, 129,600 new jobs will be created. Ex-BDS Officers will establish their own businesses, which will also create new employment opportunities. In the case of Table 3, a new enterprise with 20 employees is assumed to be established. This yields an increase of 8,400 jobs, so the total increase in employment by supported MSMEs and ex-BDS Officers' enterprises becomes 138,000. If, instead of two, five additional employees per one supported MSME are hired, 332,400 jobs will be newly created. These estimates are a direct impact of Action Plan implementation; if the economic multiplier effect is considered, the increase in employment must be larger than these estimates.

**Table 2 Recruitment and deployment plan of BDS Officers**

Year/Fiscal year Batch of BDS Officer	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	Total
	year	year	year	year	year	year	year	year	year	year	
	F/Y	F/Y	F/Y	F/Y	F/Y	F/Y	F/Y	F/Y	F/Y	F/Y	
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
Bach 1	30	30	30	30	30						30
Bach 2		60	60	60	60	60					60
Bach 3			90	90	90	90	90				90
Bach 4				120	120	120	120	120			120
Bach 5					120	120	120	120	120		120
Bach 6						120	120	120	120	120	120
Bach 7							120	120	120	120	120
Bach 8								120	120	120	120
Bach 9									120	120	120
Bach 10										120	120
<b>Total</b>	<b>30</b>	<b>90</b>	<b>180</b>	<b>300</b>	<b>420</b>	<b>510</b>	<b>570</b>	<b>600</b>	<b>600</b>	<b>600</b>	<b>1,020</b>
No of participating states (15-16 BDS Officers/State)	2	6	12	20	28	34	37	37	37	37	

Source: Project Team



Source: Project Team

**Figure 4 Implementation arrangement of Sub-component 1-1**



**Table 3 Estimated number of supported MSMEs and jobs created**

Year / F/Y	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	Total
	year	year	year	year	year	year	year	year	year	year	
No. of MSMEs	F/Y	F/Y	F/Y	F/Y	F/Y	F/Y	F/Y	F/Y	F/Y	F/Y	
No. of jobs	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
1. MSMEs supported by BDS Officers (assuming that each BDS Officer supports 15 MSMEs/year)											
	450	1,350	2,700	4,500	6,300	8,100	9,450	10,350	10,800	10,800	<b>64,800</b>
2. Job creation											
(1) No. of jobs created by supported MSMEs											
Case 1: assuming that each supported MSME hires two additional employees											
	900	2,700	5,400	9,000	12,600	16,200	18,900	20,700	21,600	21,600	129,600
Case 2: assuming that each supported MSME hires five additional employees											
	2,250	6,750	13,500	22,500	31,500	40,500	47,250	51,750	54,000	54,000	324,000
(2) No. of jobs created by ex-BDS Officers (assuming that each ex-BDS Officer establishes a company with 20 employees)											
						600	1,200	1,800	2,400	2,400	8,400
Total (Case 1 + (2))	900	2,700	5,400	9,000	12,600	16,800	20,100	22,500	24,000	24,000	<b>138,000</b>
Total (Case 2 + (2))	2,250	6,750	13,500	22,500	31,500	41,100	48,450	53,550	56,400	56,400	<b>332,400</b>

Source: Project Team

## Sub-component 1-2: Selection of products, clusters, and enterprises

### 1) Background and objective

Sub-component 1-2 is established using the defined approach of the OLOP Programme. Since resources are very limited, investment must be targeted and focused to optimise its impact. The objective of sub-component 1-2 is to select products, clusters, business types, and enterprises with high business potential for BDS delivery.

### 2) Activities

All activities will take place at the state level, and the SPMU will play a major role in executing this sub-component. The OLOP Programme Concept Paper describes the activities, which are summarised below:

- Development of a short list of products by concerned stakeholders
- Selection of target products for Action Plan implementation
- Analysis of product value chain, and selection of products, clusters, and enterprises for BDS delivery

## Sub-component 1-3: Continuous, dynamic, and fact-based BDS provision

### 1) Background and objective

The targeting of continuous, dynamic, and fact-based BDS to motivated enterprises is an efficient way of improving business practices and profitability in a situation of limited resources. Sub-component 1-

3 is the most client-oriented part of the Action Plan implementation in which BDS is to be rendered; responses from the MSME clients are acknowledged and analysed with a view to rendering the next step of BDS provisions. This dynamic and feedback-based BDS provision is an important characteristic of this sub-component. Close interaction and communications with the clients are essential to establishing good rapport with and gaining trust from the clients. Thus, the objective of sub-component 1-3 is to provide the best possible BDSs to selected MSME clients in a continuous and dynamic manner to nurture trusted relationships. Only trusted advice and recommendations are to be accepted by the clients.

### **2) Activities**

Under sub-component 1-3, various BDSs are provided to the enterprises that have high potential for growth and desire to improve their business. These enterprises are selected under sub-component 1-2. These enterprises are likely to make full use of the assistance provided by the SPMU under the Action Plan to produce maximum results. Activities under sub-component 1-3 defined in the OLOP Programme Concept Paper are summarised below:

- Business consultation and formulation of business strategy
- Provision of services related to business management
- Provision of services related to production skills and technology
- Provision of services related to marketing
- Facilitation of financial services

## **Component 2: Access to finance**

### **1) Background and objectives**

Few MSMEs have access to financial services. There are many obstacles to MSMEs' accessing financial services. Not many of them keep proper books for their businesses. Very few would be able to prepare all the documents, including business plans, that are usually required by financial institutions. Interest rates set by financial institutions are often too high for MSMEs. The loan application process sometimes takes so long that MSMEs cannot wait until they finally obtain the loan. For financial institutions, on the other hand, MSMEs may appear to be high-risk and high-cost customers. Few MSMEs have experience obtaining bank loans, and they may require thorough assistance throughout the process from application to repayment.

This component aims at securing financial services for the enterprises assisted by BDS Officers under the first component. The BOI will be provided with funds and technical assistance to provide special loans for these enterprises. The enterprises will be supported in their efforts to receive the loans from the BOI.

### **2) Activities**

This component consists of the following sub-components and activities.

#### ***Sub-component 2-1: Provision of funds to the BOI***

- Terms of cooperation will be agreed with the BOI.
- Participating BOI zonal offices will be selected.
- An MOU will be concluded between SMEDAN and the BOI.
- Funds will be transferred to the BOI.

### ***Sub-component 2-2: Capacity building of BOI zonal offices***

- Needs assessment will be conducted.
- Features of capacity building will be designed.
- Training sessions for BOI zonal offices will be delivered.
- Periodic follow-up and refresher training will be conducted.

### ***Sub-component 2-3: Assistance to MSMEs in loan application***

- Enterprises to apply for loans will be selected.
- The enterprises will receive necessary training.
- The enterprises will be taken to the BOI.
- The enterprises will be assisted with document preparation.

### ***Sub-component 2-4: Delivery of financial services to MSMEs***

- Applications will be submitted to the BOI.
- BOI staff will carry out loan appraisal.
- Funds will be released to the enterprises.
- BDS Officers will follow up on the use of the funds.

### ***Sub-component 2-5: Follow-up on loan repayments***

- BDS Officers will follow up on repayment of the loans.
- If repayments are delayed, BDS Officers and the BOI will discuss measures.
- BOI zonal offices will keep loans records and send them to the SPMUs.
- Loans records will be aggregated at the PMU for analysis.

## **Component 3: Business management training**

### **1) Background and objectives**

Many MSMEs lack business management skills. Capacity building in business management is in great demand. Business management skills are the basis for the stable operation and growth of enterprises. Bookkeeping may be the most basic business management skill that enterprises must acquire. With proper bookkeeping records, enterprises are able to analyse the costs and profits of their business. Apart from bookkeeping, enterprises may need assistance in developing other aspects of business management, such as business plan development, group management, marketing, and customer relations.

Only a few service providers can train MSMEs in business management skills. SMEDAN provides business management training, but its service can reach a limited number of MSMEs. This component aims at introducing trainers' training to develop training design modules at SMEDAN for the delivery of business management training by various organisations, including SPMUs, government agencies, private service providers, and NGOs at the state level.

### **2) Activities**

This component consists of the following sub-components and activities.

#### ***Sub-component 3-1: Needs assessment with regard to business management training***

- Needs assessment will be designed.
- Training needs will be assessed at the state level by the SPMU.
- Training needs will be compiled and analysed at the PMU.

### ***Sub-component 3-2: Development of training curriculum, modules, and materials***

- Existing training modules and materials will be reviewed.
- Training modules and materials will be developed.

### ***Sub-component 3-3: Training of trainers (TOT)***

- Master trainers will be selected.
- Methods and materials for TOT will be developed.
- TOT will be conducted.

### ***Sub-component 3-4: Training delivery to MSMEs***

- Training will be provided to MSMEs by SPMUs and BDSPs.
- Backup support for trainers will be designed.

## **Component 4: Production skills and technology**

### **1) Background and objectives**

MSMEs often lack access to appropriate skills and technologies to improve the quality and productivity of products. Adopting better skills and technology helps enterprises to improve the profitability of their production processes. Few fabricators and technical institutions are within the reach of rural MSMEs. Fabricators and technical institutions, on the other hand, may not have targeted MSMEs as clients.

This component aims at facilitating arrangements between MSMEs and service providers such as fabricators and institutions so that service providers understand the needs of MSMEs and MSMEs obtain necessary skills and technologies.

### **2) Activities**

This component consists of the following sub-components and activities:

#### ***Sub-component 4-1: Support to local fabricators and institutions***

- Technical needs of MSMEs will be studied.
- Cooperating fabricators and technical institutions will be identified.
- Fabricators and technical institutions will develop appropriate production skills and technology.

#### ***Sub-component 4-2: Reference to specialized institutions***

- Technical needs of MSMEs that cannot be addressed locally will be sent to SMEDAN.
- SMEDAN will refer the technical issues to specialised institutions.

## **Component 5: Programme management, monitoring, and evaluation**

### **1) Background and objective**

For the OLOP Programme to be implemented nationwide, strong coordination between SMEDAN and state governments is required. SMEDAN as an executing organisation at the federal level will supervise state governments as they carry out Programme activities in their states. An MOU will be concluded between SMEDAN and a state government participating in the OLOP Programme to define the roles and responsibilities of each party. An SPMU will be established in each state based on the MOU.

The objective of this component is to implement performance-based management of the PMU and SPMUs under the institutional framework of the OLOP Programme.

### 2) Activities

This component consists of the following sub-components and activities:

#### ***Sub-component 5-1: Preparation of Annual Work Plan and Budget***

- The SPMU will prepare the Annual Work Plan and Budget (SAWPB).
- The PMU will assess the SAWPBs and prepare an AWPB for the OLOP Programme.

#### ***Sub-component 5-2: Implementation of Programme activities***

- The SPMU will implement Programme activities in the state.
- The PMU will supervise and coordinate Programme activities in the states.

#### ***Sub-component 5-3: Monitoring and evaluation of Programme activities***

- The SPMU will conduct regular monitoring and evaluation.
- The PMU will prepare an annual evaluation report of the OLOP Programme.

## 3.3 Implementation schedule and financial resource requirements

### 3.3.1 Implementation schedule

Table 4 shows the implementation schedule for the 10-year Action Plan period. The participating states are assumed to increase from two in the first year to all 36 states and Federal Capital Territory (FCT) in the seventh year of Action Plan implementation (see Table 2). The number of recruited BDS Officers will gradually increase from 30 in the first year to 120 in the fourth year. Since BDS Officers will have five-year-term contracts, the total number of active BDS Officers will reach 600 in the eighth year to cover all the states in Nigeria; the number will be stabilized from that year. Thus, the development of the PMU under component 5 should be guided by this maximum scale of operations target. Components 2, 3, and 4 comprise recursive annual activities. The procedures of the activities will be defined and established by the end of second year. Scaling up of these activities will be continued up to the eighth year of the Action Plan implementation, corresponding with the increase in the number of deployed BDS Officers.

### 3.3.2 Financial resource requirement

Table 5 presents the estimated cost of the Action Plan for 10 years at current prices. NGN 15 billion is required for the full implementation of the OLOP Programme Action Plan. The cost of BDS delivery by BDS Officers in the form of their remuneration consumes 52% of the total. Therefore, their performance and outcomes, which will be monitored and assessed carefully, are keys to the success of the Plan. Twenty per cent of the total will be allocated as seed money hosted and maintained by, for example, the BOI, for provision of small-scale subsidised loans to qualified MSMEs. Thirteen per cent of the total proceeds will be allocated for continuous, dynamic, and fact-based BDS delivery. The cost will secure BDS Officers' mobility, application of local resources, and coordinated and timely services.

Ten per cent of the total is allocated for the cost of Programme management. The cost includes salary of PMU staff (3%) and SPMU staff (4%) to secure employment of qualified unit staff members, and operation costs of both units (3%).

**Table 4 Implementation schedule of OLOP Programme Action Plan**

Items	Year Responsibility	1st year	2nd year	3rd year	4th year	5th year	6th year	7th year	8th year	9th year	10th year
		F/Y2012	F/Y2013	F/Y2014	F/Y2015	F/Y2016	F/Y2017	F/Y2018	F/Y2019	F/Y2020	F/Y2021
<b>Preparatory activities</b>											
Establishment of Programme Management Unit (PMU)	PMU										
Establishment of State Programme Management Unit (SPMU)	SPMU										
<b>Component 1: Business Development Service</b>											
Sub-component 1-1: BDS Officers and young entrepreneurs training											
Batch 1 BDS Officers (30 persons)	PMU										
· Recruitment of BDS Officers	PMU										
· Induction training of BDS Officers	PMU/SPMU										
· In-service training, mentoring, and advisory services to BDS Officers	PMU										
· Business development activities of BDS Officers	PMU/SPMU										
· BDS Officers' contract completion and post-contract monitoring	PMU										
Batch 2 BDS Officers (60 persons)	PMU/SPMU										
Batch 3 BDS Officers (90 persons)	PMU/SPMU										
Batch 4 BDS Officers (120 persons)	PMU/SPMU										
Batch 5 BDS Officers (120 persons)	PMU/SPMU										
Batch 6 BDS Officers (120 persons)	PMU/SPMU										
Batch 7 BDS Officers (120 persons)	PMU/SPMU										
Batch 8 BDS Officers (120 persons)	PMU/SPMU										
Batch 9 BDS Officers (120 persons)	PMU/SPMU										
Batch 10 BDS Officers (120 persons)	PMU/SPMU										
Sub-component 1-2: Selection of products, clusters, and enterprises	SPMU										
Sub-component 1-3: Continuous, dynamic, and fact based BDS provision	SPMU										
<b>Component 2: Access to finance</b>											
Sub-component 2-1: Provision of funds to the Bank of Industry	PMU										
Sub-component 2-2: Capacity building of BOI zonal offices	PMU										
Sub-component 2-3: Assistance to MSMEs in loan application	SPMU										
Sub-component 2-4: Delivery of financial services to MSMEs	SPMU										
Sub-component 2-5: Follow up on loan repayments	SPMU										
<b>Component 3: Business management skills</b>											
Sub-component 3-1: Needs assessment on business management training	PMU/SPMU										
Sub-component 3-2: Development of training curriculum, modules and materials	PMU										
Sub-component 3-3: Training of Trainers	PMU										
Sub-component 3-4: Training delivery to MSMEs	SPMU										
<b>Component 4: Production skills and technology</b>											
Sub-component 4-1: Support to local fabricators and institutions	SPMU										
Sub-component 4-2: Reference to specialized institutions	PMU/SPMU										
<b>Component 5: Programme management, M&amp;E</b>											
Sub-component 5-1: Preparation of Annual Work Plan and Budget	PMU/SPMU										
Sub-component 5-2: Implementation of programme activities	PMU/SPMU										
Sub-component 5-3: Monitoring and evaluation of programme activities	PMU/SPMU										

Source: Project Team

**Table 5 Ten-year cost estimates for OLOP Programme Action Plan**

Items	(Million Naira)										Total	% to the Total		
	Unit cost		1st	2nd	3rd	4th	5th	6th	7th	8th			9th	10th
	Million Naira	Unit	year F/Y	year F/Y	year F/Y	year F/Y	year F/Y	year F/Y	year F/Y	year F/Y			year F/Y	year F/Y
<b>Preparatory activities</b>														
Establishment and operation of Programme Management Unit (PMU)	43.2 staff cost/Unit		43	43	43	43	43	43	43	43	43	43	432	3%
Establishment and operation of State Programme Management Unit (SPMU)	4.2 staff cost/Unit		8	25	50	84	118	71	76	76	76	76	659	4%
9% bone by state governments														
<b>Component 1: Business Development Service</b>														
Sub-component 1-1: BDS Officers and young entrepreneurs training	2 /BDS Officer/year		60	180	360	600	840	1,020	1,140	1,200	1,200	1,200	7,800	52%
Sub-component 1-2: Selection of products, clusters, and enterprises	4 /New state		8	16	24	32	32	24	8				144	1%
Sub-component 1-3: Continuous, dynamic, and fact based BDS provision	1 /BDS Officer/year		15	45	90	150	210	255	285	300	300	300	1,950	13%
<b>Component 2: Access to finance</b>														
Sub-component 2-1: Provision of funds to the Bank of Industry	3,000 /Loan capital		3,000										3,000	20%
Sub-component 2-2: Capacity building of BOI zonal offices	1 to 10 /year		5	10	5	5	5	5	1				36	0%
Sub-component 2-3: Assistance to MSMEs in loan application (financed by Sub-component 1-3)														
Sub-component 2-4: Delivery of financial services to MSMEs (financed by Sub-component 1-3)														
Sub-component 2-5: Follow up on loan repayments (financed by Sub-component 1-3)														
<b>Component 3: Business management skills</b>														
Sub-component 3-1: Needs assessment on business management training	0.5 /state		3	6	10	14	17	17	18	18	18	18	122	1%
Sub-component 3-2: Development of training curriculum, modules and materials	0.5 /state		3	6	10	14	17	17	18	18	18	18	122	1%
Sub-component 3-3: Training of Trainers	0.5 /state		3	6	10	14	17	17	18	18	18	18	122	1%
Sub-component 3-4: Training delivery to MSMEs (financed by Sub-component 1-3)														
<b>Component 4: Production skills and technology</b>														
Sub-component 4-1: Support to local fabricators and institutions	0.5 /state		3	6	10	14	17	17	18	18	18	18	122	1%
Sub-component 4-2: Reference to specialized institutions	0.5 /state		3	6	10	14	17	17	18	18	18	18	122	1%
<b>Component 5: Programme management, M&amp;E</b>														
Sub-component 5-1: Preparation of Annual Work Plan and Budget	0.5 /state		1	3	6	10	14	17	17	18	18	18	123	1%
Sub-component 5-2: Implementation of programme activities	0.5 /state		1	3	6	10	14	17	17	18	18	18	123	1%
Sub-component 5-3: Monitoring and evaluation of programme activities	0.5 /state		1	3	6	10	14	17	17	18	18	18	123	1%
<b>Total</b>			3,143	343	621	994	1,360	1,555	1,697	1,763	1,763	1,763	15,000	100%
<b>Total USD (150Naira/USD)</b>													USD	100 Million
<b>Total Yen (0.6 yen/Naira)</b>													Yen	9,000 Million

Source: Project Team



## **CHAPTER 4 OLOP Programme implementation guidelines**

This guideline aims to describe ways to provide BDSs to MSMEs through SMEDAN, including Business Support Centres (BSCs) and Business Information Centres (BICs), state-level business development service implementation agencies (SBDSIAs), BDSPs, and financial institutions. SBDSIAs refer to state ministries and agencies that are responsible for the development of MSMEs at the state level.

The guideline consists of sections 1–5, which describe (1) the management cycle of an MSME project, (2) preparation of BDS provisions by SMEDAN and SBDSIAs, (3) BDS provision by SBDSIAs, (4) required BDS delivery capacity and its enhancement, and (5) cost management for BDS delivery.

### **(1) Management cycle of an MSME project**

In this section, the management cycle of an MSME project implemented by SMEDAN and SBDSIAs is described. The management cycle is an integral part of public sector fiscal management, and its proper application, is key to the success of the project. One management cycle period is three years. Several management activities are implemented in parallel based on the cycle.

### **(2) Preparation of BDS provision by SMEDAN and SBDSIAs**

Preparatory activities necessary for SMEDAN and SBDSIAs to provide effective BDSs are described. Before implementing BDSs, SMEDAN and SBDSIA need to organize the following activities: (1) development of a short list of candidate products, (2) identification of selection criteria and selection of products, (3) value chain analysis of selected products, and (4) baseline survey and analysis.

### **(3) BDS provision by SBDSIAs**

SBDSIAs conduct business diagnoses to determine business development strategies and contents of BDSs to be provided to selected enterprises. Business diagnosis consists of the following four steps: (1) business environmental analysis, (2) review of overall business direction, (3) development of business strategy, and (4) monitoring of activities to achieve strategic goals. In this section, these steps are explained in detail. Following the business development strategies formulated through the business diagnoses, BDSs will be determined and provided to the enterprises. In this section, the role of each agency concerned, identification of BDSPs, and other critical activities, including monitoring and evaluation of BDS delivery, are also described.

### **(4) Capacity development for BDS provision**

SMEDAN must be able to provide guidance to SBDSIAs in survey methodologies, business diagnosis methods, accounting and finance, business ethics, company law, tax administration, financial institutions, and utilization of professional institutions. Because SBDSIAs and BDSPs are the front-line organizations with respect to BDS delivery, well-qualified and trusted knowledge and experience in business diagnosis, bookkeeping, marketing, processing, technologies, etc. are required. In this section, such capacities of SMEDAN and SBDSIAs are identified and ways to enhance them are described.

### **(5) Cost management for BDS delivery**

BDSs are delivered by applying limited public resources. Therefore, SBDSIA and SMEDAN need to manage their activities in a cost effective manner with respect to economic impacts. In this section, methods of cost management and comparison between expenditures and assumed economic impacts are described with examples obtained from the pilot projects.

## **CHAPTER 5 Pilot Project Report: technical annex for the Final Report**

### **1. Background of pilot project implementation**

The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) developed a concept paper of the One Local Government One Product Programme (OLOP) in April 2009 to revitalize the rural economy, improve employment opportunities, and alleviate poverty in rural areas in Nigeria. This was based on the One Village One Product (OVOP) movement implemented in Oita Prefecture in Japan. The governments of both Nigeria and Japan agreed to implement a technical cooperation programme (Technical Cooperation for Development Planning on the One Local Government One Product Programme for Revitalizing the Rural Economy in the Federal Republic of Nigeria) beginning in February 2010 to verify implementation methods and institutional arrangements for the promotion of OLOP. The project was implemented by a Technical Cooperation Team.

The Technical Cooperation Team reviewed the OLOP Concept Paper in terms of the following four aspects:

1. Relevance of the basic concept of OLOP to the concerned policies,
2. Feasibility of the proposed institutional framework,
3. MSMEs' demand for provision of business development service (BDS), and
4. Effectiveness of the proposed approach of the OLOP.

To review and verify the above four aspects of the OLOP Concept Paper, pilot projects were conducted in Kano and Niger States from September 2010 to July 2011. In the course of the pilot project implementation, baseline and value-chain surveys and analyses were carried out and BDSs were delivered to approximately 50 selected enterprises that manufactured six products.

In each state, two national staff members of the Technical Cooperation Team were hired to implement the delivery of BDSs. The experts on the team conducted baseline and value-chain surveys and analyses, business diagnoses and consultations, technical development, marketing, facilitation of bank loans, monitoring and evaluation of the pilot projects, and capacity development of the national staff members. The pilot projects demonstrated that the work of the national staff members and experts could be undertaken by government agencies.

The number of MSMEs dealing with the selected products and the size of business in both Kano and Niger States were estimated in order to find out the scale of public investment that would be needed to implement the Action Plan effectively. The market structures and behaviours of the selected products were analysed to identify issues, possible solutions, and necessary public resources needed to deliver appropriate BDSs. Types of BDSs and the timing of their delivery were also examined to find out if higher value-added products could be made available.

In the following chapters, results of the pilot project implementation are reported.

### **2. Selection of products for the pilot project**

Workshops were held in Kano and Niger States with government officials to decide on target products for the pilot project. Given the results of the workshops, the Technical Cooperation Team, together with SMEDAN and state governments, selected rice, leather, and groundnut oil for Kano State and shea products, groundnut oil, and yams for Niger State as target products for the pilot project, including baseline surveys and value-chain analysis.

### 3. Implementation and results of baseline surveys

Baseline surveys were conducted as part of the pilot project in Kano and Niger States. These examined strategies of BDS provision, as well as baseline information, in order to allow changes caused by BDS provision to be measured. The survey population consisted of 1,404 enterprises from 21 business types in selected product value chains. The baseline surveys targeted 320 enterprises as samples to estimate various parameters of the population. Information collected included characteristics of enterprises, labour force, management methods, needs and supply of BDS, finance, profit and loss, assets and liabilities, and perception about market characteristics and trends.

The baseline surveys revealed that a great many MSMEs were involved in the value chains, and that some products had large economies of scale in the state. It was thus important to select appropriate business types in value chains as targets of BDS provision. The baseline surveys also found that around 80% of the enterprises belonged to the informal sector, and that the quality of labour was unsatisfactory. These factors were bottlenecks that prevented the enterprises from expanding their operations. It was confirmed that enterprises with these bottlenecks were in great need of BDS and finance, whereas the supply of BDS and finance failed to meet that demand. Management resources, such as assets and human resources, of MSMEs were found to be limited, as were their clients. These findings confirmed that government assistance is needed to promote MSMEs, which have tended to lose profits because of inflation in recent years.

### 4. Value-chain analysis and results

The following section summarizes the current situation of BDS for each target product, as well as the characteristics and issues of clusters in value chains in each state. Issues faced by major business types were as follows.

#### (1) Kano State

**Kura rice cluster:** Kano State is a major rice-distribution centre in Nigeria, and the largest number of enterprises are located in Kura. These include parboilers, rice millers, and rice traders. Value-chain analysis was conducted on these business types. Although the profit margins of these business types may increase if they expand their operations into other business types (vertical integration), few enterprises practice vertical integration. Another issue is the quality of the rice. Kura has a reputation for having poorer rice than other areas. Technical improvement in the process from parboiling through milling is necessary. Use of new milling machines and marketing of improved rice are especially pressing needs.

**Leather industry:** Value-chain analysis was conducted on leather traders, traditional tanneries, and leather producers. The major issues were not knowing how to improve quality (because there is no effective distribution system that could reflect quality standards and demand trends) and inappropriate techniques used in tanning and manufacturing.

**Groundnut oil:** Value-chain analysis was conducted on groundnut traders, traditional groundnut-oil processors, mechanical groundnut-oil processors, and groundnut-oil traders. For traditional groundnut-oil processors, processing is inefficient and requires heavy labour, but they lack the finances needed to adopt improved technology. Although Kano State has a large potential demand for groundnuts and groundnut oil, old business practices, such as delay or failure in payment, must be overcome. Mechanical processors have not been able to make full use of processing machines for various reasons, including the escalating price of raw materials and power failure. They also face price competition from imported vegetable oil, which makes management more difficult.

## (2) Niger State

**Shea products:** Value-chain analysis was conducted on traditional shea-nut processors, traditional shea-butter processors, mechanical shea-butter processors, and shea-product traders. The state government, with support from donor agencies, provides technical assistance to help processors improve their quality. However, the enterprises use such different methods of processing that they cannot supply the quality and quantity of shea products demanded by the market. Shea-butter processors have limited access to markets, and they deal with traders individually. As a result, shea-butter processors lack the power to bargain over prices and, therefore, to improve their quality. That the traditional shea-butter market does not recognize quality standards such as Free Fatty Acid (FFA) is another obstacle.

**Groundnut oil:** Value-chain analysis was conducted on groundnut traders, traditional groundnut-oil processors, mechanical groundnut-oil processors, and groundnut-oil traders. Traditional groundnut-oil processors outsource part of the processing. They could internalise all of the processing by purchasing machines, but they cannot often get loans from financial institutions. Mechanical processors cannot secure raw materials during the year and sometimes have to close their factories temporarily.

**Yams:** Value-chain analysis was conducted on yam traders, yam-flower traders, and yam wholesalers. Storage of yams is an issue, because losses caused by surface damage, high moisture content, and germination cause a decline in prices. Niger State is the largest producer of yams in the world. Yams traded in the Paiko market are transported to large consumption areas, such as Lagos and Abuja. Yams have significant potential for export, and Nasarawa State already exports yams. However, Niger State receives buying agents only from Niger.

## 5. Results of pilot project implementation in Kano State

### (1) Rice

**Kura rice parboiler project:** Parboilers received bookkeeping training. Their literacy level was low. They could keep books with assistance from volunteers, but they could not read their books. Unfortunately, they did not attempt to continue keeping books. The Technical Cooperation Team also monitored their effort to save money in order to become paddy traders. Parboilers, however, lost interest in the pilot project when they discontinued bookkeeping. The pilot project provided parboilers with BDS to improve their management capacity, while other donors approached them with financial assistance to cover operational costs. This difference in approach might have discouraged parboilers from continuing to participate in the pilot project.

**Kura rice miller project:** Rice processed in Kura has a reputation for low quality. The project aimed to improve the quality of rice by introducing new rice-milling machines. Rice millers learned bookkeeping. They also applied for a loan programme with assistance from the Technical Cooperation Team and went to interviews with the bank. However, by the end of the pilot project period, they did not receive the loans. Organizations that attempt to provide loans to small-scale enterprises need to clarify loan conditions and shorten the loan-appraisal period. Improvement of BDS in finance is indispensable.

### (2) Leather

**Kano traditional tannery project:** The pilot project introduced 5S to enable the Association of Traditional Tanneries to manage sanitation better, and cleaned the tanning facilities in coordination with government agencies, including the Ministry of Environment. The Technical Cooperation Team monitored the tannery weekly with a checklist on sanitary requirements, but the motivation of the

Association did not improve. It was therefore agreed among stakeholders, including the Kano State Ministry of Environment, the Kano State Ministry of Commerce and Industry, and Kano City, that a sanitation officer of Kano City would supervise management of the tanning facilities. The Technical Cooperation Team trained the Association on bookkeeping. However, receipts and expenditures of association fees did not show on the books clearly, and bookkeeping was discontinued during the pilot project period. Another outcome of the pilot project was that the Technical Cooperation Team enabled a leather trader to resume trading with the Association after a long hiatus.

**Kano leather-products manufacturer project:** The Technical Cooperation Team provided leather-product manufactures with bookkeeping training to improve their financial management skills. This training helped leather producers understand the breakdown of product cost and cost percentage and thus become more cost conscious. An accounting system was introduced to consider a product mix made up of products with higher profit margins, but the accounting data did not generate marketing strategies. It seemed to be too difficult for bookkeeping beginners to deal with multiple books. As a new marketing strategy, the National Export Promotion Council (NEPC) suggested that leather-product manufacturers should display their products at international trade fairs in neighbouring countries, and the leather-product manufacturers did prepare pamphlets about their products.

### (3) Groundnut oil

**Dawakin Tofa groundnut-oil traditional processor project:** Production of groundnut oil has increased because of the labour-saving and efficient manual oil-extraction device introduced by the Technical Cooperation Team. The oil processors registered themselves as a cooperative with the Kano State Ministry of Commerce and Industry, and received training on group purchase of raw materials. Unfortunately, reduction in raw material cost by group purchase did not reach the target of 20%. Social and religious factors may have hindered the oil processors from exploring new markets and building new styles of business. BDS on bookkeeping was provided, but the oil processors could not keep books without assistance.

**Kano groundnut-oil mechanical processor project:** The Technical Cooperation Team provided 5S training to the mechanical processors in order to improve the work environment in their factories. Weekly monitoring was conducted using a checklist. In order to sell groundnut oil in labelled bottles to be sold at supermarkets, oil processors must register at the National Agency for Food and Drug Administration and Control (NAFDAC), and invest in production facilities, such as sanitation management, oil filtering, and equipment to add vitamin A to processed oil, in order to meet NAFDAC requirements. 5S was introduced as a low-cost measure to improve the working environment. During the pilot project, some oil processors temporarily stopped operation because of the elevated cost of raw materials. On the other hand, one oil processor eagerly implemented 5S to organize his workplace. This processor planned to introduce oil filters into his factory, but that had not been achieved during the pilot project period.

## 6. Results of pilot project implementation in Niger State

### (1) Shea products

**Kacha shea-butter traditional processor project:** The Technical Cooperation Team carefully studied the shea-butter production process in order to propose production methods suitable for the local environment that could improve shea-butter quality. Of the factors that influence shea-butter quality, such as moisture content, Free Fatty Acid (FFA), and impurities, the Technical Cooperation Team used FFA to classify the grades of shea butter. The Technical Cooperation Team also developed a simple test kit to check FFA and tested it as a quality-control tool in the field. A workshop was held in Kacha to present the shea-butter processing method proposed by the pilot project to large-scale traders. The traders liked the improved quality of the shea butter, but no regular deal was concluded.

Issues to be improved included lack of access to major markets, high transportation costs, difficulty in making payments from a distance, inability of processors to control quality, and delivery date management.

## **(2) Groundnut oil**

**Kontagora groundnut-oil traditional processor project:** Traditional groundnut-oil processors, with some assistance by their children, were introduced to bookkeeping practice, which aroused their interest in the profitability of their business. The Technical Cooperation Team trained them on group purchase of groundnuts to cut down raw material cost. The amount of groundnuts bought by group purchase increased from 100 kg at the beginning to 800 kg after nine months. The frequency of purchases increased from every other week to every week. Demand for by-products as raw materials for *kuli-kuli* increased, and profitability of the business improved. The oil processors understood the benefits of group purchase. Another factor that reduced costs was a manual oil-extraction device. Processing by the oil-extraction device reached 60% of the total production, which increased production volume and reduced production costs by cutting down on outsourcing. On the other hand, the pilot project could not help them explore new distribution channels and markets. Therefore, the improved profitability did not increase profits and value-added products enough.

**Kontagora groundnut-oil mechanical processor project:** Mechanical processors often do not operate long or well, because of frequent blackouts and the short lifespan of spare parts (made in China). The Technical Cooperation Team proposed use of locally available long-life spare parts. The mechanical processors wanted to try a sample of the spare parts to confirm their quality before agreeing to buy any. A sample could not be obtained during the pilot project period, however, because the local fabricator could not obtain the steel materials he needed. The mechanical processors were also considering purchase of an oil filter, but that also did not happen, because the fabricators reacted to customers' needs very slowly. The processors could not afford to buy what they need, their customer service was poor, and they are too weak financially to consider long-term investment.

## **(3) Yams**

**Paikoro yam trader project:** Analysis of the long-term storage of yams found that loss of yams resulted mainly from feeding damage by rats, the breeding of disease-causing bacteria, and germination. Given this finding, the pilot project constructed yam shelves for storage on a trial basis. However, monitoring after shelf construction revealed that yam traders sell yams immediately after purchasing them at the market and do not store them for long. Yam farmers, instead, store yams for a long time for shipping reasons. Yam traders deal with domestic customers, but they do not have strong motivation to explore foreign markets. Although they are interested in export, they do not have enough information or motivation to market their yams abroad. BDS provision was hindered by the fraudulent practices of the Yam Traders Cooperative, which was the target of the pilot project. Nevertheless, bookkeeping was continued in order to explain the financial status of the yam-trading business.

## **7. Hypotheses examined by pilot projects**

### **(1) Cost of government services and GDP growth**

For the cost of government services and GDP growth, the following two hypotheses were examined.

- 1-1 The increase in added value (GDP) generated by a value chain of a target product is greater than the cost of services provided by SMEDAN (economic efficiency exists for services).
- 1-2 The increase in tax revenue based on the added value (GDP) generated by a value chain of a target product is greater than the cost of services provided by SMEDAN (financial efficiency exists for services).

During the nine months of the pilot project period, no increase in the added value of enterprises that received BDS was observed. It was confirmed that the added value produced by target value chains was less than the cost of BDS provision. Therefore, for the pilot project period, the economic and financial efficiency of BDS was low; thus, the hypotheses are rejected.

It was also asked whether the hypotheses would be proved in the future. For rice products in Kano State, hypothesis 1-1 of economic efficiency would be supported if BDS of 100 million naira were provided to rice millers in Kano State for one year to produce added value of 270 million naira. Assuming the tax rate is 15%, 100 million naira of public investment would be collected within two years, which would support hypothesis 1-2 (financial efficiency).

The future prospects look good for traditional shea products in the Kacha area of Niger State, where BDS was provided under the pilot project. Hypothesis 1-1 is expected to be supported, with the estimate of 24,000 naira as the monthly cost of BDS provision and 40,000 naira of monthly added value. On the other hand, traditional shea-butter producers belong to the informal sector and do not pay tax; so public investment in BDS for shea-butter processors would not be recovered. Therefore, hypothesis 1-2 would not be supported. If BDS were provided to all the traditional shea-butter processors in the state, the target enterprises would be a huge number of micro-enterprises scattered all over the state, making the cost of BDS provision very high. Based on the conditions above, neither hypothesis is likely to be supported.

## **(2) Profitability and employment of MSMEs**

Considering the profitability and employment of MSMEs, the following two hypotheses were set up.

- 2-1. MSMEs improve profitability (improved financial efficiency of businesses).
- 2-2. MSMEs increase the number of employees.

From the profitability perspective, some types of businesses showed potential to increase profits by reducing costs, whereas some others kept books continuously to be able to analyse the profitability of their businesses. However, there was no business type that presented a clear increase in profit as a result of BDS. Judging from these findings, hypothesis 2-1 was not supported during the pilot project period. On the other hand, the capacity being developed by such enterprises and the presence of fabricators marketing improved equipment commercially suggest that hypothesis 2-1 would probably be confirmed in the future if BDS is continuously provided.

From the employment perspective, no information was confirmed during the pilot project period that could demonstrate a relationship between BDS provision and an increase in the number of employees. Therefore, hypothesis 2-2 was not supported. On the other hand, some types of business did tend to increase profits and expand the scale of their business. If BDS is continuously provided to expanding businesses, employment would increase in an economy as a whole. Therefore, hypothesis 2-2 would probably be confirmed if BDS provision continues.

## **(3) Poverty reduction**

On the profitability and employment of MSMEs, the following hypothesis was set up.

- 3-1. The increase in added value generated by micro-enterprises is greater than that generated by small and medium enterprises.

Hypothesis 3-1 could not be examined, for two reasons: the financial information collected during the pilot project period was not accurate enough to allow analysis for this hypothesis; and no clear

increase in added value was observed.

In order to examine this hypothesis, the cost performance of BDS provision was analysed. People engaged in micro-enterprises tend to have lower levels of education, their management capacity tends to be small, and many of them are household industries that do not wish to expand the scale of their business. The analysis showed that the cost of BDS provision to micro-enterprises per unit increase in added value is higher than the cost of BDS provision to small- and medium-sized enterprises. Therefore, in terms of BDS cost performance, BDS provision should focus on small- and medium-sized enterprises. It would be a policy issue to decide how much of available resources should be allocated to support micro-enterprises.

#### **(4) Entrepreneurship**

Concerning the profitability and employment of MSMEs, the following hypothesis was set up.

- 4-1. MSMEs assisted by SMEDAN improve entrepreneurship.

Entrepreneurship was monitored by implementing the pilot project. As a result, enterprises were improved in entrepreneurship by BDS provision; so hypothesis 4-1 was proved. Entrepreneurship can be examined by observing practices of enterprises, such as continuation of bookkeeping. Many enterprises adopted bookkeeping practices with the support of BDS during the pilot project period. Provision of BDS also helped enterprises improve entrepreneurship in other ways, such as continuing 5S practice, filing an application for a loan, and attempting to introduce machines.



## Annex 1 OLOP Programme national seminar presentation material



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1. Methodology of reviewing the OLOP Programme
2. Review results

### **CHAPTER III OLOP Programme Action Plan**

1. Overview of OLOP Programme Action Plan
2. Description of Action Plan components
3. Implementation schedule and financial resource requirements

### **CHAPTER IV OLOP Programme implementation guidelines**

## CHAPTER I Background, objectives, and implementation flow

### 1. Background

#### (1) *Economic status*

- Nigeria's economic growth rate in 2008 was 6.4 %
- 91% of Nigeria's total export earnings come from petroleum
- 54% of Nigeria's total population is estimated to live below the poverty line
- There are 11.6 million MSMEs in Nigeria of which 80% is micro, 15% is small, 5% is medium enterprises
- MSMEs have limited access to BDSs and lack linkages to markets

#### (2) *OLOP Programme and OVOP movement*

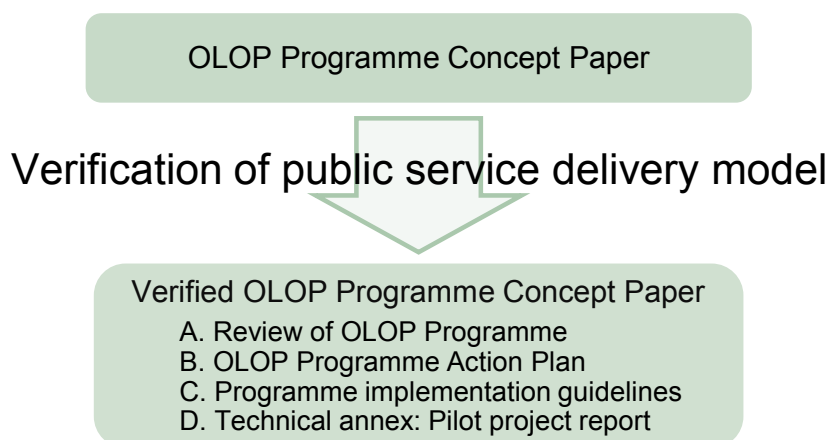
- SMEDAN developed the OLOP Programme Concept Paper in April 2009 by adopting the concept of the One Village One Product (OVOP) movement in Japan
- The Government of Nigeria and Japan have agreed to implement the Technical Cooperation from February 2010 to verify the institutional arrangement and approach proposed in the Concept Paper

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## CHAPTER I Background, objectives, and implementation flow

### 2. Objective

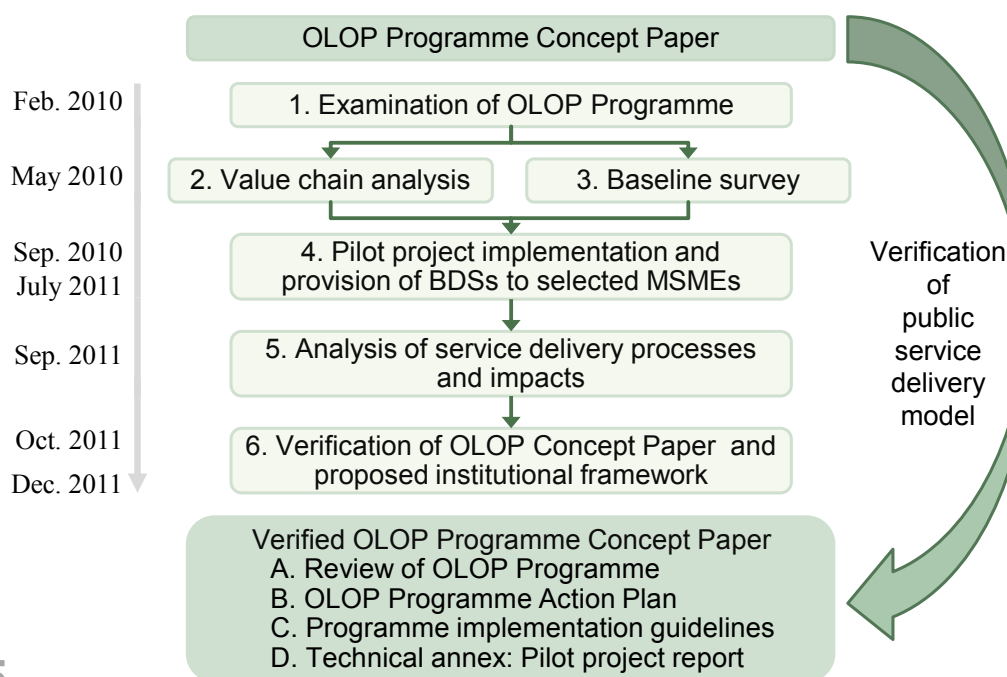
To propose policy and institutional framework for implementing the **One Local Government One Product (OLOP) Programme**, with the intention to revitalize rural communities through the development of local businesses.



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## CHAPTER I Background, objectives, and implementation flow

### 3. Implementation flow



## CHAPTER II Review of the OLOP Programme

### 1. Methodology of the review

#### 1.1 OLOP Concept Paper

**Background:** Adopt experience of One Village One Product (OVOP) Movement in Japan

**Goal:** Support rural micro, small, and medium enterprises (MSMEs) in value-addition of locally available raw materials

**Institutional framework:**

- (1) Federal Government/SMEDAN
- (2) State Governments
- (3) Local Government Areas (leading agents)

**Approach:** Select products, clusters, and MSMEs, and provide targeted business development services (BDSs) to the MSMEs

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## CHAPTER II Review of the OLOP Programme

### 1. Methodology of the review

#### 1.2 Methodology of reviewing the OLOP Programme

##### (1) Review aspects

- Relevance of the Programme to concerned policies
- Feasibility of the proposed institutional framework
- MSMEs' demand for BDS provision
- Effectiveness of the proposed approach

##### (2) Methodology

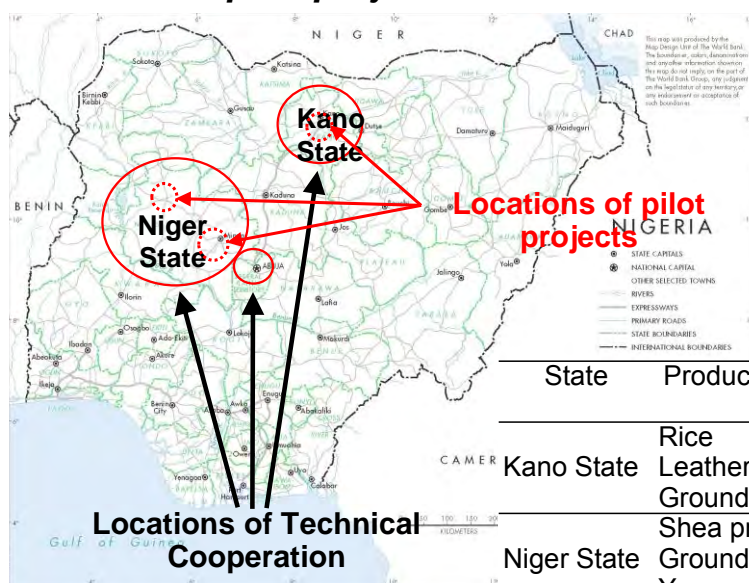
- Interviews with concerned personnel
- Literature surveys
- Baseline and value chain surveys and analysis
- Pilot projects in Kano and Niger States  
(12 pilot projects in 6 products with about 50 MSMEs)

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## CHAPTER II Review of the OLOP Programme

### 1. Methodology of the review

#### Locations of pilot projects



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## CHAPTER II Review of the OLOP Programme

### 2. Review results

#### 2.1 Relevance of the OLOP Programme to specific policies

OLOP Programme is consistent with the following policies

**(1) Federal Government's development policies**

- Economic Transformation Agenda
- First National Implementation Plan (2010–2013) of Vision 20: 2020

**(2) Federal Government and SMEDAN's policies on MSME promotion**

- Industrial Policy of Nigeria
- National Policy on Micro, Small, and Medium Enterprises

**(3) Kano and Niger State Governments' policies on MSME promotion**

- Kano State Economic Empowerment and Development Strategy
- Niger State Economic Empowerment and Development Strategy
- Development Action Plan for Niger State

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## CHAPTER II Review of the OLOP Programme

### 2. Review results

#### 2.2 Feasibility of the proposed institutional framework (1)

**(1) Public organisations**

**Organisations analysed**

- Federal Ministry of Trade and Investment
- SMEDAN
- State Ministry of Industry and Commerce in Kano and Niger State
- Local Government Areas in Kano and Niger States

**Key results of the review and issues identified**

- Insufficient service delivery capacity against large BDS demand
- Limited human and financial resources allocated to MSME promotion
- Low execution rate of capital budget
- Large portion of budget is in recurrent budget for salary expenditure
- Weak facilitation and coordination mechanisms and capacity
- Lack of market information and intelligence
- LGAs do not have sufficient capacity to drive OLOP Programme
- Underutilization of local resources

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## CHAPTER II Review of the OLOP Programme

### 2. Review results

#### 2.2 Feasibility of the proposed institutional framework (2)

##### (2) Business service providers

##### Organisations analysed

- Financial institutions
- Government agencies and public institutions
- Private service providers
- NGOs

##### Key results of the review and issues identified

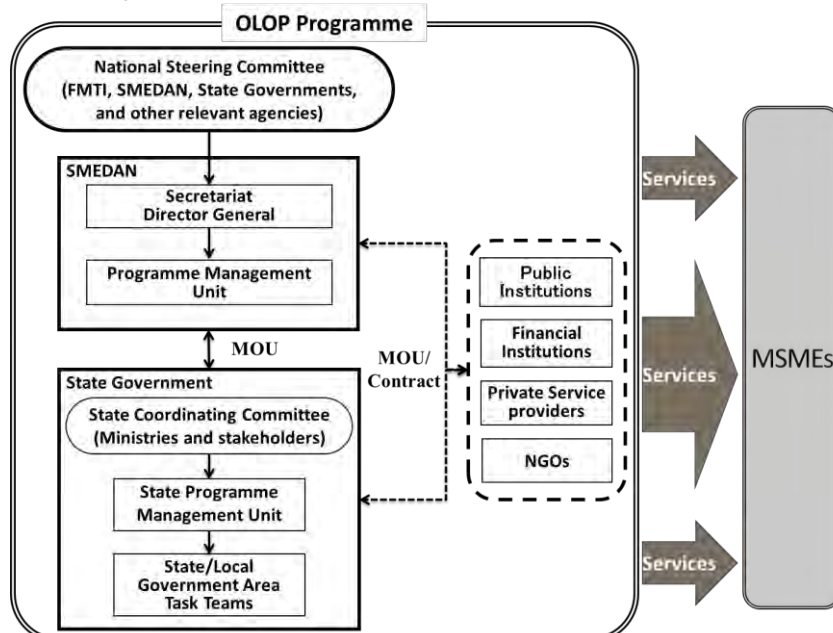
- Limited experience of providing loans to MSMEs by financial institutions
- Insufficient capacity of BDSPs
- Under utilisation of local BDSPs including NGOs

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## CHAPTER II Review of the OLOP Programme

### 2. Review results

#### Proposed institutional framework based on the review



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## CHAPTER II Review of the OLOP Programme

### 2. Review results

#### 2.3 Demand of MSMEs for BDS provision

##### *(1) Supply and demand for BDSs*

- Demand of MSMEs for BDS provision in the areas of business management capacity development, formal loans, technical development, and marketing is large
- MSMEs' awareness of BDSs is not high
- MSMEs with experiences in receiving BDS service provision is low

##### *(2) Supply and demand for financial services*

- There is large demand for access to finance
- Banks consider MSMEs are high risk borrowers
- Only a limited number of enterprises have access to formal loans
- Many MSMEs obtain loans from informal sources which are not sufficient to meet MSMEs financial needs
- Investment of MSMEs can be expanded by obtaining formal loans

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## CHAPTER II Review of the OLOP Programme

### 2. Review results

#### 2.4 Effectiveness of the proposed approach (1)

##### 2.4.1 Selection of products, clusters, business types, and enterprises

##### *(1) Establishment of the short list of products and selection of products*

- Workshop is a good means to involve concerned stakeholders
- Application of stakeholders' knowledge proved useful and cost effective
- Workshop provides participants chances to reveal and resolve their conflicting interests

##### *(2) Baseline survey and value chain analysis*

- Baseline survey and value chain analysis proved useful in examining business interactions with other business types, in clarifying the issues, and in identifying measures to address the issues
- Baseline survey and value chain analysis proved useful in selecting high potential business types and motivated enterprises for efficient BDS provision
- Cost of baseline survey and value chain analysis is affordable by the Nigerian governments

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## CHAPTER II Review of the OLOP Programme

### 2. Review results

#### 2.4 Effectiveness of the proposed approach (2)

##### 2.4.2 Provision of services to MSMEs within the selected clusters

###### (1) *BDSs in the following five areas were provided to the selected MSMEs*

- Business consultation
- Business management
- Production skills and technologies
- Marketing
- Financing

###### (2) *Implications from pilot project implementation*

- Continuous, dynamic, and fact-based BDSs proved effective to strengthen MSMEs' business management capacity, increase value added and employment opportunity, and improve technology, production portfolio, and financial strength.
- Quality and quantity of BDSs provided by public organisations are not meeting the demand for BDSs due to the insufficient number of qualified personnel
- There is a need for inflows of motivated and well-trained young entrepreneurs

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## CHAPTER III OLOP Programme Action Plan

### 1. Overview of Action Plan

#### 1.1 Objective and approach

##### (1) *Objective*

- To enhance business management capacity of MSMEs and future entrepreneurs to increase value added and employment opportunity

##### (2) *Approach*

- Enhancement of BDS delivery capacity of the Federal Government, SMEDAN, state governments, and BDSPs
- Supply of well-trained and experienced BDS Officers and candidates for entrepreneurs through formal and on-the-job training.
- Careful selection of high potential products, clusters, business types, and enterprises for provision of focussed and effective BDSs.
- Provision of continuous, dynamic, and fact-based BDSs regarding business consultation, business management, production skills and technologies, marketing, and financing

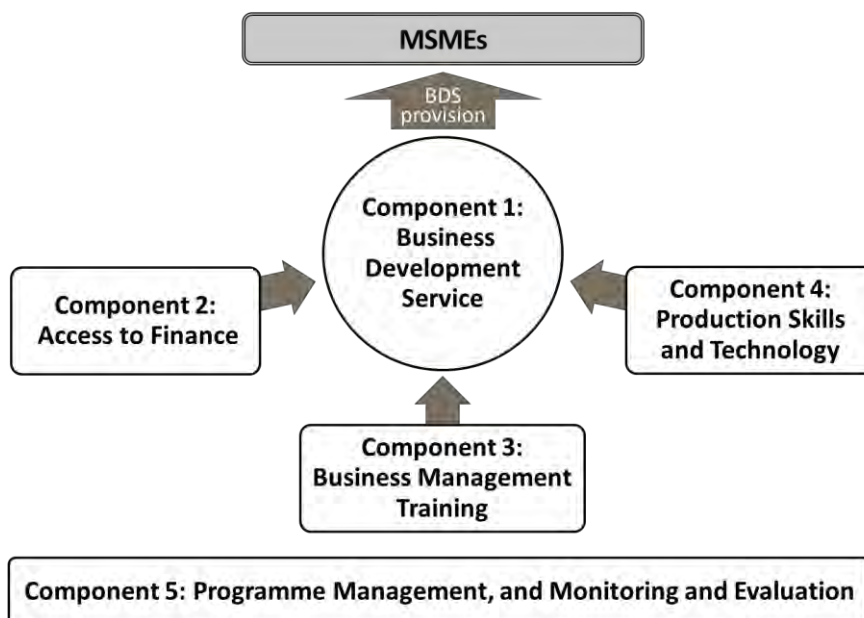
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## CHAPTER III OLOP Programme Action Plan

### 1. Overview of Action Plan

#### 1.2 Component structure (5 Components and 14 Sub-components)



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## CHAPTER III OLOP Programme Action Plan

### 1. Overview of Action Plan

#### 1.3 Summary of investment and output by Action Plan

##### (1) *Timeframe and investment*

- |                              |                                   |
|------------------------------|-----------------------------------|
| • Action plan timeframe      | 10 years                          |
| • Total financial input      | USD 100 million (NGN 15 billion)  |
| Two-step loan                | USD 30 million (NGN 4.5 billion)  |
| BDS Officer and BDS delivery | USD 70 million (NGN 10.5 billion) |

##### (2) *Output*

- |                                     |                              |
|-------------------------------------|------------------------------|
| • BDS Officers trained and deployed | 1,020 BDS Officers           |
| • No. of participating states       | 36 states and FCT            |
| • MSMEs supported                   | 64,800 MSMEs                 |
| • Jobs created                      | 138,000 jobs or 332,400 jobs |

##### (2) *Economic impact*

- Large and long lasting economic impact can be envisaged

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## CHAPTER III OLOP Programme Action Plan

**2. Description of Action Plan components****Component 1: Business development service****(1) Objective**

To provide continuous, dynamic, and fact-based BDS to MSMEs efficiently and effectively

**(2) Implementation**

The driving force of the Action Plan is Component 1, which acts as the interface between MSMEs and the OLOP Programme. Component 1 is designed to recruit and train a large number of BDS Officers, and deploy them to participating states to deliver quality BDSs. BDS Officers will also be trained as entrepreneurs

**(3) Sub-components**

Sub-component 1-1: BDS Officers and young entrepreneurs training  
 Sub-component 1-2: Selection of products, clusters, and enterprises  
 Sub-component 1-3: Continuous, dynamic, and fact-based BDS provision

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## CHAPTER III OLOP Programme Action Plan

**2. Description of Action Plan components****Sub-component 1-1: BDS Officers and young entrepreneurs training (1)****(1) Objective**

To recruit, train, deploy, and manage high quality BDS Officers to the participating states to meet BDS demand of MSMEs

**(2) Key features**

- Addressing BDS needs and supplies of qualified young entrepreneurs to capture new business opportunities without increasing number of government officers
- Active participation of state government
- Recruitment, training, and deployment of qualified BDS Officers, and support for starting their businesses
- Competent and performance-based management and high sustainability considerations

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CHAPTER III OLOP Programme Action Plan  
**2. Description of Action Plan components**

**Sub-component 1-1: BDS Officers and young entrepreneurs training (2)**

**(3) Activities**

- Identification of participating states to OLOP Programme and agreement of MOU
- Recruitment of BDS Officers
- Induction training of BDS Officers
- Deployment of BDS Officers to the State Programme Management Units
- BDS service facilitation and delivery by BDS Officers
- Performance-based management and evaluation of BDS Officers
- In-service training, mentoring, and advisory services to BDS Officers
- Business development activities of BDS Officers
- Completion of term contract of BDS Officers, and post-contract monitoring and networking

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CHAPTER III OLOP Programme Action Plan  
**2. Description of Action Plan components**

**Sub-component 1-1: BDS Officers and young entrepreneurs training (3)**

Total of 1,020 BDS Officers will be recruited and deployed to all 36 states

Year/Fiscal year	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	Total
	year	year	year	year	year	year	year	year	year	year	
	F/Y	F/Y	F/Y	F/Y	F/Y	F/Y	F/Y	F/Y	F/Y	F/Y	
Batch of BDS Officer	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
Bach 1	30	30	30	30	30						30
Bach 2		60	60	60	60	60					60
Bach 3			90	90	90	90	90				90
Bach 4				120	120	120	120	120			120
Bach 5					120	120	120	120	120		120
Bach 6						120	120	120	120	120	120
Bach 7							120	120	120	120	120
Bach 8								120	120	120	120
Bach 9									120	120	120
Bach 10										120	120
<b>Total</b>	<b>30</b>	<b>90</b>	<b>180</b>	<b>300</b>	<b>420</b>	<b>510</b>	<b>570</b>	<b>600</b>	<b>600</b>	<b>600</b>	<b>1,020</b>
No of participating sates (15-16 BDS Officers/State)	2	6	12	20	28	34	37	37	37	37	

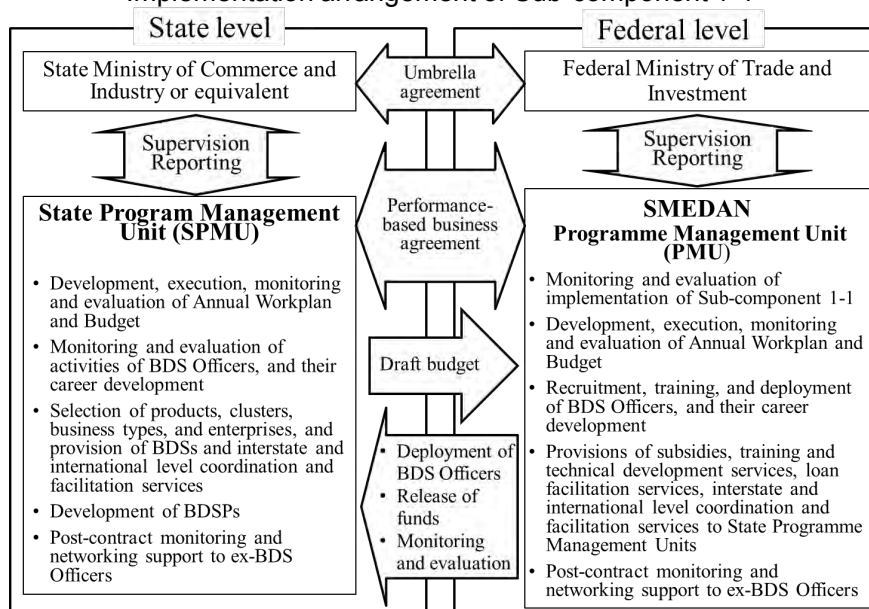
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## CHAPTER III OLOP Programme Action Plan

### 2. Description of Action Plan components

#### Sub-component 1-1: BDS Officers and young entrepreneurs training (4)

##### Implementation arrangement of Sub-component 1-1



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## CHAPTER III OLOP Programme Action Plan

### 2. Description of Action Plan components

#### Sub-component 1-1: BDS Officers and young entrepreneurs training (5)

Total of 64,800 MSMEs will be supported and 138,000 or 332,400 jobs will be created

Year / F/Y	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	Total
	year	year	year	year	year	year	year	year	year	year	
	F/Y	F/Y	F/Y	F/Y	F/Y	F/Y	F/Y	F/Y	F/Y	F/Y	
MSMEs and jobs	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
<b>1. MSMEs supported by BDS Officers</b> (assuming that each BDS Officer supports 15 MSMEs/year)	450	1,350	2,700	4,500	6,300	8,100	9,450	10,350	10,800	10,800	<b>64,800</b>
<b>2. Job creation</b>											
(1) No. of jobs created by supported MSMEs											
Case 1: assuming that each supported MSME hires two additional employees	900	2,700	5,400	9,000	12,600	16,200	18,900	20,700	21,600	21,600	129,600
Case 2: assuming that each supported MSME hires five additional employees	2,250	6,750	13,500	22,500	31,500	40,500	47,250	51,750	54,000	54,000	324,000
(2) No. of jobs created by ex-BDS Officers (assuming that each ex-BDS Officer establishes a company with 20 employees)											
	600	1,200	1,800	2,400	2,400						8,400
<b>Total (Case 1 + (2))</b>	<b>900</b>	<b>2,700</b>	<b>5,400</b>	<b>9,000</b>	<b>12,600</b>	<b>16,800</b>	<b>20,100</b>	<b>22,500</b>	<b>24,000</b>	<b>24,000</b>	<b>138,000</b>
<b>Total (Case 2 + (2))</b>	<b>2,250</b>	<b>6,750</b>	<b>13,500</b>	<b>22,500</b>	<b>31,500</b>	<b>41,100</b>	<b>48,450</b>	<b>53,550</b>	<b>56,400</b>	<b>56,400</b>	<b>332,400</b>

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## CHAPTER III OLOP Programme Action Plan

**2. Description of Action Plan components****Sub-component 1-2: Selection of products, clusters, and enterprises****(1) Objective**

To select products, clusters, business types, and enterprises with high business potential for BDS delivery

**(2) Activities**

- Development of a short list of products by concerned stakeholders
- Selection of target products for the Action Plan implementation
- Analysis of product value chain, and selection of clusters, and enterprises for BDS delivery

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## CHAPTER III OLOP Programme Action Plan

**2. Description of Action Plan components****Sub-component 1-3: Continuous, dynamic, and fact-based BDS provision****(1) Objective**

To provide the best possible BDSs to selected MSME clients in a continuous and dynamic manner to nurture trusted relationships

**(2) Activities**

- Business consultation and formulation of business strategy
- Provision of services related to business management
- Provision of services related to production skills and technology
- Provision of services related to marketing
- Facilitation of financial services

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## CHAPTER III OLOP Programme Action Plan

**2. Description of Action Plan components****Component 2: Access to finance****(1) Objective**

To secure financial services for selected MSMEs assisted by BDS Officers under the first component

**(2) Implementation**

PMU will provide the Bank of Industry (BOI) with funds and technical assistance to provide special loans for the MSMEs. The MSMEs will also be supported by SPMU in their efforts to receive the loans from BOI

**(3) Sub-components**

Sub-component 2-1: Provision of funds to BOI

Sub-component 2-2: Capacity building of BOI zonal offices

Sub-component 2-3: Assistance to MSMEs in loan application

Sub-component 2-4: Delivery of financial services to MSMEs

Sub-component 2-5: Follow-up on loan repayments

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## CHAPTER III OLOP Programme Action Plan

**2. Description of Action Plan components****Component 3: Business management training****(1) Objective**

To introduce training of trainers (ToT) training to develop training modules for the delivery of business management training

**(2) Implementation**

Trained trainers of various organisations including SPMUs, government agencies, private service providers, and NGOs at the state level will provide training services to MSMEs.

**(3) Sub-components**

Sub-component 3-1: Needs assessment with regard to business management training

Sub-component 3-2: Development of training curriculum, modules, and materials

Sub-component 3-3: Training of Trainers

Sub-component 3-4: Training delivery to MSMEs

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## CHAPTER III OLOP Programme Action Plan

**2. Description of Action Plan components****Component 4: Production skills and technology****(1) Objective**

To facilitate arrangements between MSMEs and service providers for skills and technology development

**(2) Implementation**

SPMU will facilitate arrangements between MSMEs and fabricators and research institutions so that these service providers will understand the needs of MSMEs, and MSMEs will be able to obtain necessary skills and technologies

**(3) Sub-components**

Sub-component 4-1: Support to local fabricators and institutions

Sub-component 4-2: Reference to specialized institutions

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## CHAPTER III OLOP Programme Action Plan

**2. Description of Action Plan components****Component 5: Programme management, and M & E****(1) Objective**

To implement performance-based management of PMU and SPMUs under institutional framework of the OLOP Programme

**(2) Implementation**

PMU in SMEDAN as an executing organisation at the Federal level will support and supervise SPMU established in the state governments as they carry out programme activities in their states

**(3) Sub-components**

Sub-component 5-1: Preparation of Annual Work Plan and Budget

Sub-component 5-2: Implementation of programme activities

Sub-component 5-3: Monitoring and evaluation of programme

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## CHAPTER III OLOP Programme Action Plan

### 3. Schedule and required resources

#### 3.1 Implementation schedule

Items	Responsibility	Year									
		1st year F/Y2012	2nd year F/Y2013	3rd year F/Y2014	4th year F/Y2015	5th year F/Y2016	6th year F/Y2017	7th year F/Y2018	8th year F/Y2019	9th year F/Y2020	10th year F/Y2021
<b>Preparatory activities</b>											
Establishment of Programme Management Unit (PMU)	PMU										
Establishment of State Programme Management Unit (SPMU)	SPMU										
<b>Component 1: Business Development Service</b>											
Sub-component 1-1: BDS Officers and young entrepreneurs training											
Batch 1 BDS Officers (30 persons)											
· Recruitment of BDS Officers	PMU										
· Induction training of BDS Officers	PMU										
· Deployment of BDS Officers and BDS service delivery	PMU/SPMU										
· In-service training, mentoring, and advisory services to BDS Officers	PMU										
· Business development activities of BDS Officers	PMU/SPMU										
· BDS Officers' contract completion and post-contract monitoring	PMU										
Batch 2 BDS Officers (60 persons)	PMU/SPMU										
Batch 3 BDS Officers (90 persons)	PMU/SPMU										
Batch 4 BDS Officers (120 persons)	PMU/SPMU										
Batch 5 BDS Officers (120 persons)	PMU/SPMU										
Batch 6 to 10 BDS Officers (120 persons/year)	PMU/SPMU										
Sub-component 1-2: Selection of products, clusters, and enterprises	SPMU										
Sub-component 1-3: Continuous, dynamic, and fact based BDS provision	SPMU										
<b>Component 2: Access to finance</b>											
Sub-component 2-1: Provision of funds to the Bank of Industry	PMU										
Sub-component 2-2: Capacity building of BOI zonal offices	PMU										
Sub-component 2-3: Assistance to MSMEs in loan application	SPMU										
Sub-component 2-4: Delivery of financial services to MSMEs	SPMU										
Sub-component 2-5: Follow up on loan repayments	SPMU										
<b>Component 3: Business management skills</b>											
Sub-component 3-1: Needs assessment on business management training	PMU/SPMU										
Sub-component 3-2: Development of training curriculum, modules and materials	PMU										
Sub-component 3-3: Training of Trainers	PMU										
Sub-component 3-4: Training delivery to MSMEs	SPMU										
<b>Component 4: Production skills and technology</b>											
Sub-component 4-1: Support to local fabricators and institutions	SPMU										
Sub-component 4-2: Reference to specialized institutions	PMU/SPMU										
<b>Component 5: Programme management, M&amp;E</b>											
Sub-component 5-1: Preparation of Annual Work Plan and Budget	PMU/SPMU										
Sub-component 5-2: Implementation of programme activities	PMU/SPMU										
Sub-component 5-3: Monitoring and evaluation of programme activities	PMU/SPMU										

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## CHAPTER III OLOP Programme Action Plan

### 3. Schedule and required resources

#### 3.2 Financial resource requirement

Items	Unit cost		(Million Naira)										Total	% to the Total
			1st year	2nd year	3rd year	4th year	5th year	6th year	7th year	8th year	9th year	10th year		
	Million Naira	Unit	F/Y 2012	F/Y 2013	F/Y 2014	F/Y 2015	F/Y 2016	F/Y 2017	F/Y 2018	F/Y 2019	F/Y 2020	F/Y 2021		
<b>Preparatory activities</b>														
Establishment and operation of Programme Management Unit (PMU)	43.2	staff cost/Unit	43	43	43	43	43	43	43	43	43	43	432	3%
Establishment and operation of State Programme Management Unit (SPMU)	4.2	staff cost/Unit	8	25	50	84	118	71	76	76	76	76	659	4%
% borne by state governments														
<b>Component 1: Business Development Service</b>														
Sub-component 1-1: BDS Officers and young entrepreneurs training	2	/BDS Officer/year	60	180	360	600	840	1,020	1,140	1,200	1,200	1,200	7,800	52%
Sub-component 1-2: Selection of products, clusters, and enterprises	4	/New state	8	16	24	32	32	24	8				144	1%
Sub-component 1-3: Continuous, dynamic, and fact based BDS provision	1	/BDS Officer/year	15	45	90	150	210	255	285	300	300	300	1,950	13%
<b>Component 2: Access to finance</b>														
Sub-component 2-1: Provision of funds to the Bank of Industry	3,000	/Loan capital	3,000										3,000	20%
Sub-component 2-2: Capacity building of BOI zonal offices	1	to 10 /year	5	10	5	5	5	5	1				36	0%
Sub-component 2-3: Assistance to MSMEs in loan application (financed by Sub-component 1-3)														
Sub-component 2-4: Delivery of financial services to MSMEs (financed by Sub-component 1-3)														
Sub-component 2-5: Follow up on loan repayments (financed by Sub-component 1-3)														
<b>Component 3: Business management skills</b>														
Sub-component 3-1: Needs assessment on business management training	0.5	/state			3	6	10	14	17	18	18	18	122	1%
Sub-component 3-2: Development of training curriculum, modules and materials	0.5	/state			3	6	10	14	17	18	18	18	122	1%
Sub-component 3-3: Training of Trainers	0.5	/state			3	6	10	14	17	18	18	18	122	1%
Sub-component 3-4: Training delivery to MSMEs (financed by Sub-component 1-3)														
<b>Component 4: Production skills and technology</b>														
Sub-component 4-1: Support to local fabricators and institutions	0.5	/state			3	6	10	14	17	18	18	18	122	1%
Sub-component 4-2: Reference to specialized institutions	0.5	/state			3	6	10	14	17	18	18	18	122	1%
<b>Component 5: Programme management, M&amp;E</b>														
Sub-component 5-1: Preparation of Annual Work Plan and Budget	0.5	/state			1	3	6	10	14	17	18	18	123	1%
Sub-component 5-2: Implementation of programme activities	0.5	/state			1	3	6	10	14	17	18	18	123	1%
Sub-component 5-3: Monitoring and evaluation of programme activities	0.5	/state			1	3	6	10	14	17	18	18	123	1%
<b>Total</b>			3,143	343	621	994	1,360	1,555	1,697	1,763	1,763	1,763	15,000	100%
<b>Total USD (150Naira/USD)</b>													100	Million
<b>Total Yen (0.6 yen/Naira)</b>													9,000	Million

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## CHAPTER IV

### **OLOP Programme implementation guidelines**

#### **(1) Management cycle of MSME Project**

In this section, the management cycle of a MSME Project implemented by PMU and SPMU is described

#### **(2) Preparation of BDS provision by SMEDAN and SBDSIAs**

Preparatory activities necessary for SMEDAN and SBDSIAs to provide effective BDSs are described

#### **(3) BDS provision by SBDSIAs**

Methods of business diagnosis and BDS provision, the role of each agency concerned, and other critical activities are described

#### **(4) Capacity development for BDS provision**

Capacity development needs of PMU, SPMU, and BDSPs are identified and ways to enhance them are described

#### **(5) Cost management for BDS delivery**

Methods of cost management and comparison of investment and economic impacts are described with examples obtained from the pilot projects

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