

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

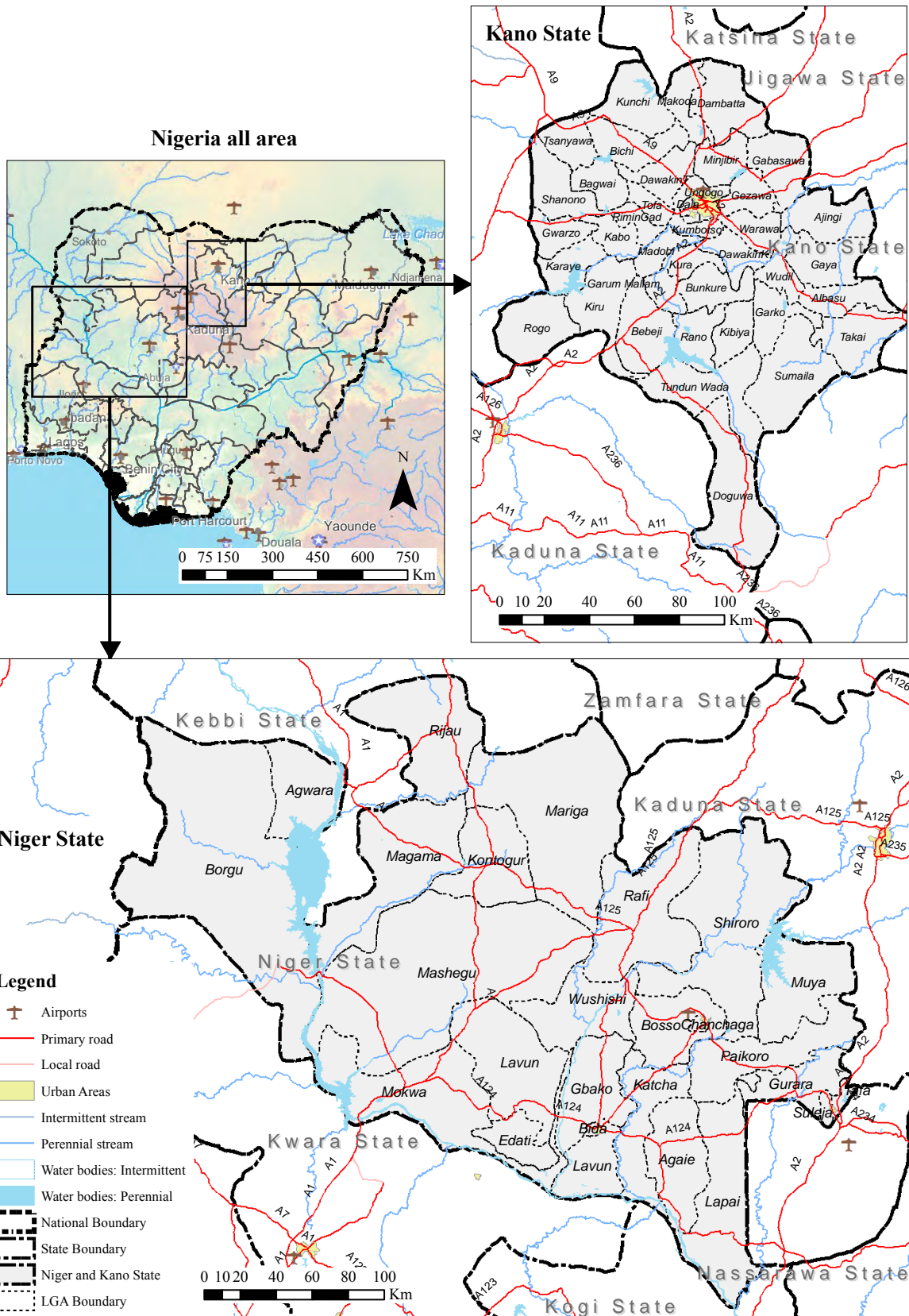
**Technical Cooperation for Development
Planning on the One Local Government One
Product Programme for Revitalising the
Rural Economy in the Federal Republic of
Nigeria**

FINAL REPORT

December 2011

Japan International Cooperation Agency (JICA)

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



Source: ESRI Japan; Study Team

Map of Nigeria

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Abbreviations and acronyms

3C	Company, costomer, and competitor
5Fs	Five forces
5Ss	Five S
ADP	Agricultural Development Programme
ASBI	American Shea Butter Institute
AWPB	Annual Workplan and Budget
BDS	Business Development Service
BDS	Business Development Service
BDSP	Business Development Service Provider
BDSP	Business Development Service Provider
BIC	Business Information Centre
BOI	Bank of Industry
BSC	Business Support Centre
CEFE	Competency-based Economies through the Formation of Entrepreneurs
CFS	Critical Success Factor
CSF	Critical Success Factor
EoPSD	Employment-oriented Private Sector Development Programme
FFA	Free Fatty Acid
FMST	Federal Ministry of Science and Technology
FUT	Federal University of Technology
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
GTZ	Deutsche Gesellschaft für technische Zusammenarbeit
IFAD	International Fund for Agricultural Development
IITA	International Institute of Tropical Agriculture
JICA	Japan International Cooperation Agency
KGI	Key Goal Indicator
KGI	Key Goal Indicator
KMCICT	Kano State Ministry of Commerce, Industry, Cooperatives and Tourism
KNARDA	Kano State Agriculture and Rural Development Authority
KPI	Key Performance Index
KPI	Key Performance Indicator
LGA	Local Government Areas
MFST	Ministry of Science and Technology
MSME	Micro, small, and medium enterprises
MSMEs	Micro, small, and medium enterprises
NACCIMA	Niger Chamber of Commerce, Industry, Mines, and Agriculture
NAFDAC	National Agency for Food and Drug Administration and Control
NARICT	National Research Institute For Chemical Technology
NASSI	Nigeria Agency for Small Scale Industrialists
NCRI	National Cereals Research Institute
NEPC	Nigeria Export Promotion Council

NERFund	Nigeria Economic Reconstruction Fund
NGO	Nongovernmental Organization
NGOs	Non Governmental Organizations
NIFOR	Nigeria Institute for Oil Palm Research
NISPA	Niger State Shea Products Association
NRCRDB	Nigeria Agricultural Co-operative and Rural Development Bank Limited
NSADP	Niger State Agricultural Development Project
NSCEPA	Niger State Commodity and Export Promotion Agency
NSMCI	Niger State Ministry of Investment, Commerce and Cooperatives
OIC	Opportunities Industrialization Centre:
OJT	On-the-job training
OLOP	One Local Government One Product
PDCA	Plan, Do, Check, and Action
PQCD+4M	Productivity, quality, cost, delivery + man, machine, method, and material
REMASAB	Refuse Management and Sanitation Board of Kano State
RMRDC	Raw Materials Research and Development Council
SBDSIA	State-level business development service implementation agencies
SMEDAN	Small and Medium Enterprises Development Agency of Nigeria
SMEs/MF Agency	Small and Medium Enterprises and Micro Finance Agency
SON	Standard Organization of Nigeria
SWOT	Strengths, Weaknesses, Opportunities and Threats
TIC	Technology Incubation Centre
UNIDO	United Nations Industrial Development Organization
WAYS	Women and Youth Support (NGO)
WHO	World Health Organization
WOFAN	Women Farmers Advancement Network

CHAPTER 1 Background, objectives, and implementation flow of 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 1-1 shows the flow of the Technical Cooperation. The cooperation period is divided into the following phases:

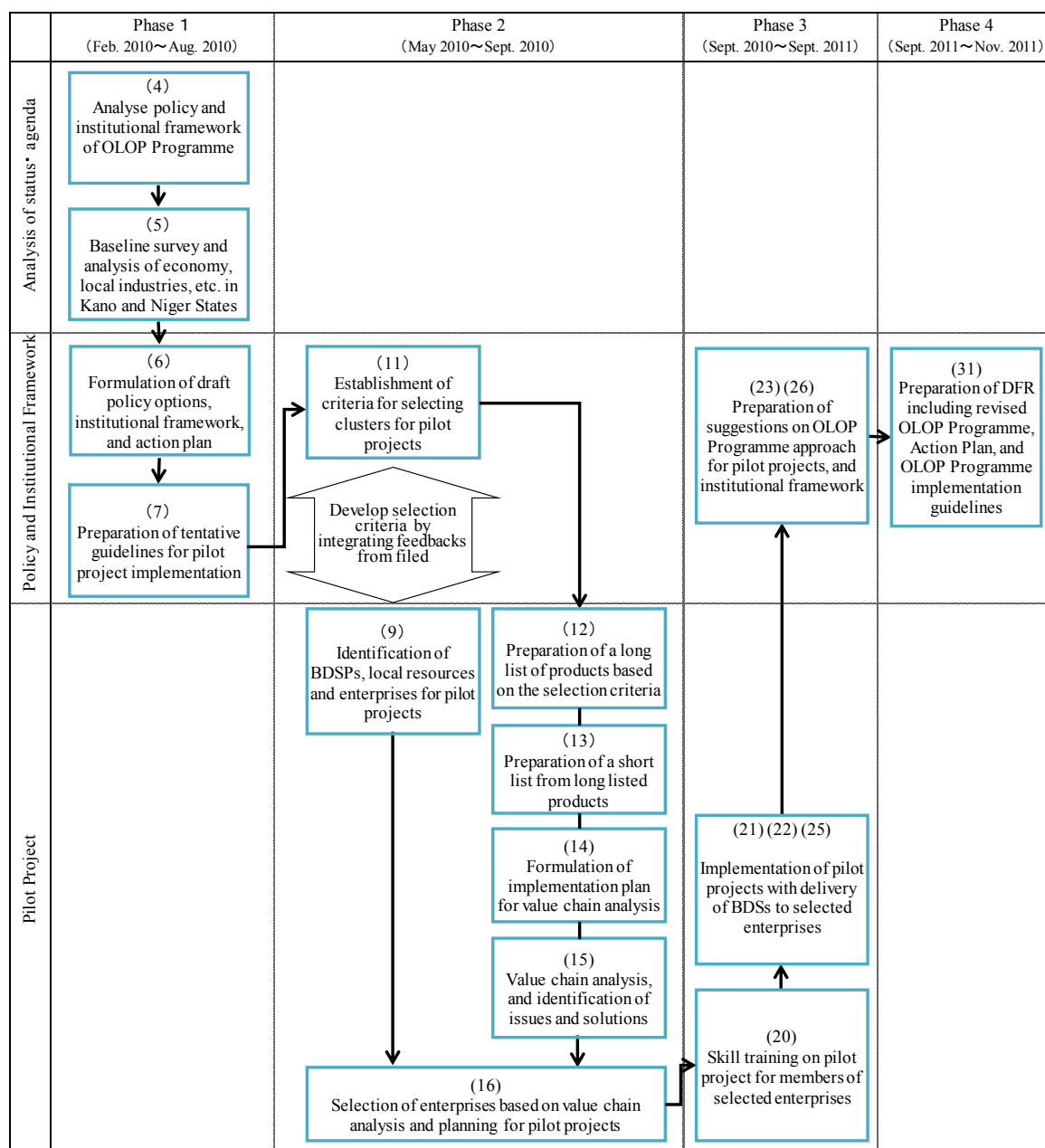
Phase 1: Analysis of OLOP Programme framework (mid-February to mid-August 2010)

- 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 1-1 Implementation flow of the Technical Cooperation

CHAPTER 2 Review of the OLOP Programme

2.1 Methodology of reviewing the OLOP Programme

2.1.1 OLOP Programme Concept Paper

The Government of Nigeria has drafted a concept paper for the One Local Government One Product (OLOP) Programme. The OLOP Programme was launched by the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) on November 14, 2005. The concept paper was developed in April 2009 to describe the future perspective on the OLOP Programme in Nigeria. It was planned that the Programme would subsequently be modified by the Federal Ministry of Trade and Investment (FMTI; former Federal Ministry of Commerce and Industry: FMCI) and SMEDAN on the basis of the results of the Technical Cooperation.

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)¹ for BDS delivery to enhance economic development. The goal of the OLOP Programme is “to empower communities in Nigeria to achieve economic growth by developing their capacity to identify, mobilise, and utilise locally available natural resources to produce value-added goods and services” (SMEDAN, 2009).

The OLOP Programme proposes to support selected products, clusters, business types, and enterprises and provide services to the enterprises. 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. SMEDAN conducted two studies to identify potential commodities for the OLOP Programme.

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2.1.2 Methodology of 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

¹ 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.”

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.

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 2-1 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) *1
		(Kano rice trader project) *1
	2) Leather	Kano traditional tannery project
		Kano leather products manufacturer project
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
Niger State	2) Groundnut oil	Kontagora groundnut oil traditional processor project
		Kontagora groundnut oil mechanical processor project
	3) Yam	Paikoro yam trader project

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

Source: Project Team

2.2 Relevance of the basic concept of the OLOP Programme to specific policies

2.2.1 Relevance to the developmental policies of the Federal Government of Nigeria

The National Economic Empowerment and Development Strategy (NEEDS) (2003–2007) focuses on agricultural productivity and small and medium enterprise development for creating employment opportunities at the community level, thereby increasing incomes for those who are under the poverty line. NEEDS was developed in response to the development challenges 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 (NPC, 2010).

2.2.2 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 Industrial Policy sets the following medium-term objectives (Federal Ministry of Commerce and Industry, n.d.):

- To strengthen the competitiveness of manufacturers by facilitating access to technology and best practices.
- To stimulate development of small and medium enterprises by developing the nation's resources as a base for cheap inputs.
- To maximise linkages achieved between small-scale units and medium and large enterprises.
- To adapt and respond to the changing global environment.
- To further develop the nation's human resources and technology acquisition, while enhancing its absorptive capacity, physical infrastructure, and business support services.
- To encourage hi-tech industries.

The National Policy on Micro, Small, and Medium Enterprises was developed by SMEDAN with support from the UNDP (SMEDAN and UNDP, n.d). 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 encompasses seven broad policy and programme areas as follows. These areas can also be applied as areas of intervention under the OLOP Programme.

- Institutional, legal, and regulatory framework
- Human resource development
- Technology, research, and development
- Extension and support services
- Marketing
- Infrastructure
- Finance

The policy treats agro-processing and commodity value chains as important areas to be promoted. The policy states that government will promote private sector-led and market-driven growth of the agro-processing sub sector so that domestic economic linkages and agricultural productivity will contribute to growth and poverty reduction. This policy direction corresponds to the concept of the OLOP Programme to promote agro-processing MSMEs in rural communities.

The policy identifies the following as the major functions of SMEDAN.

- Awareness creation, business sensitisation, and information provision for attitudinal changes and effective business decisions
- Business Development Service (BDS), embracing training, counselling, and mentoring to provide the platform for MSMEs to see themselves as players in a globalised environment
- Promotion of enterprise networking and cluster formation to stimulate economies of scale and international competitiveness
- Advocacy, policy development, and improvement in MSMEs' operating environment
- Promotion of linkages and access of MSMEs to vital resources, especially finance and workforce
- Networking and organisational development of business organisations

2.2.3 Relevance to the Kano and Niger State Governments' policies on MSME promotion

The Kano State Economic Empowerment and Development Strategy (K-SEEDS), which stipulates governmental policy and strategies for small and medium enterprises, defines the overall development strategy of Kano State as outlined below (Kano State Government, 2004).

Policy Target:

- To increase capacity utilisation in industries by 25% by 2007.
- To increase access to MSME support schemes for SMEs by 200% in 2005.
- To establish three pilot projects in Local Government Councils (one project in each Senatorial District) by 2007.
- To facilitate the revival of 50% of industries that were shut down by 2007.
- To increase employment generation of youth and women by 30% by 2006.

Policy Implementation Strategies:

- Concentrate on local-resource-based industries, especially, those related to agriculture and solid minerals.
- Encourage the emergence of new indigenous entrepreneurs and strengthen the existing ones.
- Support and encourage exports of goods.
- Give special attention to the provision of infrastructure for industrial and commercial development such as the provision of independent electric power supply.
- Establish a risk guarantee scheme.

- Promote the public/private sector relationship, especially on the issue of taxes, fines, and other charges.
- Provide relevant information to SMEs regarding credit/loan facilities.
- Execute enlightenment programmes on modern business techniques and related services.
- Raise the SSI loan ceiling from NGN 50,000 to NGN 250,000.
- Review the industrial policy of the state to emphasise rural industrialisation.

Two policy documents define the overall development strategy of Niger State: the Niger State Economic Empowerment and Development Strategy (NSEEDS) and the Development Action Plan (DAP) for Niger State. NSEEDS has embraced private sector-led growth as a key strategy, and the agro-based industry has been identified as the major sector to be promoted. Under this strategy, the state government is determined to serve as a facilitator and promoter in the economy by providing incentives to promote specific agro-based industries. This primary development policy of the state government is highly consistent with the concept of the OLOP Programme.

On the basis of the policy direction indicated in NSEEDS, DAP provides more detailed policies and strategies. According to its vision statement, DAP is “to transform Niger State into one of the top three state economies in Nigeria by the year 2020 by being a model and leader in agro-based industrialisation where there are employment and wealth creation opportunities for all in an atmosphere of peace” (Government of Niger State, n.d b). As for strategies for promoting commerce and industry, DAP places major emphasis on small and medium enterprises, in keeping with the focus of SMEDAN and that of the OLOP Programme. It provides for the following:

- Creation of an enabling environment for business to thrive through appropriate legislation
- Establishment of the SME/MFB Agency
- Creation of an enabling environment for the operations of micro finance banks in the state
- Encouragement of private/public partnerships in establishing SMEs/cottage industries
- Re-establishment of the SME and large industries layout through the PPP
- Fast-track land acquisition and certification processes

2.3 Feasibility of the proposed institutional framework

2.3.1 Assessment of concerned organisations

(1) Federal Ministry of Trade and Investment

1) Organisation and functions

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, and the essential elements of the new focus of the Ministry are summarised below (FMTI, n.d).

- Embark on aggressive investment drive both in the form of Foreign Direct (FDI) and local investment.
- Establish a strong collaboration with all relevant Ministries, Departments, and Agencies (MDAs) to ensure good synergy in the implementation of policies.
- Liaise closely with the organised private sector (OPS) with a view to engaging in solid Public-Private- Partnership arrangements in project execution.

- Encourage effective backward integration in the industrial sector that enhances value addition and increases productivity.
- Develop skilled manpower through training and capacity building in the small and medium scale sub-sector in order to build strong entrepreneurship.
- Encourage sector-specific industrial growth with particular emphasis on Agriculture, Tourism, Power and Energy, Solid Minerals (Mining), etc.
- Strengthen collaboration with Nigeria's development partners.

2) Budgets

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.

Table 2-2 2011 amendment appropriation for the main Ministry of Industry and Commerce

Item	2011 amendment appropriation (Naira)
Grand total	3,917,320,519
Total Recurrent budget	3,432,025,397
Total personnel	2,711,018,675
Total overhead	721,006,722
Total capital	485,295,122

Source: Federal Ministry of Finance, <http://www.fmf.gov.ng/>

3) Proposed roles and responsibilities under the OLOP Programme

It is proposed that FMTI supervises the overall implementation of the OLOP Programme and provide policy guidance. The Minister of FMTI may chair a national committee to oversee the overall implementation of the OLOP Programme and coordinate stakeholders including SMEDAN and state governments.

(2) SMEDAN

1) Organisation, functions, and human resources

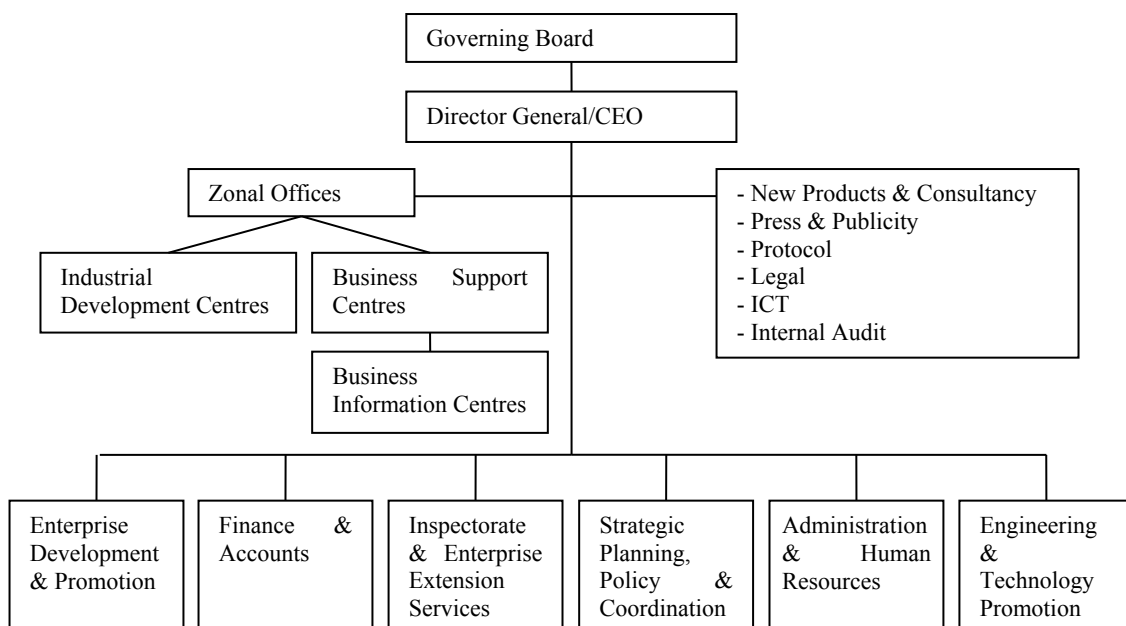
SMEDAN has its headquarters in Abuja, with six departments and local branches including zonal offices, business support centres (BSCs), business information centres (BICs), and industrial development centres (IDCs).

SMEDAN was established by an Act of the National Assembly (as amended). The declared vision of SMEDAN is “to establish a structured and efficient micro, small, and medium enterprises sector that will encourage and enhance the sustainable economic development of Nigeria.” Its mission is “to facilitate and promote the access of MSMEs to resources required for their growth and development.” SMEDAN is a coordinator of relevant agencies and a facilitator for MSMEs.

SMEDAN carries out the following mandates (SMEDAN, n.d):

- Stimulate, monitor, and coordinate development of the MSME sector.

- Initiate and articulate policy ideas for MSME growth and development
- Promote and facilitate development programmes and instruments, and support services to accelerate development and modernization of MSMEs' operation.
- Serve as a vanguard for rural industrialization, poverty reduction, job creation, and enhanced livelihoods.
- Link MSMEs to internal and external sources of finance, appropriate technology, and technical skills as well as to large enterprises.
- Promote and provide access to industrial infrastructures such as layouts, incubators, and industrial parks.
- Act as intermediary between MSMEs and the government.
- Work in conjunction with other institutions in both the public and private sectors to create a good enabling business environment, in general, and MSME activities in particular.



Source: SMEDAN

Figure 2-1 Organisation of SMEDAN

As shown in Table 2-3 SMEDAN has a total of 298 staff members, 212 of whom are at the headquarters, while 86 are at branch offices in different states.

The staff counted under the six zonal offices (north east, north central, north west, south south, south west, and south east) are actually attached to various offices including zonal offices, Business Support Centres (BSCs), and Business Information Centres (BICs) in the respective zones. The geographical division of the country into six zones is shown in Table 2-4.

The size of the staff at SMEDAN headquarters has doubled in the past few years. As of December 2008, the organisational structure and the number of staff in each section of the SMEDAN headquarters in Abuja was as follows (JICA, 2009). The total staff in the headquarters numbered 107.

Table 2-3 Staff of SMEDAN

Office	Total no. of staff	Grade breakdown																	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	DG
Director General's office	5								2	1			1						1
Administration & human resources department	45				2	2	3	1	14	10	4		1	3	2	1	1	1	
Enterprise development & promotion department	22					1			7	2	1		2	3	2	1	2	1	
Engineering & technology promotion department	16					1			5	4			3	1		1	1		
Inspectorate & enterprise extension service department	21							1	1	6	4	1		1	3	2		1	1
Strategic planning policy & coordination department	22							1		4	3	1		7	2	1	1	1	1
Finance & accounts department	28				3		1	1	4	4	5		1	4	1	3			1
ICT unit	5								2	1			1		1				
Consultancy & new product unit	6									1	1		2	1				1	
Legal unit	3									1			1			1			
Audit unit	3					1					1			1					
Protocol unit	5									2	2			1					
Corporate affairs unit	8								1	3	1		2			1			
Drivers	23				8	11	2	2											
North east office	7				1		1		2	1	1						1		
North central office	19						1		7		4		2	3	1	1			
North west office	18				1				12	1	1		1		1	1			
South south office	13								6	1	3				2			1	
South west office	22								10	4	3		2		2	1			
South east office	7								5	1					1				
Total	298				15	16	10	6	88	43	28		25	23	16	13	8	6	1

Source: SMEDAN

Table 2-4 Division of zones and states

Zone	States	Zone	States
North east zone	1 Adamawa State	South south zone	1 Akwalbom State
	2 Bauch State		2 Bayelsa State
	3 Borno State		3 Cross River State
	4 Taraba State		4 Delta State
	5 Yobe State		5 Edo State
	6 Gombe State		6 Rivers State
North central zone	1 Benue State	South west zone	1 Ekiti State
	2 Federal Capital Territory (FCT)		2 Lagos State
	3 Kogi State		3 Ogun State
	4 Kwara State		4 Ondo State
	5 Nasarawa State		5 Osun State
	6 Niger State		6 Ovo State
	7 Plateau State		
North west zone	1 Katsina State	South east zone	1 Enugu State
	2 Kaduna State		2 Anambra State
	3 Sokoto State		3 Ebonyi State
	4 Jigawa State		4 Abia State
	5 Kano State		5 Imo State
	6 Kebbi State		
	7 Zamfara State		

Source: JICA (2010)

- Administration (21)
- Finance and accounts (15)
- Enterprise promotions management and extension services (21)
- Engineering, technology, and infrastructure (13)
- Monitoring and evaluation (10)
- Planning, research, and library (15)
- Public relations (9)
- Internal audit (3)

Since December 2008, the staff members of the department of administration and the department of finance and accounts have increased twofold; additional units, such as the consultancy & new product unit and the legal unit, have been established.

2) Budgets

SMEDAN is allocated a total budget of NGN 1.65 billion under the 2011 amendment appropriation (FMF, n.d). The total budget is divided into a recurrent budget of NGN 685 million and a capital budget of NGN 960 million.

Table 2-5 2011 amendment appropriation for SMEDAN

Item	2011 amendment appropriation (Naira)
Grand total	1,645,370,801
Total Recurrent budget	685,417,555
Total personnel	310,175,155
Total overhead	375,242,400
Total capital	959,953,246

Source: Federal Ministry of Finance, <http://www.fmf.gov.ng/>

The large majority of the total capital budget goes to the new projects listed in **Table 2-6**.

Table 2-6 New projects of SMEDAN

New projects	Amount (Naira)
Rural women enterprises development programme in Oyo State	247,253,490
Vocational training of unemployed youth in 13 LGAs of Oyo north senatorial district	270,000,000
SMEDAN/NDE entrepreneurial project	310,249,307
Total	827,502,797

Source: Federal Ministry of Finance, <http://www.fmf.gov.ng/>

3) 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 Ministry of Industry and Commerce in Kano and Niger State

1) Organisation, functions, and human resources

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

Table 2-7 Staff of the Ministry of Commerce, Industry, Cooperatives, and Tourism

Department	Number of personnel
Industry	19
Commerce	54
Cooperatives	92
Tourism	10
Total	175

Source: Interviews with departments

The Department of Industry has a mandate to facilitate, promote, and implement government policies and programmes regarding industrial development. The department personnel number 19 in total. They are assigned to three offices: small-scale industrial loan scheme (8 officials); industrial inspectorate and solid minerals (6 officials); and industrial promotion (5 officials). No staff member is assigned at the LGA level.

The Department of Commerce has a mandate to promote commercial activities in the state. There are three sections under the department: external trade section; internal trade section; and business service section. The total number of personnel at the department is 54, including 6 in the external trade section, 15 in the internal trade section, and 33 in the business service section.

The Department of Cooperatives has a mandate to establish and promote cooperatives in the state. The department has the following eight sections: staff development; registration; cooperative member education; informal sector; field services; auditing and accounting; research and statistics; and consumer services. There are over 30,000 registered cooperatives in the state. Types of cooperatives include the following:

- Agricultural cooperatives
- CTLS (thrift and loan cooperatives)
- Women cooperatives
- Blacksmith cooperatives
- Pomade making cooperatives
- Oil milling cooperatives

The Department of Tourism was established to promote the development and growth of tourism, which has great potential for job creation and income generation. Tourism can contribute to poverty reduction as well as discouraging rural-urban migration. The department covers the following areas.

- Development of tourist sites and attractions including festivals and ceremonies

- Development of the arts and crafts sector
- Advising on safety and security issues of tourist destinations
- Creating synergy among various service providers in the state

There are three units under the department: the hospitality and travel trade unit; the research and documentation unit; and the marketing and promotion unit. Since it is a new department established a few years ago, it has only 10 staff members for the three units. The department is trying to recruit officials from the Tourism Board.

The Department of Tourism also supervises staff of the Tourism Board, which is responsible for developing and promoting Kano State as a safe tourism destination. Board members include representatives from the private sector, the immigration service, and the chamber of commerce, among others. The Tourism Board has an administration with over 70 staff members.

The Niger State Ministry of Investment, Commerce, and Cooperatives (NMICC) comprises five departments: administration; planning, research, and statistics; commerce; industry; and cooperatives. The table below shows the number of personnel assigned to each of four sector departments. Out of 233 staff members, nearly half of them belong to administration. The second largest department is that of cooperatives, with 77 staff members.

Out of 233 staff members, 127 are assigned to duty stations other than headquarters. Table 2-8 presents the field deployment of the Ministry’s staff. With the exception of the Department of Planning, Research, and Statistics, each department assigns some of its staff to LGAs or other local duty stations. The Department of Cooperatives, especially, assigns most of its personnel to local duty stations.

Table 2-8 Staff of the Ministry of Investment, Commerce and Cooperatives

Department	Number of personnel
Administration	106
Planning, Research, and Statistics	3
Commerce	17
Industry	30
Cooperatives	77
Total	233

Source: MICC, n. d b

Under NMICC, there are two agencies that 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 is a rather new agency established in 2008. The following are the primary functions of NSCEPA.

- Develop agricultural products for both domestic and foreign markets.
- Develop external markets for Niger State products, both raw materials and finished goods.
- Establish a framework for the development of service exports.
- Source and disseminate trade information to exporters and stakeholders.
- Carry out supply base studies on available agricultural products in the state.
- Liaise with relevant government, foreign, and other agencies involved in agricultural development and foreign trade.

NSCEPA comprises three departments with the assigned staff members as shown in the table below.

Table 2-9 Staff of Niger State Commodity and Export Promotion Agency

Department	Number of personnel
Administration	8
Commodity Development	5
Export Promotion	5
Total	18

Source: NSCEPA, n.d

The mandate of the Commodity Development Department and the Export Promotion Department is as follows.

Commodity Development Department:

- Provide an efficient trading platform for Nigeria's agricultural produce.
- Provide an avenue for farmers and farmers' cooperatives to mitigate the inherent risks in agricultural produce marketing, through forward and futures contracts.
- Improve agricultural production through efficient and appropriate pricing mechanisms
- Ameliorate farmers' problems of cash flow and liquidity through a warehouse receipt financing scheme.
- Provide a platform through which states can efficiently offload their agricultural produce procurement to wholesale buyers such as agro processors.
- Assist in the standardisation of warehouses for states and farmers' groups.
- Promote trading in warehouse receipts rather than in physical commodities as done presently.

Export Promotion Department:

Trade information

- Respond to service trade inquiries within and outside the country.
- Disseminate relevant trade information to local exporters.
- Coordinate or manage a specialised export library of the agency.
- Publish export-related books, pamphlets, and brochures for the enlightenment and education of exporters.
- Disseminate local and world commodity price lists to exporters in the state.

Export skills development

- Spearhead the organisation of export-related training programmes for both staff and registered exporters in the state.
- Organise seminars/workshops.
- Publicise the activities carried out by the agency.

Agency coordination

- Liaise with the Nigerian Export Promotion Council and other export-related agencies
- Liaise with all donor agencies on ways and means of assisting the agency.

Market Development

- Undertake market studies, export potential studies, product supply studies, service export studies, export project analysis and appraisal, and business plans and export feasibility studies of different products within the state.
- Participate in trade fairs, trade missions, and exhibitions both within the country and abroad.
- Undertake market research.

- Select and formulate entry strategies for products.

The SMEs/MF Agency was established by a law passed by the State Assembly in 2008. Its primary mandate is to facilitate the sustainable development of MSMEs in the state through capacity building, business support services, and the facilitation of access to finance. The more specific mandate and goals are as follows (SMEs/MF Agency, n.d). Micro finance is the focus of the agency.

- Improve the industrial base of Niger State through the provision and effective implementation of adequate and accessible MSME Policies, Regulations, Plans/Programmes
- Facilitate the establishment and sustainable operation of, at least, 1 micro finance bank (MFB) in each of the 25 Local Government Areas of Niger State by the year 2010
- Manage the state government's Micro Credit Intervention initiatives
- Improve the social and economic life of the poor and small/medium entrepreneurs through adequate, affordable, and easily accessible microfinance services
- Enhance the performance of MSMEs in Niger State through effective and accessible opportunities for capacity building and business support services in collaboration with relevant international organisations, Federal and State Government Ministries, Departments, Agencies (MDAs), and Institutions, the private sector, and NGOs.

2) Budgets

For Kano State, the estimated state budget including recurrent and capital was NGN 52 billion in 2006, NGN 58 billion in 2007, NGN 105 billion in 2008, NGN 121 billion in 2009, and NGN 111 billion in 2010. The budget has become larger over the last five years. The 2008, 2009, and 2010 budgets were more than double the 2006 budget. Statutory allocation (SA) has always been the largest source of revenue and was 46% of the total budget in 2009 to 66% in 2006. The ratio between recurrent estimate and capital estimate fluctuates from year to year, but, except for 2007, capital estimate was higher than recurrent estimate (Ministry of Budget and Economic Planning, n.d a, b, c and d).

The Kano State Ministry of Commerce, Industry, and Cooperatives, and Tourism (KMCICT) has been allocated less than 1% of the total state budget. Recurrent and capital expenditure of KMCICT from 2006 to 2009 is presented in the table below. Recurrent expenditure increased from NGN 88 million in 2006 to NGN 170 million in 2007, and decreased to NGN 130 million in 2008. Capital expenditure, on the other hand, decreased from NGN 72 million in 2006 to NGN 64 million in 2007, and then increased again to NGN 102 million in 2008. Compared to the growth of total capital expenditure of the state government from 2006 to 2008, capital expenditure of KMCICT has increased moderately. The recurrent expenditure exceeded capital expenditure in all the years. The ratios of recurrent and capital expenditure were 55% and 45% in 2006, 73% and 27% in 2007, and 56% and 44% in 2008. Execution rates of the capital budgets are reportedly low.

Table 2-10 Expenditure of Ministry of Commerce, Industry, Cooperatives, and Tourism in Kano

Expenditure category	2006 Actual Exp. (Jan - Nov)	2007 Actual Exp. (Jan - Dec)	2008 Actual Exp. (Jan - Dec)	2009 Actual Exp. (Jan - Sep)
Recurrent expenditure	87,806,005	170,120,600	130,079,439	133,961,003
Capital expenditure	71,792,000	63,536,450	101,722,691	
Total	159,598,005	233,657,050	231,802,130	133,961,003

Source: Ministry of Budget and Economic Planning, n.d a, b, c and d

For Niger State, the state budget including recurrent and capital expenditure was about NGN 69.09 billion in 2009, NGN 55.46 billion in 2008, and NGN 49.21 billion in 2007 (NGN 26.63 billion for July-December after revision). The budget has been increasing for the last three years. The budget of 2009 is about 140% that of 2007 before revision. Among the three components of recurrent revenue, statutory allocation (SA) contributes the largest share, at around 70–80% of the total budget. The ratios of recurrent expenditure and capital expenditure fluctuate from year to year. They were 43% for recurrent and 57% for capital in 2007, 54% for recurrent and 46% for capital in 2008, and 41% for recurrent and 59% for capital in 2009 (Niger State of Nigeria, n.d a, Government of Niger State, n.d a, n.d b, and MICC, n.d b).

The Niger State Ministry of Investment, Commerce, and Cooperatives (NMICC) has been allocated less than 1% of the total State budget. The approved estimate of recurrent and capital budget of the NMICC is summarised in Table 6 10. The recurrent budget has been fluctuating, while the capital budget has increased significantly from NGN 88 million in 2007 to NGN 2.6 billion in 2010 for manufacturing, and from NGN 40 million in 2007 to NGN 1.6 billion in 2010 for commerce, finance, and tourism. Note that not the entire approved estimate has necessarily been allocated, as the actual allocation of the state capital budget was 13%, 56%, and 31% of the estimate in 2007, 2008, and 2009, respectively. These low execution rates indicate that the execution rate of NMICC's capital budgets must also be small.

Table 2-11 Budget for the Ministry of Investment, Commerce, and Cooperatives

Head		('000 Nira)				
		2007 approved	2007 revised	2008 approved	2009 approved	2010 approved
Recurrent	425 Ministry of Investment, Commerce and Cooperatives	73,230	54,290	148,477	97,832	Information not available
Capital	454 Manufacturing	88,000	34,000	204,412	1,560,000	2,604,109
	456 Commerce, Finance and Tourism	40,000	55,000	205,707	245,000	1,644,000

Source: Niger State of Nigeria, n.d a; Government of Niger State, n.d a, n.d b; MICC, n.d b

3) 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

1) Organisation, functions, and human resources

Local Government Area (LGA) is composed of several departments under a Chairman. The functions and structure of LGA are determined by state law. The exclusive functions of LGAs are few, but LGAs also share important responsibilities with state governments, including provision of primary education and health services, and development of agriculture (Barkan, et al., 2001). The average number of staff at each LGA is around 600 in Kano and 1,100 for Niger State.

For Kano State, the functions of LGA include the following (Ministry of Local Government, n.d d).

- The consideration and the making of recommendations to a State Commission on Economic Planning or any similar body with regard to (i) the economic development of the state, particularly insofar as the areas of authority of the council and of the state are affected; and (ii) proposals made by the said commission or body.
- Collection of rates, radio, and television licences.
- Establishment and maintenance of cemeteries, burial grounds, and homes for the destitute or infirm.
- Licensing of bicycles, trucks (other than mechanically propelled trucks), canoes, wheel barrows, and carts.
- Establishment, maintenance, and regulation of slaughter houses, slaughter slabs, markets, motor-parks, and public conveniences.
- Construction and maintenance of roads, streets, street lighting, drainages, public highways, parks, garden open spaces, or such public facilities as may be prescribed from time to time by the House of Assembly of the State.
- Naming of LGA roads, streets, and numbering of houses.
- Provision and maintenance of public convenience, sewage, and refuse disposal.
- Registration of all births, deaths, and marriages.
- Assessment of privately owned houses or tenements for the purpose of levying such rate as may be prescribed by the House of Assembly.
- Control and regulation of (i) outdoor advertising and hoarding; (ii) movement and keeping of pets of all description; (iii) shops and kiosks; (iv) restaurants, bakeries, and other places for sale of food to the public; (v) laundries; and (vi) the prohibition of sale and drinking of liquor.

For Niger State, LGAs' areas of responsibilities are determined as follows (Ministry of Local Government, n.d c).

- Basic environmental sanitation and other aspects of preventive health
- Maternity centres, dispensaries, and leprosy clinics
- Roads and drains (except state and federal)
- Rural water supply
- Agriculture and veterinary extension services
- Community development
- Basic education (primary schools)
- Afforestation, etc.

2) Budgets

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%.

Table 2-12 shows the approved estimated budget for 44 LGAs for 2010 in Kano State. The total estimated revenue for 44 LGAs is NGN 95 billion. This is slightly lower than the estimated budget of Kano State Government for 2010 (NGN 111 billion). The average estimated revenue per LGA is NGN 2.20 billion, with the highest estimate of NGN 4.38 billion for Nasarawa, and the lowest of NGN 1.41 for Kibiya. Out of the total estimate, NGN 52.87 billion is allocated for recurrent cost (personnel cost and overhead cost), whereas NGN 42.18 billion is allocated for capital cost. The average budget estimate for a LGA is NGN 1.20 billion for recurrent and NGN 0.96 billion for capital. The highest capital estimate is NGN 2.02 billion for Nasarawa, and the lowest is NGN 0.52 for Gabasawa.

Table 2-12 Approved estimated budgets of Local Government Areas

No.	LGA	Revenue (million ₦)	Personnel cost (million ₦)	Overhead cost (million ₦)	Capital (million ₦)	Total (million ₦)
1	Ajingi	1,879	355	850	675	1,879
2	Albasu	1,784	294	516	974	1,784
3	Bagwai	1,871	793	292	786	1,871
4	Bebeji	2,537	316	907	1,314	2,537
5	Bichi	2,421	316	889	1,216	2,421
6	Bunkure	1,603	220	791	592	1,603
7	Dala	3,038	406	1,542	1,090	3,038
8	Dambatta	1,688	266	673	750	1,688
9	Dawakin Kudu	3,516	306	1,218	1,992	3,516
10	Dawakin Tofa	2,073	345	1,120	607	2,073
11	Doguwa	2,151	231	762	1,157	2,151
12	Fagge	2,287	312	1,015	960	2,287
13	Gabasawa	1,742	364	859	519	1,742
14	Garko	1,889	230	857	803	1,889
15	Garun Mallam	2,409	209	924	1,276	2,409
16	Gaya	2,589	328	1,047	1,214	2,589
17	Gezawa	2,637	288	1,171	1,177	2,637
18	Gwale	1,957	408	795	754	1,957
19	Gwarzo	1,797	318	892	588	1,797
20	Kabo	1,684	237	769	677	1,684
21	Kano Municipal	2,735	336	1,547	852	2,735
22	Karaye	2,326	275	937	1,114	2,326
23	Kibiya	1,407	242	543	623	1,407
24	Kiru	2,740	273	1,068	1,399	2,740
25	Kumbotso	2,079	435	649	996	2,079
26	Kunchi	1,823	313	562	947	1,823
27	Kura	2,154	299	1,099	756	2,154
28	Madobi	1,489	273	572	644	1,489
29	Makoda	1,797	277	660	860	1,797
30	Minjibir	1,775	285	680	809	1,775
31	Nasarawa	4,385	581	1,788	2,015	4,385
32	Rano	1,875	381	800	694	1,875
33	Rimin Gado	2,138	311	806	1,020	2,138
34	Rogo	1,880	274	918	688	1,880
35	Shanono	2,000	256	786	958	2,000
36	Sumaila	2,244	282	773	1,189	2,244
37	Takai	1,680	249	718	712	1,680
38	Tarauni	2,094	299	982	813	2,094
39	Tofa	2,145	236	815	1,094	2,145
40	Tsanyawa	2,188	251	874	1,063	2,188
41	Tudun Wada	2,662	260	1,093	1,308	2,662
42	Ungogo	2,322	352	1,033	937	2,322
43	Warawa	1,508	257	554	697	1,508
44	Wudil	2,057	293	891	873	2,057
Total		95,056	13,833	39,039	42,184	95,056

Source: Ministry of Local Government, n.d a

Budget information for individual LGAs in Niger State was not available. Table 2-13 shows the proposed budget summary of LGAs. Each figure is an aggregate amount for 25 LGAs. The budget summary indicates that for the last three years, the estimate of total recurrent expenditure has always been higher than that of capital expenditure. The recurrent estimate increased steadily from NGN 12.85 billion in 2007 to NGN 19.38 billion in 2009. The average recurrent estimate per LGA in 2009 was NGN 0.76 billion. Borgu had the highest estimate, at NGN 1.15 billion, and Edati had the lowest estimate, at 0.61 billion. Capital estimate nearly doubled from NGN 8.50 billion in 2007 to NGN 16.22 billion in 2009. The average estimate per LGA in 2009 was NGN 0.65 billion. Chanchaga had the highest estimate at NGN 1.29 billion, while the lowest was the NGN 0.47 billion of Munya. The total capital estimate of 25 LGAs in 2009 was about half that of the state government in 2009 (NGN 40.83 billion).

Table 2-13 Proposed budget summary of 25 Local Government Areas

	(NGN million)					
	2007		2008		2009	
	amount	%	amount	%	amount	%
Revenue						
Opening balance					3,000	8%
Internal revenue	250	1%	393	1%	440	1%
Federal and State statutory allocation	21,094	99%	32,477	99%	27,804	78%
Value added tax					3,397	10%
Capital receipt					957	3%
Total revenue	21,344	100%	32,870	100%	35,598	100%
(Average per LGA)	854		1,315		1,424	
Expenditure						
Total recurrent expenditure	12,845	60%	19,228	58%	19,379	54%
Total capital expenditure	8,499	40%	13,642	42%	16,220	46%
Total expenditure	21,344	100%	32,870	100%	35,598	100%

Source: Ministry of Local Government, n.d e, n.d g, n.d i

3) 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) Current situation and roles of service providers

1) 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.

2) 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.

3) 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.

4) 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.

2.3.2 Proposed institutional framework for the OLOP Programme

(1) Basic principles

The following three basic principles of the establishment of the institutional framework for the OLOP Programme are introduced.

1) Define clear authority and responsibilities

The OLOP Programme is designed to be implemented by the federal and state level government organisations and other concerned stakeholders. It is necessary to predefine the authority and responsibilities of each stakeholder in the implementation mechanism so as not to create confusion and conflict among stakeholders during implementation of the programme.

2) Reduce coordination cost

Good coordination among all stakeholders involved in the OLOP Programme is required, and coordination costs among stakeholders should be minimised. The procedure for implementing the OLOP Programme shall be thoughtfully developed and shared among stakeholders so that information and resources flow smoothly.

3) Ensure transparency and compliance

All stakeholders must respect transparency and compliance. Monitoring and reporting systems shall be well designed to ensure transparency within the institutions implementing the OLOP Programme. Stiff penalties shall be defined to ensure compliance with the laws and regulations.

(2) Institutional framework and implementation management

1) Authority and responsibilities of concerned organizations

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 2-2 describes the institutional framework of the OLOP Programme.

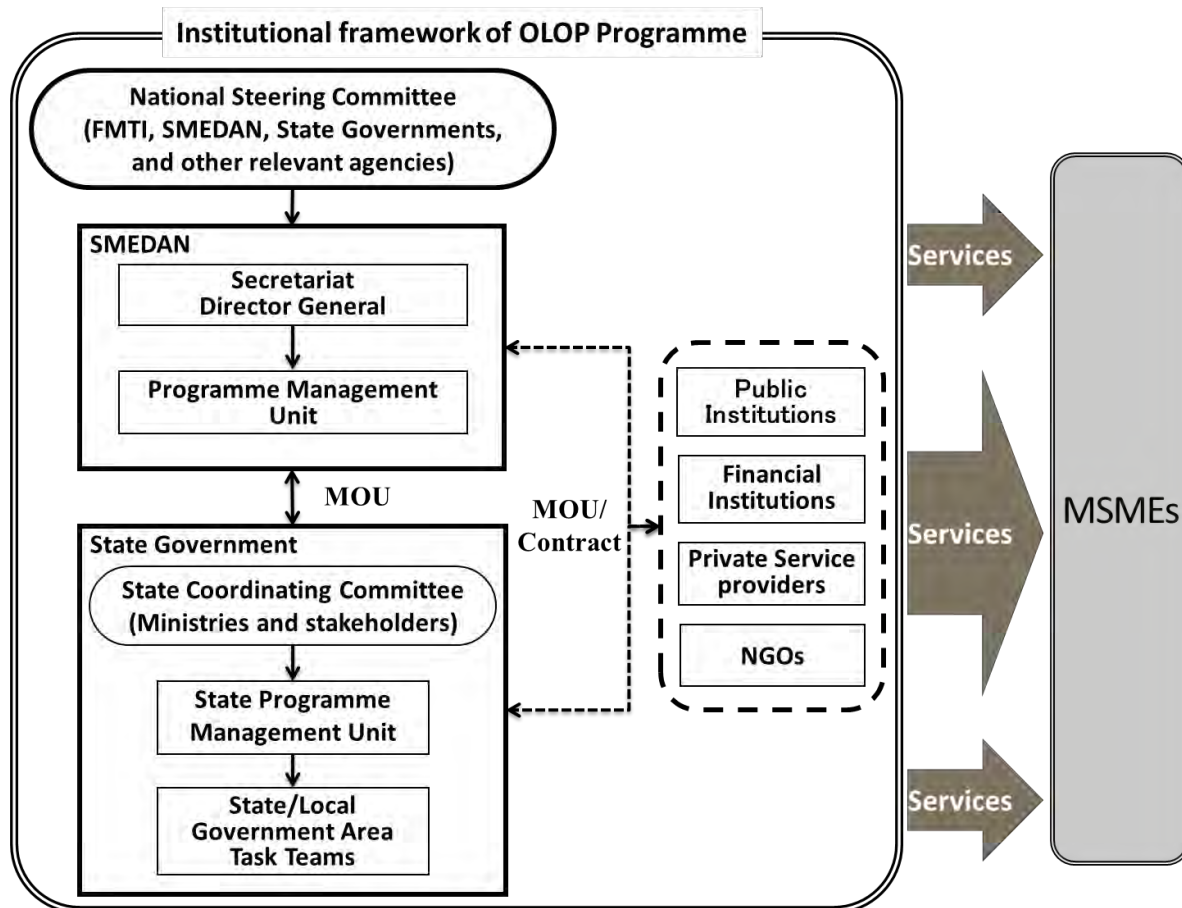
National Steering Committee

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 ministry of industries 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. Roles and responsibilities as well as each party's resource contribution shall be defined in the MOU.

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 to be supported under the OLOP Programme.



Source: Project Team

Figure 2-2 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. State government is the key institution for programme implementation at the state level and coordinates other stakeholders and service providers in the state. 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 to be supported under the OLOP Programme.

A state government shall involve LGAs as necessary in implementing programme activities. LGAs may assist the 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

2) 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.

2.4 MSME demand for BDS provision**2.4.1 Current situation and issues****1) Supply and Demand of BDS**

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.

2) 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.

2.4.2 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.

2.5 Effectiveness of the proposed approach of the OLOP Programme

2.5.1 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 measures

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.

(3) Results of pilot project implementation

1) Establishment of the short list of products and selection of target products

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.

Stakeholders in each state developed a short list of products. With the technical cooperation of JICA, workshops were held in Kano and Niger State to develop a short list of products of each state. Each workshop had about 20 representatives from major stakeholders, including SMEDAN, the state ministry of commerce and industry, and other MSME development-related agencies. Participants, divided into two groups, were asked to evaluate selected products by the following criteria:

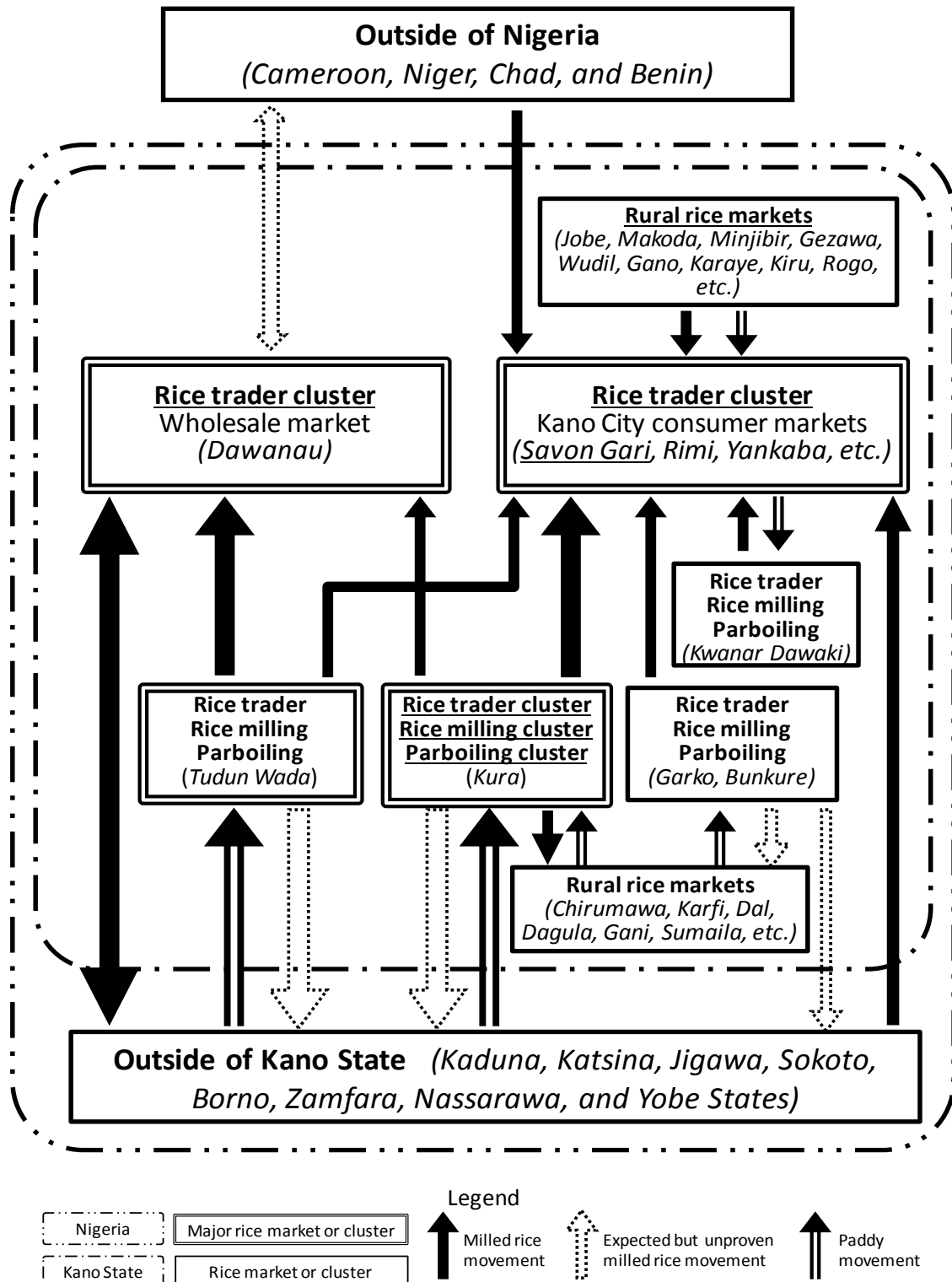
- Market needs
- Business potential
- Positive impact on local economy and gender equality
- Policy priority
- Complement to internally and/or externally supported interventions

The evaluation was conducted using the following score classification scheme: very high (5 points), high (4 points), average (3 points), low (2 points), and very low (1 point). Table 2-14 indicates the results of scoring by workshop participants in Kano and Niger States.

Table 2-14 Results of scoring by workshop participants

Kano State		Niger State	
Products	Score	Products	Score
Rice	49	Shea butter	49
Groundnut oil	46	Groundnut oil	40
Leather products	42	Yam	47
Dried hibiscus	28	Rice	50
Soybean	38	Sorghum	41
Moringa	29	Brass and glass work	30
Tomato	48	Maize	46
Tie and dye	22	Soya beans	34
		Locust beans	27

Source: Project Team



Source: Project Team

Figure 2-3 Rice value chain in Kano State

Out of the short list developed by the workshop, three products were selected in each state as the target of the pilot projects. Kano State chose rice, groundnut oil, and leather products. Niger State selected

shea butter, groundnut oil, and yam.

Implications

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. Some of the evaluation criteria could be modified for each state or a set of criteria could be developed by the workshop participants to meet the specific situation of MSMEs in each state.

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.

2) Baseline survey and value chain analysis

A target cluster and business types for each selected product was identified, and a value chain analysis and baseline survey of each cluster and business types were carried out. Cluster refers to the geographical concentration of enterprises involved in production, processing, and trading of a particular product. These enterprises can be categorised into several business types. In the case of rice in Kano, for instance, Kura was selected as a rice cluster where a number of rice millers, parboilers, and rice traders run their business close to one another. Rice miller, parboiler, and rice trader are three business types identified in the Kura rice cluster.

Value chain analysis and baseline survey were conducted for each selected cluster to collect information regarding participating enterprises, providers of raw materials, purchasers of products, and the social, economic, and cultural characteristics of employees. Roles of each activity in the process, including raw material production, processing, distribution, and consumption were analysed. Sources of added value, challenges, and bottlenecks of value chains were also studied. The information gathered was used to draw a value chain chart to describe flows of materials and products within and around the cluster. Figure 2-3 shows an example of a rice value chain in Kano.

Implications

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.

2.5.2 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) Issues and measures

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

(3) Results of pilot project implementation

The results of the pilot project implementation indicate that the continuous, dynamic², 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.

1) Business consultation

The pilot projects adopted a process of business consultation comprising of 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 consultation was undertaken with each type of business in the selected clusters. For example, for the Kura rice cluster, three types of businesses—parboiler, rice miller, and rice trader—were identified for the business consultation. The following are the analytical tools used in business consultation.

Business environment analysis:

- 3C: Define the current Company, Customer, and Competitor. If enterprises are very small and their aggregation to a cluster is reasonable, an enterprise cluster is assumed to be a Company. An achievable goal is set assuming that the enterprises are operating against competitors.
- 5Fs: Analyse power relationships between one's company and industry competitors, potential entrants, buyers, suppliers, and substitutes. Buyers, alternative buyers, suppliers, and alternative suppliers should be identified.

² 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.

- PQCD+4M: Evaluate Productivity (P), Quality (Q), Cost (C), and Delivery (D), and identify which factors (Man, Machine, Material, and Method) determine Productivity, Quality, Cost, and Delivery. Clarify weaknesses and targets of improvement.
- SWOT: Analyse Strengths (S) and Weaknesses (W) of one's company, and Opportunities (O) and Threats (T) for the external environment. Organise information obtained in the baseline survey and value chain analysis.

Confirmation of management principles:

- Growth vector: Consider in which direction to proceed for the following four areas: current products, new products, current market, and new market. Confirm potential and necessity of new market and new product development.

Strategy formulation:

- Cross SWOT: Formulate draft business strategic ideas using factors identified in the SWOT analysis. Focus on “taking advantage of strengths to seize opportunities” and “overcoming weaknesses to seize opportunities”.
- CSF: Among draft business strategic ideas identified in Cross SWOT, select Critical Success Factors. Establish CSF as objectives of the pilot project.

2) 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. They were not recording the revenues and expenses of their business, and they managed their business based on their memory and experience. Without books, enterprises were not able to analyse their business costs and profits. For example, parboilers in Kano could not tell the cost of paddy, fuels, labour, transportation, and other expenses necessary to produce parboiled rice.

Training may be the most popular form of service to improve the business management skills of MSMEs. The pilot projects included the provision of bookkeeping training to all participating enterprises. A lecturer taught them how to keep books at a half-day training session, supplemented by weekly follow-up visits by project staff. It was difficult for the participants to understand bookkeeping within the half-day training session, and most of them needed continual assistance by the project staff until they could properly record their business transactions.

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. One of the target groups of the pilot projects was a group of traditional groundnut oil processors in Kano. They were not even organised when the pilot project started, and they needed to learn how to work together as a group in the interest of their business.

The group of groundnut oil processors submitted an application to the state government to register themselves as a cooperative with assistance from the pilot staff. They were also trained to make group purchases of groundnuts to reduce the cost of raw materials. This was on-the-job type training. Once a week, the project staff helped the group collect money from its members, go to market to buy groundnuts, and divide the groundnuts among members. Gradually, the group understood how to manage group purchasing and developed the confidence to take initiatives in some of the tasks.

Business management skills are the basis for stable operation and growth of enterprises. Leather product manufacturers in Kano, one of the target groups of the pilot projects, commented that bookkeeping had made them understand the cost structure of their products such as shoes and sandals. They are now able to analyse profit margins when they take orders and negotiate selling prices with

their customers. Bookkeeping is a basic business management skill, and it helps MSMEs to determine how their business can make more profits.

Group purchasing by the groundnut oil processors in Kano reduced the cost of raw materials by about 6% compared to the price they had to pay when they purchased groundnuts individually. The group may be able to build on its capacity to negotiate for better prices for raw materials, or it might be able to start other activities such as the joint marketing of groundnut oil in the future.

The results of the pilot project indicate that BDS provision to small and medium enterprises is more cost effective than to micro enterprises. In teaching business management skills, 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 required major assistance and frequent visits by the Technical Cooperation Team. These groups may need someone assigned to provide them with regular, 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.

3) 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

MSMEs often do not have access to appropriate skills and technologies to improve quality and productivity. The traditional groundnut processors in Kano and Niger, and the shea butter processors in Kano are typical examples. They are MSMEs run by rural women with family labour. Their processing was mostly done manually, and required heavy labour.

Production skills can be taught through training. In the case of shea butter processors, the Technical Cooperation Team analysed their processing method to find a way to produce shea butter of better quality. The improved processing method was then taught to the shea butter processors through training at their villages. The processors who attended the training have proved themselves capable of producing shea butter of better quality.

Machines and equipment can be provided by fabricators or distributors. For traditional groundnut oil processors, Technical Cooperation Team improved a hand-powered machine to be produced by a fabricator in Kano. Five units of the machine were provided to the group of processors in Kano by the Local Government Area, and two units were bought by processors in Niger. The machines allow the enterprises to process groundnut oil several times faster compared to the traditional manual method of oil extraction. It saved them time and also produces hygienic oil. Over 100 units of the machine have been sold within Kano as well as to neighbouring states.

Improving productivity or quality by adopting better skills and technology helps enterprises to increase sales or charge better prices for their products. The groundnut oil processors in Kano could produce significantly more groundnut oil. If they could sell as much as they could produce, their sales would have been dramatically increased. 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.

4) 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. Traditional tanneries in Kano provide another case of marketing issues. The traditional tanneries 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, the processors were given training on shea butter processing, and their butter was tested to prove its high quality. Visually demonstrating the high quality verified by a test kit successfully attracted the interest of traders.

In the case of traditional tanneries, 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 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.

Improved access to market is the key for MSMEs to expand their business. For the shea butter processors and the traditional tanneries, the pilot projects had to close before witnessing the enterprises entering business arrangements with clients. In the field of marketing, MSMEs may require the long-term support of consultants to pursue the process of exploring new markets, identifying potential clients, and negotiating deals with new clients.

5) Financing

It is confirmed that MSMEs are in great need of finance, but few have access to the 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. There were many obstacles to the enterprises accessing financial services. 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 projects a group of rice millers was assisted in obtaining a loan from BOI. The rice millers were using old and inefficient machines that affected the quality of their products. They wished to purchase a set of new machines with a bank loan. Technical Cooperation Team helped them draft a business plan and submit a loan application to BOI. The Team contacted and visited BOI from time to time to facilitate the examination of the loan application. 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 very necessary and beneficial to MSMEs.

Access to financial services allows MSMEs to invest in business facilities to improve their production. Based on the business plan of the rice millers, the investment in a set of new machines would increase their production capacity and improve the quality of their product. This would allow the rice millers to expand their sales, and perhaps enjoy better prices for their rice in the market.

Unfortunately, the rice millers were yet to receive the loan from BOI when the pilot project had to conclude, since BOI took more than a month to review and process the loan application. This may be another challenge in providing financial services to MSMEs. Facilitation between MSMEs and financial institutions may not be enough. 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 Background and objective

As a measure to promote and implement the OLOP Programme, the action plan should be designed to enhance the capacity of key players for economic development, value and wealth creation, employment generation, and delivery of quality goods and services. The OLOP objectives should also be achieved on the basis of understanding how the market operates and of these key players' accessing it. In the Action Plan, key players are MSMEs and future entrepreneurs, BDSPs, SMEDAN, and the Federal and state governments. Since the primary goal of the OLOP Programme is to empower MSMEs' capacity to identify, mobilise, and utilise locally available production resources to produce value-added goods and services, capacity development of the MSMEs as well as of future entrepreneurs should be the central focus.

BDSs are in great demand by MSMEs due to the various issues and challenges they face. Issues of inadequate business management and technical skills, limited human resources and financial base, and the informal and subsistence nature of production practices are commonly identified in most MSMEs. They are also the reasons for MSMEs' low creditworthiness and limited access to formal loan schemes. Most of MSMEs' finance is constrained. The issues are not only technical or financial but also social. Gender-based division of labour and production practices at household level are commonly observed in Nigeria. These MSMEs are not easy to consolidate to establish larger operation units to meet untraditional market needs. Traditional market practices and limited marketing investment also hinder fair competition and appreciation of quality in the market place. This is a serious issue because the value addition can only be realised through recognition of that value by the market.

To strengthen MSMEs' business management capacity to increase value-added and employment opportunity, and to improve technology, production portfolio, and financial strength, the strategy to transform informal sector enterprises or subsistence businesses to formal sector enterprises must be considered. In order to support this strategy the continuous, dynamic, and fact-based BDS regarding business consultation, business management, production skills and technologies, marketing, and financing must be provided to growth-oriented enterprises. At the same time, the enhancement of constant inflows of motivated and well-trained candidates of young entrepreneurs to the business and industry is necessary to promote innovation and advancement of Nigerian economy.

Whereas there is significant demand for BDS from MSMEs, the quality and quantity of BDSs are limited. There are also issues related to governments', SMEDAN's, and BDSPs' insufficient service delivery capacity in the face of major BDS demand. Limited human and financial resources, weak facilitation and coordination mechanisms, underutilisation of local resources, and lack of market information and intelligence are some of the constraints to meeting BDS demand to realise business and market opportunities. One of the most serious issue is the insufficient number of qualified personnel for the delivery of high quality BDS, and in this case the challenge is securing a large number of such personnel without increasing the numbers of government officials.

Public investment for the enhancement of MSME businesses must yield major economic results in keeping with these businesses' investment needs. The Government of Nigeria should further extend its service delivery through innovative and efficient approaches, and increase the allocation of financial and human resources. Since public resources are limited, services and investment must be carefully examined and well-targeted. Such services and investment must be given to those most in need that are likely to succeed, to be utilised for the improvement of their business and production.

To address issues identified above the OLOP Programme Action Plan aims to enhance the business management capacity of MSMEs and future entrepreneurs to increase value added and employment opportunity.

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

- (1) Enhancement of BDS delivery capacity of 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 and efficient 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 Management principle of OLOP Programme Action Plan

For smooth and effective implementation of the OLOP Programme Action Plan, a Programme Management Unit (PMU) will be established in SMEDAN. For participating states, the State Programme Management Unit (SPMU) will be established on the basis of an MOU agreed between SMEDAN and the state concerned. This institutional arrangement and these management modalities are the contents of Component 5. Since the success of the Action Plan is solely dependent on the management quality of these units, dynamic and experienced human resources will be deployed to manage the PMU and SPMUs using the principle of performance-based management

The efficiency and productivity of an organisation can increase simply with better time, office, and motivation management, without an increase in human and financial resources. If all the members of an organisation are able to share a clearer vision of the organisation's missions, objectives, and instructions, the organisation will likely perform better. Since the Action Plan will be implemented to serve MSME clients by enhancing their business management, the management of the Plan should serve as a model. Setting a few management principles and adhering to them are important to the success of the Action Plan.

Since the OLOP Programme and its Action Plan envisage the establishment and practice of business ethics, trust, and confidentiality, the vision of the Action Plan will be developed and shared by all participants and members of the management unit. Human resources will be managed in such a way that all participants and members focus their effort on forming a centre of excellence.

To address the large demand for BDS, compact and efficiently organised services offered at the lowest possible cost are key to efficiently implementing the Action Plan. Expenditure of recurrent costs can go out of control if no limit is imposed on the number of permanent staff hired. Since the demand for business service delivery is great, one might opt to increase the number of permanent BDS officers. However, the Action Plan proposes the term-employment approach to delivering BDSs, while at the same time training qualified entrepreneurs. In this way, recurrent costs can be turned into investment costs for future increase in productivity, market efficiency, and employment opportunities.

Quality control of BDSs is important and will be properly executed to ensure the Action Plan maintains a good reputation among MSME clients. The development of their trust is very important if the Plan is to exert its influence over their day-to-day business practices. A practical and feasible quality control system will be developed for securing timely and dynamic feedback in the course of BDS delivery. Deployed BDS Officers will be called to SMEDAN HQs once a year to attend in-house training and to share their practical experiences from deployed states. Because this in-house training is one of the major means of quality control of BDSs, the trainers and training content must be high level, and BDS Officers' exposure to top-notch management skills and experiences in the West-African region must be secured.

The core of the performance-based management is the formulation of a well-designed Annual Workplan and Budget (AWPB). PMU at SMEDAN is responsible for evaluating, consolidating, and finalising the proposed AWPB prepared and submitted by participating states. A consolidated nationwide AWPB will be shared by all participating states in order for them to coordinate with and learn from the practices of other states. In line with this resource allocation plan, the operations of the Action Plan will be monitored and the Plan's outputs, outcomes, and impacts measured to assess its efficiency and effectiveness. The efficiency of the Action Plan should also be measured from the point of view of the timely and economical execution of the AWPB by responsible staff members and BDS Officers. Decentralised management of fund allocations must be practised with the AWPB; at the same time a centralised monitoring and evaluation system should be installed to assess the outcomes defined in the objectives of the Action Plan with regard to their allocated budgets.

In order to promote a fair and competitive business and market environment, transparency and compliance with the Action Plan will be mandatory. Incentives for BDS Officers and Action Plan staff to invest their time and effort for the betterment of BDS delivery will be fairly assessed and appreciated. Issues of compliance in every aspect of the business and market environment faced by MSME clients will be reported and analysed to deliver adequate mitigation measures to the clients. Through this practice, the spirit of the OLOP Programme will be extended to all the parties concerned.

3.1.3 Implementation arrangement

Figure II-1 presents the programme management structure of the OLOP Programme; Action Plan will be implemented under this framework. An MOU between SMEDAN and state governments will define the working relationship between PMU and SPMU for the management of the Action Plan.

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

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

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

- Preparation of proposal of 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

3.1.4 Action Plan component structure

The OLOP Programme Action Plan is composed of the following five (5) Components and fourteen (14) Sub-components:

Component 1: Business Development Service

- 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

Component 2: Access to Finance

- Sub-component 2-1: Provision of funds to the Bank of Industry
- 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

Component 3: Business Management Training

- 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

Component 4: Production Skills and Technology

- Sub-component 4-1: Support to local fabricators and institutions
- Sub-component 4-2: Reference to specialised institutions

Component 5: Programme Management, and Monitoring and Evaluation

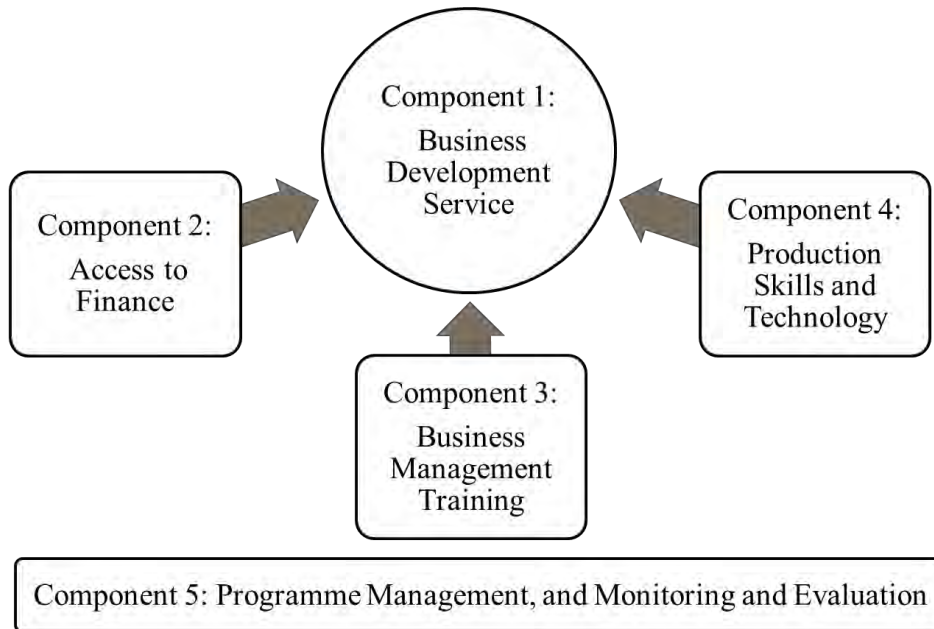
- Sub-component 5-1: Preparation of Annual Work Plan and Budget
- Sub-component 5-2: Implementation of programme activities
- Sub-component 5-3: Monitoring and evaluation of programme activities

Figure 3-1 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 business or industrial establishments in the selected sectors.

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. Under these components, mechanisms to provide soft loans, and training curriculums and materials will be developed, and technical development by specific institutions will be facilitated. Outputs of the components will be utilised by BDS Officers in support of MSMEs. Activity plans of these components reflected in AWPB will be determined based on identified BDS demands for finance, and capacity and technical development.

Component 5 provides management, monitoring and evaluation, and administrative services for the entire Action Plan implementation. The management of the Action Plan should 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 Workplan 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.



Source: Project Team

Figure 3-1 Action Plan component structure

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 Officers 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

- Active participation of state governments will be assessed by the federal government and SMEDAN on the bases 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 a five-year contracts with PMU to be trained and deployed to the SPMUs to have BDS delivery experience.
- Performance of BDS Officers will be evaluated by both PMU and SPMUs.
- 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, 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.
- PMU, in close collaboration with 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 Workplan 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 PMU. However, depending on the performance of the Action Plan, the costs may be borne by 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 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

3) Implementation methods

Identification of participating states to OLOP Programme and agreement of MOU

The Federal Ministry of Trade and Investment and the PMU of SMEDAN will select participating states for the implementation of the OLOP Programme. Prior to that selection, the objectives and expected outputs of the Action Plan, management principles, and responsibilities of state governments will be articulated and advertised to all state governments in Nigeria. Due to resource constraints, and the Action Plan's strategy of gradual expansion of the implementation, only a few states can be selected in the early stage of the implementation (see Table 3-1). Because initial success is key to the Action Plan implementation, states that are well motivated and committed in terms of willingness to deploy qualified staff members and to allocate necessary budgets to SPMU should be given highest priority for selection. An MOU will be agreed between Programme Management Unit and State Programme Management Unite of a selected state to clarify responsibilities of both Units. The implementation plan assumes that all states will be covered by the 7th year of Action Plan implementation.

Recruitment of BDS Officers

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 3-1. 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 SPMU may grow gradually, and an appropriate mix of senior and junior BDS Officers in each state is important to manage the productivity of SPMU. At the end of 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.

Induction training of BDS Officers

Recruited BDS Officers will receive a six-month induction training before their deployment to SPMU in the participating states. Contents of training include accounting and financial management skills development, business and labour laws, taxation, import and export regulations, marketing knowhow, human resource development and management, economics, and sector specific knowledge such as agriculture-related standards and technologies. Case study-oriented training sessions must be included. Because BDS Officers are expected to interact with MSME clients, practical skills and attitudes regarding business ethics, interpersonal protocols, and proper client handling must be acquired during this induction period. The performance of BDS Officers will be carefully evaluated and recorded, and will be referred to during their in-service training to be conducted later in every year.

Table 3-1 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
Total	30	90	180	300	420	510	570	600	600	600	1,020
No of participating states (15-16 BDS Officers/State)	2	6	12	20	28	34	37	37	37	37	

Source: Project Team

Deployment of BDS Officers to the State Programme Management Units

According to the terms specified in the MOU agreed between SMEDAN and participating state governments, BDS Officers will be deployed every year. Their working conditions, remuneration, benefits, and necessary status are all defined in an MOU, and the responsibilities of SMEDAN and state governments have to be expeditiously carried out. In terms of BDS Officers' office environment, their line of reporting and administration must be clearly defined prior to their arrival, and their mobility assured for them to deliver their services.

BDS service facilitation and delivery by BDS Officers

On the basis of the approved Annual Workplan and Budget (AWPB), the SPMU will provide instructions and budgets to the deployed BDS Officers as well as state deputed and/or recruited BDS Officers to execute the AWPB. SPMU bears the primary responsibility to deliver outcomes specified in the AWPB by mobilising these BDS Officers. Their performance is also monitored and evaluated by SPMU. PMU is responsible for supporting SPMU in their service delivery by providing timely services for financing, training, and technical development. PMU monitors and evaluates the outcomes of SPMU, and the results of such M&E activities will be reflected in discussions with SPMU for the development of the next AWPB where the deployment plan for BDS Officers will also be included. Both SPMU and PMU are responsible for the mentoring and on-the-job training of BDS Officers. Senior BDS Officers may be assigned to mentor and train junior BDS Officers.

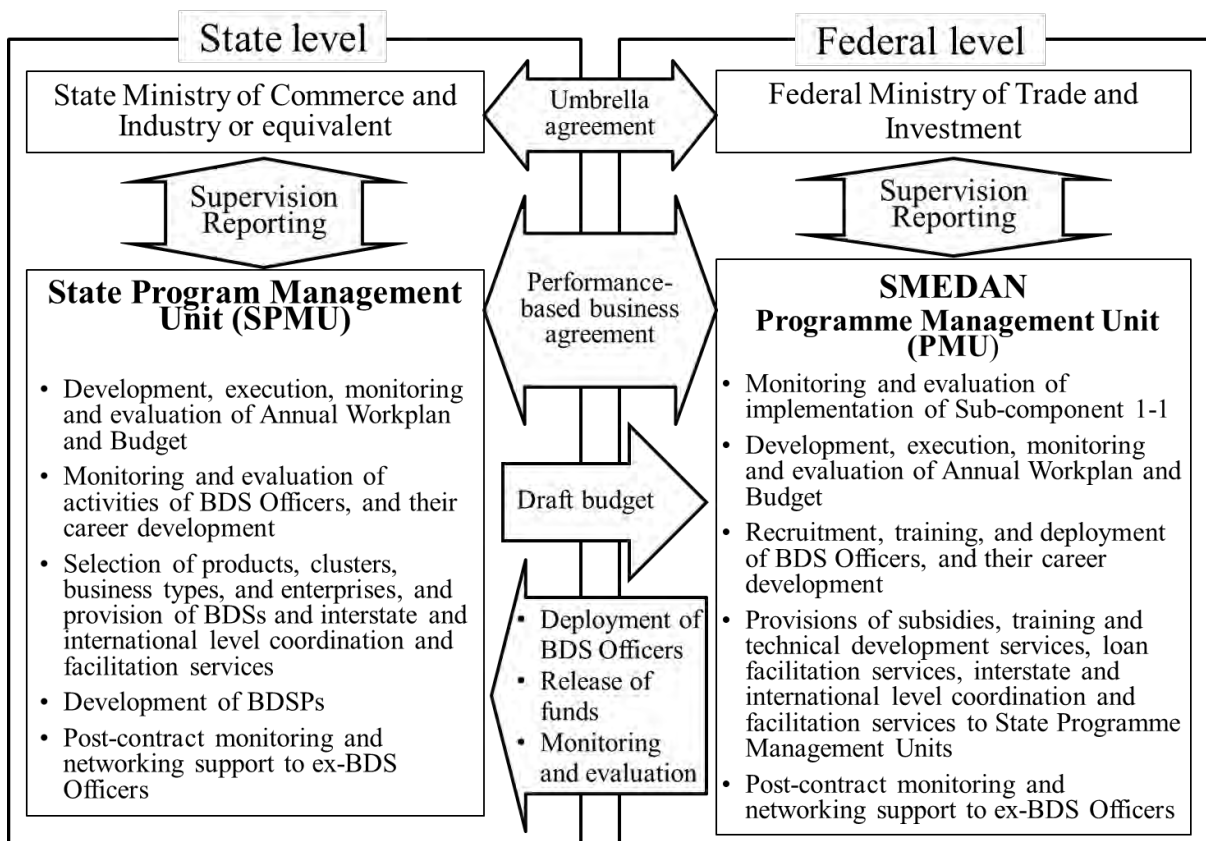
Performance based human resource management and evaluation of BDS Officers

The outcomes of BDS Officers will be monitored and evaluated using the performance-based human resource management principle. Their service delivery should result in their clients' improved management capacity, expansion of businesses, increased profitability and business portfolio, etc. In addition to these clear outcomes, subtle and inconspicuous outcomes such as change in clients' attitudes, problem-solving approach, employment environment, etc. must also be monitored carefully to assess the BDS Officers' performance. The primary objective of performance-based human

resources management is to provide the officers with feedback for improving the quality of their services rather than for determining their remuneration or punishment. BDS Officers are encouraged to learn from their clients rather than being taught through formal training to understand clients' perceived constraints and opportunities. BDS Officers will maintain and analyse the records of their clients, and maintain their confidentiality to protect the interests of their clients. Such skills as handling of clients and their information are also important evaluation criteria.

In-service training, mentoring, and advisory services to BDS Officers

Each year, one batch of BDS Officers will be recruited, undergo induction training, and be deployed to the states. In addition to the induction training, BDS Officers will receive in-service training once a year at the SMEDAN headquarters. The practicality of training contents is emphasised because the course delegates are facing their clients' business issues that require real world solutions. Therefore, the contents of in-service training are case study and solution oriented, and the BDS Officers are guided through them by business consultants, enterprise leaders, financial management specialists, business and labour leaders, and other professionals. In addition, since the in-service training is attended by BDS Officers from many different states, interstate and international scope solutions are discussed and developed. The in-service training is guided by the professionals, and mentoring and advisory services to BDS Officers are also provided in the training.



Source: Project Team

Figure 3-2 Implementation arrangement of Sub-component 1-1

Business development activities of BDS Officers

For senior-level BDS Officers who are in the fifth year of their contract term, their strategies to establish enterprises and action plans are discussed with other senior BDS Officers or with the

professional conducting the in-service training. In addition, constant mentoring and advisory services are made available to them from PMU, SPMU, and other sources. Group establishment of enterprises is also encouraged. The results of their market and cost analyses, feasibility of their business development plans, and the identification of financial and technical sources will be examined by the professionals. PMU and SPMU also organise business fairs where BDS Officers who have business plans are matched with investors and banks.

Completion of term contract of BDS Officers, and post-contract monitoring and networking

At the completion of BDS Officers' contracts, they are registered into an alumni association. The association will act as the hub of information exchange, and linking and networking ex-BDS Officers. The association will also act as an entry point for ex-BDS Officers to access BDSs of the Plan.

4) Implementation arrangement

Source: Project Team

Figure 3-2 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 2-2. The implementation arrangement of the Sub-component 1-1 represents the implementation mechanism of the Action Plan of OLOP Programme. Between the Federal Government and a concerned state government, an umbrella agreement will be established to form the highest level of collaborative arrangement. Under this umbrella agreement, a performance-based business agreement between PMU and SPMU will be established. This business agreement will define the planning, execution, financial management, monitoring, and performance evaluation mechanism in terms of the AWPB process. Deployment of BDS Officers, its detailed procedures, the responsibilities of PMU and SPMU are to be defined.

The major responsibilities and functions of PMU with regard to Sub-component 1-1 are as follows:

- Monitoring and evaluation of Sub-component 1-1
- Consolidation, finalisation, and obtaining approval of Annual Workplan and Budget from PMU
- Execution, monitoring, and evaluation of Annual Workplan and Budget
- Recruitment and training of BDS Officers
- Deployment of qualified BDS Officers to State Programme Management Units
- Career development of BDS Officers
- Provisions of subsidies, training and technical development services, and loan facilitation services to SPMUs
- Provision of interstate and international coordination and facilitation services to SPMUs
- Post-contract monitoring and networking support to ex-BDS Officers

The major responsibilities and functions of SPUM with regard to Sub-component 1-1 are as follows:

- Development of draft Annual Workplan and Budget submitted to and negotiated with PMU
- Execution, monitoring, and evaluation of Annual Workplan and Budget
- Monitoring and evaluation of activities of BDS Officers
- Career development of BDS Officers
- Selection of products, clusters, business types, and enterprises for business enterprise assessment and BDS provision
- Provision of BDSs to selected MSMEs by BDS Officers
- Provision of in-state, interstate, and international coordination and facilitation services
- Development of BDSPs
- Post-contract monitoring and networking support to ex-BDS Officers

5) Estimated number of supported MSMEs and created employment opportunities

Table 3-2 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 3-2, 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 estimations.

Table 3-2 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	64,800
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	138,000
Total (Case 2 + (2))	2,250	6,750	13,500	22,500	31,500	41,100	48,450	53,550	56,400	56,400	332,400

Source: Project Team

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

1) Background and objectives

Sub-component 1-2 is established using the defined approach of the OLOP Programme. Since public 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 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 in each state
- Selection of target products for Action Plan implementation
- Analysis of product value chain, and selection of products, clusters, and enterprises for BDS delivery

3) Implementation method

Detailed implementation methods are described in the OLOP Programme Concept Paper and OLOP Programme implementation guidelines. Summaries of the methods are presented in this section.

Development of a short list of products by concerned stakeholders in each state

A short list of products for BDS delivery will be developed by the concerned stakeholders in each state. SPMU will determine stakeholders in consultation with other state authorities, the private sector, and NGOs, and finalise the short list by holding, for example, workshops attended by the stakeholders. The stakeholders may include the State Ministry of Commerce and Industry or its equivalent, the Ministry of Agriculture, the Ministry of Local Government, LGAs, the Chamber of Commerce, other business associations, and NGOs involved in MSME promotion.

Selection of target products for the Action Plan implementation

From the short list, high potential products will be determined as the target products for Action Plan implementation by the stakeholders. SPMU will facilitate the evaluation and selection process by setting evaluation criteria. Examples of such criteria are: (1) business potential of product; (2) local, regional and global market needs; (3) positive impact on local economy; (4) policy priority; and (5) synergistic effect with internally and/or externally supported interventions.

Analysis of product value chain, and selection of enterprises for BDS delivery

SPMU and its BDS Officers will conduct low-cost value chain analysis of the selected products at the selected clusters. The value chain analysis and associated baseline surveys will be carried out to examine the roles and functions of each type of business, and to clarify business issues with a view to identifying possible measures to address them. This knowledge is necessary to select target business types, and individual MSMEs for BDS delivery to increase value-added and number of jobs in the entire value chain. The targeted BDS delivery based on value-chain-wide analysis should also contribute to improvement of effectiveness of public services.

4) Implementation arrangement

Implementation arrangement for Sub-component 1-2 is the same as one of Sub-component 1-1. SPMU will lead the Sub-component 1-2 activities in consultation with relevant stakeholders. PMU will provide technical support to SPMU and train BDS Officers for implementation of this Sub-component

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

1) Background and objectives

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 the 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 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

3) Implementation method

Detailed implementation methods are described in OLOP Programme Concept Paper and OLOP Programme implementation guidelines. Summaries of the methods are presented below.

Business consultation and formulation of business strategy

The selected enterprises will undergo business consultation with the SPMU to analyse their external business environment, examine directions for their business to pursue, and formulate business strategies. Enterprises can always come back to this process of business environment analysis and strategy formulation as they carry on their business with assistance from the SPMU.

Service related to business management

Based on the business strategies developed above, the enterprises will receive continuous and dynamic assistance from BDS Officers of the SPMU. Their businesses will be regularly monitored to follow up on progress and the outcome of business services. Business management skills such as bookkeeping, business plan development, group management, and customer relations will be enhanced through training provided by various organisations including government organisations, SMEDAN, private service providers, and NGOs. In addition higher level training regarding, for example, development of entrepreneurship and integrated business management skill will be provided.

Services related to production skills and technology

MSMEs often do not have access to appropriate skills and technologies to improve quality and productivity. The SPMU will facilitate training sessions on production skills, to introduce improved machines and equipment from fabricators or distributors at cost. PMU will also facilitate the development of new technologies, and will bear the risks associated with such development.

Services related to marketing

Marketing may be the most serious challenge that MSMEs face. SPMU will help MSME clients obtain marketing information and services from officials of government agencies such as the Export Promotion Council zonal officer, and from other concerned parties such as private consulting firms and NGOs. Since MSMEs require long-term assistance to explore new markets, identify potential

clients, and negotiate deals with new clients, SPMU will provide a BDS focused on long-term market development strategies. SPMU and PMU will also help identify markets which accept MSMEs' improved and value-added products.

Facilitation of financial services

MSMEs are in great need of finance, but few have access to formal sector financial services due to prevailing obstacles. BDS Officers of the SPMU will help MSMEs to identify the obstacles, and provide BDSs to improve bookkeeping and business planning skills that will facilitate the accessing of financial service provisions. For financial institutions, MSMEs are not trustworthy customers, and thus support from BDS Officers must result in the reduction of their default risk and the improvement of their trustworthiness. For productive application of financial services, borrowers must have adequate capacity of business and financial management, and technical and marketing knowhow. Therefore, BDSs complementary to the financial services must be considered and provided to the borrowers.

4) Implementation arrangement

Implementation arrangement for Sub-component 1-3 is the same as one of Sub-component 1-1. SPMU will lead the activities of Sub-component 1-3 in consultation with relevant stakeholders. PMU provides technical support to SPMU and trains BDS Officers for implementation of this Sub-component

Component 2: Access to finance

1) Background and objectives

MSMEs are in great need of finance. Access to financial services allows MSMEs to invest in production facilities to improve their production. For example, bank loans can be used to purchase new processing machines to improve the quality or increase the volume of their products. In order for financial services to be used effectively to improve business, it may be necessary for other business services such as production skills and marketing to be available at the same time.

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. MSMEs may be much weaker than larger enterprises, which makes financial institutions afraid they may default on their loans. Few MSMEs have experience obtaining bank loans, and they may require thorough assistance throughout the process from application to repayment. It may be a rational decision for financial institutions not to target MSMEs.

This component aims at securing financial services for the enterprises assisted by BDS Officers under the first component. 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 BOI.

2) Activities

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

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

- Terms of cooperation will be agreed with BOI.
- Participating BOI zonal offices will be selected.
- An MOU will be concluded between SMEDAN and BOI.
- Funds will be transferred to 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 BOI.
- The enterprises will be assisted with document preparation.

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

- Applications will be submitted to 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 BOI will discuss measures.
- BOI zonal offices will keep loans records and send them to SPMUs.
- Loans records will be aggregated at PMU for analysis.

3) Implementation method***Sub-component 2-1: Provision of funds to the Bank of Industry***

Implementation of this component requires close collaboration among PMU, SPMU, BOI, and BOI zonal offices. The process will start with discussion between PMU and BOI to design the overall framework of the component. The basic concept is that the OLOP Programme will provide funds to BOI to be accessed by the enterprises supported by BDS officers. Discussion between PMU and BOI will aim at creating a mutual understanding on how this idea will be realised and what steps will need to be followed.

BOI has its head office in Lagos. As for branches, BOI has its corporate office in Abuja, and zonal offices in Aba (Abia State), Akure (Ondo State), Asaba (Delta State), Bauchi (Bauchi State), Kaduna (Kaduna State), and Lagos (Lagos State). Some of these zonal offices will be selected to participate in the OLOP Programme. The selection will be based on the selection of participating states under Component 1. For the first year, a few states may be participating as pilot states. BOI zonal offices will be selected based on their accessibility from those pilot states. The number of participating states is designed to increase gradually to cover most of the states in ten years. Participating BOI zonal offices will likely be added according to the progress of the OLOP Programme.

PMU and BOI will discuss lending terms and the responsibilities of both parties under the OLOP Programme, and an MOU will be concluded between SMEDAN and BOI. Terms of lending may include items such as pre-disbursement conditions, interest rates, and fund management fees. Zonal

offices participating in the OLOP Programme will implement activities based on this MOU.

Funds will be transferred from SMEDAN to BOI zonal offices. The amount of funds allocated to each zonal office will be determined every year by several factors including the number of states and BDS officers covered by each zonal office, and the performance of each zonal office in previous years.

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

PMU will dispatch a team to zonal offices to assess the current capacity and training needs of loan officers. Needs assessment will be designed by PMU in collaboration with the Department of Enterprise Development and Promotion (ED&P) and BOI. The needs assessment team may take a week to cover one zonal office.

Based on the result of the needs assessment, PMU will develop training curriculum and materials for the staff of BOI zonal offices in coordination with ED&P. Contents of the training may include loan appraisal techniques, risk management, and communication skills. Operation manuals for loan officers may be included in the training materials so that all zonal officers can follow the same standard procedure.

PMU will dispatch trainers to conduct training at BOI zonal offices. Trainers may be selected from among ED&P staff members who have experience in conducting training. A few trainers may be sent together to deliver training in each zonal office. It may be a combination of classroom and on-the-job training. Each trainee will be evaluated at the end of the training, and only those who have demonstrated a certain level of understanding and skills may work as loan officers for the OLOP Programme.

PMU will dispatch a team to monitor the operation of BOI zonal offices. Periodic monitoring visits by the team will encourage zonal offices to maintain good practices. It will also help to identify operational problems in zonal officers. If the problems are caused by the insufficient capacity of the loan officers, refresher training may be provided. If there are other reasons than staff capacity and skills, PMU may need to discuss measures to cope with the situation.

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

BDS Officers will propose candidates from among enterprises they are assisting. SPMU will assess the candidates against certain criteria to select loan applicants to be referred to BOI zonal offices. Selection criteria may include factors such as purpose and amount of loans, business financial records, and business prospects.

Training modules will be selected for each loan applicant. Some applicants may need to strengthen their bookkeeping capacity. Most of them will need to receive training in business plan development. Training curriculum and materials developed in Component 3 will be used, and training will take place in each state. BDS Officers will follow up on the progress of applicants' learning and provide necessary on-the-job training to facilitate application of their knowledge to practice.

Meetings will be set up for the loan applicants to receive briefings from BOI. BDS Officers will accompany them to BOI zonal offices. Loan officers will brief the applicants on the loan scheme including pre-conditions to be fulfilled, application steps, documents to be submitted, and terms of lending. Briefing materials may be prepared by PMU and BOI to be supplied to zonal offices.

BDS Officers will follow up on business plan preparation and document collection. After the applicants have received training and briefing, they will start preparing their loan application. It is expected that they will require continuous assistance in writing business plans and collecting other documents. BDS Officers will contact them from time to time to monitor the progress and improve the

quality of documents.

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

The enterprises will submit their application to BOI. BDS Officers will check the application and supporting documents before submission. BOI loan officers will review the application and take the necessary steps of loan appraisal. BDS Officers will contact the loan officers regularly to follow up on the progress of loan appraisals. If loan officers require additional documents, field observation, additional interviews with the applicants, or any other arrangements to be made, BDS Officers will facilitate such between the loan officers and the applicants.

After the loan appraisal process is completed, funds will be released to the borrowers. BDS Officers will monitor the borrowers to make sure they use the funds properly as presented in their business plans. If they are investing the funds in production facilities and equipment, BDS Officers may need to facilitate the transactions between the enterprises and the suppliers of facilities and equipment in order to ensure effective investments. These follow-ups by BDS Officers will reduce the risk of the borrowers mismanaging the funds borrowed from BOI.

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

BDS Officers will monitor the enterprises' repayment of the loan as scheduled. This monitoring will reduce the risk of default. BDS Officers and BOI loan officers will regularly communicate to update the situation of enterprises. BDS Officers will be able to access the loan records of the borrowers that they are monitoring. On the other hand, loan officers will be able to hear from BDS Officers how borrowers' businesses are going.

Records of appraisal, disbursement, and repayment will be filed by loan officers for each borrower, and the records will be submitted at the end of the year by BOI zonal offices to SPMU. The records will be reviewed by each SPMU and forwarded to PMU. PMU will analyse the loan records and give feedback to SPMU and BOI. On the basis of the analysis, some procedures of the loan provision may be modified to improve performance. These records will also be used to consider the following year's allocation of funds to each zonal office and state.

4) Implementation arrangement

Sub-component 2-1: Provision of funds to the Bank of Industry

PMU will have a focal person for Component 2 who has knowledge of and experience in financial services. A financial specialist may be recruited as a consultant to provide technical expertise to the focal person. On the side of BOI, they may establish a committee to work with the OLOP Programme either at its head office in Lagos or at its corporate office in Abuja for the convenience of working in proximity with SMEDAN. In each zonal office, a team of management and loan officers will be created to work closely with SPMU and BDS Officers.

The MOU between SMEDAN and BOI will define the roles and responsibilities of PMU, SPMUs, BOI, and BOI zonal offices. PMU will consult the Legal Unit of SMEDAN in the process of developing the MOU. The MOU will be shared among concerned stakeholders including SPMUs and BOI zonal offices so that there will be a common understanding regarding their work.

A special account will be opened at each BOI zonal office participating in the OLOP Programme. Funds provided by the OLOP Programme will be transferred to the special accounts and be managed separately from other sources of funds. Each zonal office will submit periodic financial reports to PMU. This transparent flow of funds is crucial to securing financial accountability.

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

PMU will need to develop institutional arrangements to collaborate with the Department of Enterprise

Development and Promotion (ED&P). Assessment of capacity needs, training, and monitoring of BOI zonal offices may be conducted in coordination with Component 3, which will design and implement business training curriculum and modules.

Sub-component 2-3, 2-4, 2-5: Loan application, disbursement, and repayment

SPMU will be responsible for screening enterprises to apply for loans. This screening process is critical for the success of the loan scheme. Consultants may be dispatched to assist PMU in the process of appraising candidates. It may also be necessary to take measures to protect the screening process from political interventions.

Close collaboration between loan officers at BOI zonal offices and BDS Officers will be crucial to providing effective and efficient financial services. Roles and responsibilities of both parties will be clearly described in the MOU between SMEDAN and BOI. Some SPMU and BOI zonal offices are located a few hours' drive from each other. Regular communication through telephone and frequent visits of BDS Officers to BOI zonal offices will be necessary to maintain close contact.

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 trainer's 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 in regard to business management training

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

3) Implementation method***Sub-component 3-1: Needs assessment in regard to business management training***

PMU will design the training needs assessment in collaboration with the Department of Enterprise Development and Promotion (ED&P). Training needs assessment, supported by BDS Officers, aims at revealing the constraints of MSMEs with regard to limited business management capacity. The design needs to be simple enough for BDS Officers to carry out in each state. Questionnaires and some other tools will be used for collecting information.

SPMU will organise training needs assessment in each state and coordinate BDS Officers to carry out the assessment of MSMEs' business management training needs. BDS Officers may need practical instruction from the PMU. Results of the needs assessment will be compiled at SPMU and forwarded to PMU for analysis. Training needs assessment will be conducted at the beginning of each year when new states are added to participate in the OLOP Programme.

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

Based on the results of the training needs assessment, PMU will develop curriculum, modules, and business management training materials. SMEDAN may already have similar modules and materials for some of the subjects such as bookkeeping and business plan development. PMU, in coordination with ED&P, will collect and review the training modules and materials used by SMEDAN.

Master trainers for each module will be selected within SMEDAN from among those who regularly deliver training for MSMEs. These master trainers can be consulted regarding the designing of training modules and materials. Developed modules and materials will be field tested in one of the states participating in the OLOP Programme for necessary revision and improvements.

Sub-component 3-3: Training of trainers

PMU will develop methods and materials for training of trainers (TOT). Master trainers can be involved in the development process. TOT will be conducted by master trainers in each state. Trainers at the state level will be selected from various organisations including government agencies, private service providers, and NGOs that conduct MSME promotion in the state. SPMU will prepare a list of organisations from which trainers are selected. Trainers will be evaluated by master trainers at the end of TOT, and those who have achieved a certain level of quality will be certified as trainers for the OLOP Programme.

Sub-component 3-4: Training delivery to MSMEs

Trainers from government agencies, private service providers, and NGOs that have received TOT will deliver training for MSMEs. BDS Officers will organise training sessions on particular modules such as bookkeeping and business plan development, depending on the needs of MSMEs supported under Component 1. BDS Officers and trainers may adjust training modules and materials to suit the situation of training participants. Every training session will be evaluated by participants for the improvement of trainers, modules, and materials.

PMU will function as a technical backstop for state level trainers. There will be periodic monitoring by a team dispatched by PMU to each state to observe training conducted at the state level, meetings will be held with state trainers, and refresher training provided for state trainers as necessary. State level trainers will also be able to contact PMU for assistance when they face difficulties in delivering training. Feedback from state trainers together with training evaluation will be used by PMU for

revision and improvement of training modules and materials.

4) Implementation arrangement

Provision of training to MSMEs is one of SMEDAN's major areas of operation. This component seeks close collaboration between PMU and ED&P where knowledge and experience of training design and delivery are accumulated. At the state level, trainers will be gathered from various organisations including government agencies, private service providers, and NGOs. SPMU is expected to develop a network with those organisations so that they will be able to deliver effective business management training on the subjects required by MSMEs supported under Component 1.

The major responsibilities and functions of PMU regarding Component 3 are as follows:

- Developing design of training needs assessment
- Developing training modules and materials
- Conducting TOT for state trainers
- Providing technical backstopping for state trainers

The major responsibilities and functions of SPMU regarding Component 3 are as follows:

- Conducting training needs assessment
- Providing training for MSMEs

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. For example, a simple and inexpensive hand-powered machine could be introduced to replace heavy manual labour, thus increasing volume of production. Alternatively, adopting a small device in the production process might improve product quality so as to achieve better prices.

Few fabricators and technical institutions are in 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 specialised institutions

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

3) Implementation method

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

BDS Officers will study the situation of the enterprises that they are assisting and identify technical constraints. Each BDS Officer has a certain number of enterprises that they are continuously assisting by providing business consultation, access to various business services, and regular monitoring. These enterprises may be facing some technical issues such as old processing machines not producing quality outputs, or inefficient and costly production processes. Although BDS Officers may not have technical expertise, they may be able to recognise problems as well as possible solutions as they repeatedly visit and talk to the enterprise owners.

BDS Officers will collect information on local fabricators and technical institutions that can provide services to the enterprises. The list of fabricators and institutions will be kept at SPMU for reference. BDS Officers can go through the list to find fabricators or institutions to consult about the technical issues faced by the enterprises. The list may be shared among SPMUs in neighbouring states so that some fabricators and institutions identified in one state can be accessed by BDS Officers in neighbouring states.

BDS Officers will facilitate arrangements between the enterprises and the fabricators and technical institutions to improve production skills and technology. Financial assistance may be provided to fabricators and institutions as necessary. For example, fabricators may need funds to manufacture trial pieces of machines, or technical institutions may need to upgrade their facilities to provide technical inputs.

Sub-component 4-2: Reference to specialized institutions

There may be technical issues that cannot be addressed by local fabricators and technical institutions at the state level. In such cases, BDS Officers can contact PMU for assistance. PMU will assist SPMU in collaboration with the Department of Engineering and Technology Promotion (E&TP) of SMEDAN. E&TP has technical engineers who can be dispatched to support fabricators and enterprises. They also have developed contacts with specialised institutions at the Federal level. PMU, in coordination with E&TP, can refer the technical issues forwarded from SPMU to those specialised institutions.

4) Implementation arrangement

This component requires close collaboration between BDS Officers and service providers such as fabricators and technical institutions. An MOU or a contract can be formally concluded between the SPMU and service providers as necessary to agree on the roles and responsibilities of both parties. Communication between the SPMU and PMU is also important when technical issues are referred to the Federal level.

The major responsibilities and functions of PMU regarding Component 4 are as follows:

- Facilitating arrangements between the SPMU and specialised institutions regarding technical issues
- Dispatching engineers of SMEDAN in collaboration with the Department of Engineering and Technology Promotion

The major responsibilities and functions of SPMU regarding Component 4 are as follows:

- Facilitating arrangements between enterprises and service providers such as fabricators and technical institutions
- Providing financial assistance to fabricators and technical institutions

- Coordinating with PMU on technical issues referred to specialised institutions at the Federal level

Component 5: Programme management, and monitoring and evaluation

1) Background and objectives

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. In order for the OLOP Programme to be managed effectively and efficiently, PMU will be established within SMEDAN. An MOU will be concluded between SMEDAN and state governments 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 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

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

Sub-component 5-2: Implementation of programme activities

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

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

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

3) Implementation method

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

SPMU will prepare a State Annual Work Plan and Budget (SAWPB). PMU will provide SPMU with instructions regarding budget preparation. SPMU will design the following year's programme activities in the state on the basis of the instructions by PMU. The planned activities and estimated costs will be summarised as a draft State Annual Work Plan and Budget (SAWPB) and submitted to the State Coordinating Committee (SCC) for review and approval. After approval by SCC, SAWPB will be submitted to PMU.

PMU will be responsible for preparing the AWPB of the OLOP Programme including both federal and state activity components. PMU will assess the SAWPB submitted by each state, design activities and costs at the Federal level, and compile the information into a draft AWPB to be submitted to the Director General of SMEDAN, and to the National Steering Committee (NSC). After NSC approves the AWPB, it shall be sent from PMU to the SPMU of each state government.

Sub-component 5-2: Implementation of programme activities

SPMU will implement programme activities in the state. Most of the activities to support MSMEs shall take place at the state level, and SPMU will supervise and coordinate BDS Officers to implement activities in the field. SPMU will provide logistical support for BDS Officers and facilitate communication and information sharing among BDS Officers.

PMU will supervise and coordinate programme activities in the states. PMU can be contacted when SPMU needs consultation or technical support about programme activities. PMU will contact appropriate departments of SMEDAN, the Federal Ministry of Trade and Investment, or any other specialised institutions necessary to assist SPMU. As necessary, PMU can also send its staff to states for monitoring and field visits.

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

SPMU will conduct regular monitoring and evaluation. BDS Officers will report the progress of their activities and of the enterprises that they are supporting to SPMU to be filed as monitoring records. Periodic monitoring reports will be submitted by SPMU to PMU regarding the progress of programme implementation. At the end of each year, PMU will carry out an evaluation of programme activities and prepare an annual evaluation report to be submitted to the State Coordinating Committee (SCC). The annual evaluation report will be reviewed and approved by SCC, and the approved evaluation report will be forwarded to PMU.

PMU will collect annual evaluation reports from all the states participating in the OLOP Programme. PMU will prepare an annual evaluation report of the OLOP Programme to be submitted to the Director General of SMEDAN, and to the National Steering Committee (NSC). The annual evaluation report will be reviewed and approved by NSC. The results of the evaluation will be used by NSC to adjust the programme design and provide directions on programme implementation to SMEDAN.

3.3 Implementation schedule and financial resource requirements**3.3.1 Implementation schedule**

Table 3-3 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 3-1). 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 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 3-4 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, 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 percent 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 3-3 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
Preparatory activities											
Establishment of Programme Management Unit (PMU)	PMU										
Establishment of State Programme Management Unit (SPMU)	SPMU										
Component 1: Business Development Service											
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										
· Deployment of BDS Officers and BDS service delivery	PMU										
· In-service training, mentoring, and advisory services to BDS Officers	PMU/SPMU										
· Business development activities of BDS Officers	PMU										
· 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										
Component 2: Access to finance											
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										
Component 3: Business management skills											
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										
Component 4: Production skills and technology											
Sub-component 4-1: Support to local fabricators and institutions	SPMU										
Sub-component 4-2: Reference to specialized institutions	PMU/SPMU										
Component 5: Programme management, M&E											
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 3-4 Ten-year cost estimates for OLOP Programme Action Plan

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				
		F/Y	F/Y	F/Y	F/Y	F/Y	F/Y	F/Y	F/Y	F/Y	F/Y				
Preparatory activities		201	201	201	201	201	201	201	201	201	201	202			
Establishment and operation of Programme Management Unit (PMU)	43.2 staff cost/Unit	43	43	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	76	76	659	4%
Component 1: Business Development Service															
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	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	300	300	1,950	13%
Component 2: Access to finance															
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)															
Component 3: Business management skills															
Sub-component 3-1: Needs assessment on business management training	0.5 /state	3	3	6	10	14	17	18	18	18	18	18	18	122	1%
Sub-component 3-2: Development of training curriculum, modules and materials	0.5 /state	3	3	6	10	14	17	18	18	18	18	18	18	122	1%
Sub-component 3-3: Training of Trainers	0.5 /state	3	3	6	10	14	17	18	18	18	18	18	18	122	1%
Sub-component 3-4: Training delivery to MSMEs (financed by Sub-component 1-3)															
Component 4: Production skills and technology															
Sub-component 4-1: Support to local fabricators and institutions	0.5 /state	3	3	6	10	14	17	18	18	18	18	18	18	122	1%
Sub-component 4-2: Reference to specialized institutions	0.5 /state	3	3	6	10	14	17	18	18	18	18	18	18	122	1%
Component 5: Programme management, M&E															
Sub-component 5-1: Preparation of Annual Work Plan and Budget	0.5 /state	1	3	6	10	14	17	18	18	18	18	18	18	123	1%
Sub-component 5-2: Implementation of programme activities	0.5 /state	1	3	6	10	14	17	18	18	18	18	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	18	18	18	18	123	1%
Total		3,143	343	621	994	1,360	1,555	1,697	1,763	1,763	1,763	1,763	1,763	15,000	100%
Total USD (150Naira/USD)														USD	100 Million
Total Yen (0.6 yen/Naira)														Yen	9,000 Million

Source: Project Team

CHAPTER 4 CHAPTER IV OLOP Programme Implementation Guidelines

Established in 2003, the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) is responsible for the development of Micro, Small, and Medium Enterprises (MSMEs) in Nigeria. These guidelines are intended to suggest ways to provide Business Development Services (BDS) to MSMEs by the SMEDAN, Business Support Centres (BSCs), Business Information Centres (BICs), State-level Business Development Service Implementation Agencies (SBDSIAs), Business Development Service Providers (BDSPs), and financial institutions. SBDSIAs refer to state ministries and agencies that are responsible for the development of MSMCs at the state level. In the guidelines, a project implemented by the SMEDAN and the SBDSIA is referred to as an ‘MSME Project.’

The guidelines consist of Sections 1 through 5, which describe the (1) management cycle of an MSME project, (2) preparation of BDS provision by the SMEDAN, (3) preparation of the BDS provision by SBDSIAs, (4) required BDS delivery capacity and its enhancement, and (5) cost management for BDS delivery.

Table 4-1 Management cycle of MSME Project

Fiscal Year	Activities	Contents
(Every year)	Budget planning and development	Annual Workplan and Budget (AWPB) is developed for project implementation. AWPB is developed by SMEDAN and SBDSIAs, and assessed by SMEDAN. AWPB for activities such as surveys, BDS provision, and evaluations for the next fiscal year is discussed based on project scope and period.
Fiscal year 1	Survey	A SBDSIA is responsible for necessary arrangements before BDS provision. Value chain survey including BDSP research and baseline survey are carried out.
	Preparation for implementation	SBDSIA selects products, clusters, and business types for BDS provision.
Fiscal year 2	Implementation	SMEDAN facilitates SBDSIA and BDSPs to cooperate in BDS provision for target enterprises based on steps described in the business consultation form. BDSPs confirm current management situation of enterprises and provide business consulting services. BDSPs and enterprises keep close contact to adjust activities as necessary.
	Evaluation of staff performance	SMEDAN and SBDSIA evaluate staff performance. SBDSIA staff members set their work performance achievement goals at the beginning of the fiscal year. At the end of the year, staff members first evaluate their own work performance and then receive evaluation from their supervisors on their performance.
	Evaluation of outcomes of MSME Project	SMEDAN evaluates outcome of MSME Project. Results of BDS provision and performance of BDSPs are evaluated based on achievement of Key Goal Indicators (KGIs) and Key Performance Indicators (KPIs) described in the business consultation form. SBDSIA uses evaluation results for development of AWPB for the next fiscal year.
Fiscal year 3	Evaluation of impact of MSME Project	SMEDAN evaluates impact of MSME project. Impact of public financial investment in the product or industry value chain is quantitatively evaluated based on results of baseline survey and outcome of MSME project.

Source: Project Team

4.1 Management cycle of an MSME project

This section describes the management cycle of an MSME Project implemented by the SMEDAN and the SBDSIAs. The management cycle is designed in line with the fiscal cycle of the public sector, and implementing activities based on the management cycle is the key to success of the project. As shown in Table 4-1, one management cycle period is three years, and several management activities are implemented in parallel, based on the cycle.

Activities explained in Chapter 2 correspond to this project management cycle. Communication between BDS providers and enterprises, as well as information sharing among the SMEDAN, BSC, BIC, and the SBDSIPA, should be carried out throughout the fiscal-year period. During the implementation of surveys and BDS provision, activities that are not planned at the onset of project implementation may be added. In that case, it would be better to change initial plans in a flexible fashion than to place priority on termination of activities within the year. In order to make sound judgments, appropriate daily project management is essential through enhanced communication between the SMEDAN and the SBDSIA.

4.2 Preparation of BDS provision by SMEDAN and SBDSIAs

This section describes preparatory activities necessary for the SMEDAN and the SBDSIAs to provide effective BDS. Before implementing BDS provision, the SMEDAN and the SBDSIA need to organize the following: 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. Procedures and key points of each activity implementation are explained below.

4.2.1 Development of a short list of products and selection of products

In its 2009 OLOP Concept Paper, the SMEDAN listed the following potential OLOP products that may contribute to the development of local small and medium enterprises:

Table 4-2 is a long list of OLOP products. Starting with this list, the SMEDAN and the SBDSIA develop a short list of OLOP products by adding or eliminating potential products, based on their selection criteria. A short list of OLOP products is developed through workshops. At the initial phase of the workshop, participants develop their selection criteria, which may include the following:

- Market needs
- Business potential of products
- Positive impact on local economy and gender equality
- Policy priority
- Complement to internal and/or external supported agencies

Based on the criteria, products are ranked by all workshop participants. Ranking methods can be decided by the participants. For example, short-listed products can be scored with the following score classification scheme: very high (5 points), high (4 points), average (3 points), low (2 points), and very low (1 point). Products ranked high become OLOP target products. The SMEDAN and the SBDSIA decide the number of products to be supported by the OLOP Programme, considering the capacity of programme operation, and costs of human resources and activities.

Table 4-2 Potential OLOP products in Nigeria

<ul style="list-style-type: none"> • African prints/batik • Animal feed • Auto parts production • Butter (shea butts, peanuts, soya, etc.) • Cashew nuts • Cassava/cassava products • Chips (plantain, potatoes, coco-yam, etc.) • Clay/ceramic products • Coconut products • Cooking oil • Dairy products (cattle, sheep, goat milk, yogurt, etc.) • Fish products (fish farming) • Fruits/vegetables • Gem stones • Ginger • Gum Arabic • Honey products 	<ul style="list-style-type: none"> • Leather/leather products • Metal works (i.e., bronze/brass castings) • Neem tree products (soap, cosmetics, mosquito coils, etc.) • Processed flour (maize, plantain, beans, yam, etc.) • Raffia/mat products (woven) • Rice • Salt processing • Sea foods (shrimp, crayfish, etc.) • Sesame • Snail farming • Spices and herbs • Traditional barbecued products (suya, kilishi, etc.) • Traditional festivals, dances, and cuisines • Traditional liquor/drinks • Wood/cane furniture products
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Source: SMEDAN, 2009

4.2.2 Value chain survey, analysis, and identification of BDSPs

After product selection, the SMEDAN and the SBDSIA conduct a value-chain survey and analysis for the selected products. ‘Value chain’ is defined in the guideline as the entire product flow within a particular business type, through stages of material production, processing, distribution, and consumption. The value-chain survey is conducted by using questionnaires to identify participants in each value-chain stage, and to understand price-determining factors, issues, and bottlenecks in adding value. Value-chain analysis clarifies characteristics of the market of target products, measures of enterprises to meet customers' needs for product quality and quantity, and strategies to solve internal issues of enterprises. Analysis results are also useful for selection of BDS to be provided to enterprises by BDSPs.

The following is the definition of BDSPs. Three BDSP types exist: 1) public institutions, such as research institutions and consulting departments of universities; 2) private institutions, such as private consulting companies; and 3) NGOs, whose missions lie in entrepreneurship development of target groups, such as women and youth.

BDSP, as defined in this guideline, is treated as a relative concept, with attention to BDS delivery. The above-mentioned public institutions, private institutions, and NGOs—which aim to develop management, technology, and processing aspects of MSMEs through specific services—can be called BDSPs. Depending upon the services they provide, SMEDAN and the Bank of Industry (BOI), which belong to the government sector, may also be determined to be BDSPs. In general, SMEDAN and BOI are not defined as BDSPs in Nigeria; however, when SMEDAN implements accounting training, SMEDAN, as a training provider, can be recognized as a BDSP. Financial institutions are not categorized as BDSPs, since their business objective is providing financial services, not enterprise development support. If a BOI provides finance for MSMEs, then the BOI, within this context, can be recognized as a BDSP.

The SMEDAN and the SBDSIAs provide BDS in collaboration with BDSPs. In some cases, the SMEDAN may formulate memorandums of understanding (MOUs) with BDSPs and financial

institutions on BDS provision. The SMEDAN and collaborating parties decide the necessity of MOUs, depending on costs and the benefit of collaboration and coordination.

With regard to the programme implementation structure at the state level, existing BDS activities, budget, and the quality and number of staff members of the SBDSIAs, are evaluated in order to establish a realistic and enduring structure. An MSME support development project consists of various activities, including BDS provision, coordination, monitoring, and evaluation. Therefore, the roles and responsibilities of staff members need to be clarified; structures for effective project management must be developed; and evaluation measurements for staff performance should be articulated. Staff competencies BDS provision is indicated in Section 4.2. Basic competencies related to budget development, execution, and management, as well as the development of AWPB, are minimum requirements of SBDSIA staff members.

(1) Value chain survey and analysis

1) Planning

The SBDSIA conducts value-chain surveys and analysis, while the SMEDAN provides necessary technical assistance. During the planning stage, questionnaires and schedules are developed. The purpose of questionnaires is to collect important information in an efficient manner. At the outset of the process, value-chain information is collected upstream and downstream from the enterprise where the survey is initiated. Information on the business and organization of that enterprise is also collected. Table 4-3 describes a sample structure of a value-chain survey questionnaire. Contents may be selected to allow the focus on specific items.

Table 4-3 Sample structure of value chain survey questionnaire

Section	Sub-section	Detailed contents
Upstream of value chain	Raw materials	<ul style="list-style-type: none"> Quantity and types of raw materials and recent trend Price of raw materials and recent trend Number of suppliers and recent trend Awareness of quality and quality improvement Timely availability of raw materials
	Claims	<ul style="list-style-type: none"> Complaints to suppliers and their response
	Relationship with other enterprises	<ul style="list-style-type: none"> Competition and/or cooperation with other enterprises
	Constraints	<ul style="list-style-type: none"> Constraints and problems in management and countermeasures
Production	Technology	<ul style="list-style-type: none"> Production technologies for quality Efforts made for technology improvement Efforts made for quantity improvement
	Cost	<ul style="list-style-type: none"> Awareness of operation cost and recent trend
	Relationship with other enterprises	<ul style="list-style-type: none"> Competition and/or cooperation with other enterprises
	Facilities and equipment	<ul style="list-style-type: none"> Machines used for processing Attitude for facility investment
	Constraints	<ul style="list-style-type: none"> Constraints and problems of processing and countermeasures

Table IV-3 Sample structure of value chain survey questionnaire (continued)

Section	Sub-section	Detailed contents
Downstream of value chain	Marketing	<ul style="list-style-type: none"> • Number of traders • Quality of merchandise and awareness of quality improvement • Sales and trading volume and awareness of improvement • Price of merchandise and awareness of improvement • Timely availability of products
	Complaints	<ul style="list-style-type: none"> • Complaints from traders and response to complaints
	Reputation	<ul style="list-style-type: none"> • Reputation and evaluation of the merchandise in the market
	Relationship with other enterprises	<ul style="list-style-type: none"> • Competition and/or cooperation with other enterprises
Management	Constraints	<ul style="list-style-type: none"> • Constraints and problems in sales of merchandise
	Profit	<ul style="list-style-type: none"> • Trend in increase/decrease of profit
	Work environment and management style	<ul style="list-style-type: none"> • Safety measures applied in the work environment • Benefits • Decision making procedure
	Business strategies	<ul style="list-style-type: none"> • Existence of business strategies and its contents
	Human resources	<ul style="list-style-type: none"> • Experience of training (employers and employees) • Needs for training
	Business development services	<ul style="list-style-type: none"> • Experience of BDS provision • Information of BDS • Area that needs services
	Association	<ul style="list-style-type: none"> • Membership of business association • Evaluation of activities of business association
	Institutional, legal, and regulatory framework	<ul style="list-style-type: none"> • Registration status with ministries • Issues and challenges with business registration, labour force, tax administration
	Infrastructure	<ul style="list-style-type: none"> • Issues and challenges with infrastructure, such as electricity
	Finance and credit	<ul style="list-style-type: none"> • Issues and challenges in financing a credit

Source: Project Team

The implementation schedule is developed according to the identified number and location of survey-targeted enterprises. In case of an insufficient number of surveyors at the SBDSIA, employment of local consultants may be considered. During the planning stage, the SMEDAN provides necessary advice regarding the total management of the survey and analysis methodologies. The SBDSIA includes its estimated survey costs in the AWPB, in order to secure the necessary budgetary items. The survey schedule should be planned with flexibility so that necessary additional arrangements, after the initiation of the survey, can be adjusted accordingly. Prior to survey implementation, field examinations should be implemented by utilizing questionnaires to judge the relevance of the survey methodology, as well as question details. Survey implementation management is carried out by the SBDSIA.

2) Implementation

Implementation procedures and survey details are described in Table 4-4.

Table 4-4 Procedure and details of value chain survey

Procedure of survey	Details of survey
a) Selection of survey entry point of enterprise	<ul style="list-style-type: none"> Select enterprises that produce target products and start survey. Selection of enterprises is made by SBDSIA.
b) Survey of entry point enterprise	<ul style="list-style-type: none"> Identify issues and challenges as regard to management, technology, and market. Reflection of the point of view of interviews should be checked.
c) Survey of value chain upstream of entry enterprise	<ul style="list-style-type: none"> Procurement of raw materials in the value chain upstream of entry enterprises is surveyed. Processors of raw materials, middlemen, and traders are the targets of survey. If the value chain is long, further enterprises located upstream the value chain are identified while surveys are continued. Inclusion of farmers as raw material processors should be judged by surveyors.
d) Survey of value chain downstream of entry enterprise	<ul style="list-style-type: none"> Distributers, processing enterprises, retailers, and exporters of sales products are surveyed. If the value chain is long, further enterprises located downstream the value chain are identified while surveys are continued.
e) Information collection of BDSPs	<ul style="list-style-type: none"> Organizing collected information through steps a) through d), existence of BDSPs of target value chains is identified while information including the relationship between target enterprises and identified BDSPs as well as roles of BDSPs is collected.
f) Workshop	<ul style="list-style-type: none"> Workshop is implemented with participants of stakeholders of target enterprises, SBDSIA, and SMEDAN in order to identify issues and challenges of raw-material purchases, processing, and merchandise distribution. Through discussions, awareness of stakeholders is increased to achieve competitiveness of the value chain as a whole. Based on discussion results, countermeasures of each business type are proposed.
g) Development of countermeasure and budget	<ul style="list-style-type: none"> Based on issues and challenges identified through workshops, SBDSIA develops countermeasures and activities plan, then estimates necessary costs for MSME Project implementation. This result is reflected on the AWPB while project activities with regard to BDS provision for next fiscal year are developed.

Source: Project Team

Results of the value-chain survey include individual enterprise information. Therefore, questionnaires need to be strictly managed to prevent information leaks. A surveyor develops a report and submits it to the SMEDAN as part of the annual activity report. Survey results are utilized for understanding the entire value chain, selection of BDS target business types and enterprises, and decision making for the contents of BDS provision. The SMEDAN collects survey results from all states participating in the OLOP Programme, and establishes a system for states to share collected information.

(2) Baseline Survey

1) Objectives of baseline survey

There are two components in the baseline survey. The main objective of Baseline Survey 1 is to determine the state-wide scale of economy for each business type affiliated with a target value chain. The main objective of Baseline Survey 2 is to identify detailed information on target enterprises for BDS provision. To examine the impacts of BDS provision through monitoring and evaluation, information on enterprises concerning pre- and post-BDS, as well as information with and without BDS, is necessary.

The baseline surveys collect information on the state-wide scale of the economy in each business type, as well as management and business contents of target enterprises prior to BDS. BDS cannot be provided to all the enterprises that are targets of the surveys. Thus, results of the baseline surveys will also become information on situations with and without BDS. Based on the survey results, it is necessary to consider the enterprises' target type, the target enterprises, and the contents of BDS. This procedure will increase the possibility of providing the most effective BDS in a value chain.

The information above makes it possible to compare the cost for BDS provision and the assumed added value generated through BDS. It also makes it possible to consider how best to implement efficient and high-impact BDS. Thus, the cost of the baseline survey is expected to be recovered, due to a strong impact from added value through BDS.

The objectives of the two surveys are different, but both are necessary for evaluating the impact and cost performance of BDS. If this information is available in a state, no additional survey is necessary in that state. While a larger number of samples increase the accuracy of the estimated figure, the main purpose of the surveys is to grasp the target value chain's characteristics and trends. Thus, it is better to give priority on determining a sample size based on an available budget, rather than spend more to increase the accuracy of estimated figures.

Table 4-5 and Table 4-6 show the outlines of baseline surveys.

Table 4-5 Outline of baseline survey 1

Item	Description
Objective	<ul style="list-style-type: none"> Identify the state-wide scale of economy on target business type and price information, as well as geographical distribution (Information collected by baseline survey 2 is necessary to calculate the scale of economy).
Survey population and its size	<ul style="list-style-type: none"> Survey population is all localities existing in a state concerned Select randomly about 100 localities (minimum unit for population census) out of all localities in the state (base population).
Target population	<ul style="list-style-type: none"> Select residents in a target locality who have knowledge of a target business type.
Survey method	<ul style="list-style-type: none"> Quantitative survey with questionnaires
Information to be collected	<ul style="list-style-type: none"> Detailed information on a target locality, price of a target product and the number of enterprises in a target business type

Source: Project Team

Table 4-6 Outline of baseline survey 2

Item	Description
Objective	<ul style="list-style-type: none"> Collect and analyse information on management method, income and expenditure, assets, and labour of enterprises that belong to the target value chain, status of BDS, manager’s perceptions as well as business types upstream and downstream of the value chain. Relationship among target enterprises is also analysed.
Survey population and its size	<ul style="list-style-type: none"> Select a business type in the target value chain. Collect the member list of an association as a base population for the survey. Randomly sample 20 to 40% of enterprises that belong to the base population as target base population.
Target population	<ul style="list-style-type: none"> An ideal interviewee is an enterprise manager or a member of the management.
Survey method	<ul style="list-style-type: none"> Quantitative survey with questionnaires
Information to be collected	<ul style="list-style-type: none"> Size of enterprise; form of enterprise; balance sheet; profit and loss statement; number of employees; salary amount; financing; perception in the market; attitude towards a challenge and opportunities

Source: Project Team

Table 4-7 Sample structure of questionnaire for baseline surveys 1 and 2

Items
<ol style="list-style-type: none"> Structure of questionnaire for baseline survey 1 <ul style="list-style-type: none"> Information on survey site Information on enterprises Information on market and selling the target product
<ol style="list-style-type: none"> Structure of questionnaire for baseline survey 2 <ul style="list-style-type: none"> Information on enterprise owners Basic information on enterprises Information on employees Information on balance sheet, profit and loss statement Information on financial management Information on formality of enterprises Information on management Information on skill improvement Information on clients downstream of value chain Information on clients upstream of value chain

Source: Project Team

2) Planning

The SBDSIA makes a budget plan for conducting surveys and negotiates with the SMEDAN to secure a budget in an annual plan. Activities during the planning stage include: select survey components, formulate a questionnaire, develop a schedule, carry out sampling, and procure materials and tools. When a questionnaire is formulated, it is necessary to select the target business type for BDS provision, specify necessary information for monitoring and evaluation activities, and develop an effective questionnaire to collect the information. Table 4-7 shows a sample structure for Baseline Surveys 1 and 2. Sample questionnaires are presented in Annex 2 and Annex 3.

3) Implementation

For both surveys, the base population needs to be determined in order to select target interviewees. A target area for Baseline Survey 1 is a locality set up for the national census. After selecting a locality, select an interviewee who is well acquainted with the area, and query the interviewee about the number of enterprises in the area, as well as the commodity prices. The location of the target locality must be measured with the Global Positioning System (GPS), and recorded.

The targets for Baseline Survey 2 are enterprises in the value chain of a selected product. A key interviewee should be a manager who knows the state of business of his enterprise. The quality of the survey data is controlled by a survey manager who is responsible for supervising enumerators. The survey manager makes arrangements for efficiently conducting the survey, including planning the survey procedure, controlling implementation of the survey, negotiating with stakeholders, gathering information, entering data in an electronic format, and withdrawing from the survey site. To maintain confidentiality, gathered data needs to be strictly maintained within a state government.

(3) BDSP research

Based on the procedures described in Table 4-4, BDSPs, which provide necessary services to selected products and related business types, are researched. This research can be implemented along the same line as value-chain surveys and/or baseline surveys. A BDSP list is developed based on information collected through surveys, such as location of BDSP, BDS provision, and level of satisfaction from the BDS. By identifying characteristics, quality, and quantity of service contents revealed through research, the SBDSIA considers enhancement measures of BDSPs. Items to be confirmed through BDSP research are as follows:

- Location of BDSP
- Objectives of BDSP
- Expertise and past experience of BDSP personnel
- The number and sex of personnel
- BDS provision fee
- Willingness to work with the SMEDAN and the SBDSIA for BDS provision

In the BDSP research, financial institutions that support MSME development are also researched. Accessibility of finance products for MSMEs and necessary documentation for lending, as well as support for documentation preparation, interest rates, and repayment period, are checked. When the contents of BDS provision and BDSP are confirmed for target enterprises, necessary additional surveys may be implemented.

4.2.3 Selection of target cluster, business type, and enterprises by SBDSIA for BDS provision

(1) Selection of cluster and business type

1) Confirmation of state government's policy on cluster development assistance

A cluster refers to a site where business types that belong to a target value chain are located. Due to a cluster's geographical intensification of the same business types, providing BDS to a cluster improves the efficiency of BDS. Therefore, during the selection process of business types and enterprises for BDS delivery, selection of a cluster should be considered first. Sometimes cluster selection is unnecessary, especially when target enterprises are scattered geographically. Clusters are formed in

two ways: (1) one formed based on the state policy, such as an industrial park; and (2) one formed spontaneously.

When a cluster is selected, clarify whether a particular cluster is developed or supported by the state government. It is necessary to look into the state government's policies on economic development, industrial development, export, and employment; then, examine whether these policies are consistent with the policy on cluster selection. In addition, it is necessary to obtain details on related projects and outputs from stakeholders of BDS. Such details become a reference for the BDS provision.

2) Identification of characteristics of each cluster and business type affiliated with a cluster

Characteristics on each cluster and each business type are summarized, based on analysed information through the value-chain survey and baseline survey on a target commodity, with attention to the following points:

- Business types and their numbers, relationships among business types
- Quality and price of products
- Strengths and weaknesses of each business type belonging to a target cluster
- Geographical character
- Positional relations with the economic centre
- Role of business type that belongs to a cluster in a value chain

Understanding the characteristics of each cluster and business type makes it possible to select a cluster which has the highest cost effectiveness for value addition of the target product, based on a government policy.

3) Selection of target cluster and business type

Develop a shortlist of candidate clusters, based on the collected information. Put the collected information in the shortlist to conduct a smooth discussion for cluster selection. Decide criteria to select the cluster for the BDS provision. Criteria vary, depending on a policy and a goal of industrial development proposed by the SBDSIA. Thus, having discussions among BDS stakeholders is quite important to determine cluster selection criteria. Below are sample criteria.

- Willingness for self-help and a direction of growth by enterprises and associations
- Size of the economic impact on the entire value chain through the BDS provision
- Expected cost for the BDS provision
- Significance of business type in the value chain
- Size and trading volume of the cluster, including the number of target business types
- Positional relations with the economic centre

The economic impact on the total value chain through BDS provision to a business type in a candidate cluster is used as a selection criterion. As for the scale of the economic impact, results of the baseline survey and the value chain survey are utilized according to the following perspectives. If there are similar analyses in the past, those can also be referenced. The SMEDAN provides as-needed technical support.

- Cost effectiveness
- Increase in trade volume of the total enterprises in the business type affiliated with the cluster
- Increase in the profit rate of the business type affiliated with the cluster
- Possibility of changes regarding the distribution route (potential of finding a new customer)
- Customers' reactions to a product

The SBDSIA selects a target cluster and a business type, based on criteria determined among the stakeholders. To secure transparency of the selection process, selection criteria may be prioritized, or scored by stakeholders, in a workshop.

In the process of the target cluster selection, business types affiliated with clusters are already in mind during information analysis and prioritization of clusters. Therefore, upon selection of the cluster, a target business type is also selected. (Refer to Section 5.2.1 for an example of the cost-calculation method for a business type selection.)

In case of providing BDS to one business type in the value chain, if a great impact is expected by providing BDS both upstream and downstream of the value chain, BDS provision may be considered across multiple business types. Box 4-1 shows an example of selecting a cluster and business types by demonstrating a rice value chain in Kano State.

Box 4-1 Example of selecting a cluster and business type in the Kano rice value chain

In the OLOP programme supported by JICA, when a rice cluster was going to be selected in Kano State, three candidates (Kura, Tudun Wada, and Garko) were nominated. These three clusters have slightly different characteristics.

【Kura】

- It is closest to Kano City among the three clusters. It is about 30 minutes from Kano City by car.
- It has strong relations, not only with small-scale rice clusters and farmers in the vicinity, but also with distant traders.
- Trading volume is high, and rice is sold to major markets in Kano City.
- Main actors in the rice value chain (parboilers, millers, and traders) operate their respective businesses within close proximity to each other.
- The quality of rice is lower than that in the other two clusters. Rice from Kura is sold at lower prices in markets.

【Garko】

- The quality of rice is high.
- The size of the cluster is smaller than the other two clusters.
- Rice from Garko is not distributed in markets in Kano City; it is sold at markets around the Garko cluster.
- The Garko cluster is about an hour and a half from Kano City by car.

【Tudun Wada】

- The type of rice is the same as that in Kura, but higher-quality rice is produced.
- The market price of rice is higher than that from Kura.
- It is about three hours from Kano City by car.

When these three clusters are compared, the Kura cluster is the closest to Kano City, and players in the rice value chain have the closest relations with one another. Therefore, it was possible to plan for providing BDS to increase rice price by quality improvement. Due to the Kura cluster's large trading volume, strong impacts on the entire value chain (including outside states) are expected. The Kura cluster was selected to examine the hypothesis of the impact of BDS on the entire value chain. Although the priority criteria for cluster selection depend on relevant state government policies, this case serves as a useful reference.

Source: Project Team

(2) Selection of enterprises for BDS delivery

1) Setting up criteria for enterprise selection

One BDS goal is to support self-reliant business development. Enterprises are not supposed to rely only on BDS. The SBDSIA values self-reliance in setting up criteria for enterprise selection. The SBDSIA clearly informs those enterprises that request support about the selection criteria. Providing a written document in a local language, and communication with candidate enterprises, would avoid any misunderstandings relative to providing BDS.

The following are a few sample selection criteria.

- Clearly understand that BDS provision does not secure success in business
- Understand that BDS is meant to support self-help efforts for business development of target enterprises
- Share information about business conditions, such as financial records, with staff in charge of BDS provision
- Keep financial records
- Share costs for BDS provision

2) Selection of target enterprises

The number of enterprises to be selected for BDS delivery will be given to the representatives of the associations. At that time, selection criteria also need to be given to the representatives. These representatives need to understand that only enterprises that meet the criteria will be able to receive BDS.

The number of enterprises is determined based on the necessary number of staff members, their ability, and the required workload for BDS provision. The budget should be proposed in an annual work plan. The BDS schedule should be discussed among the SBDSIA and enterprise owners. If several enterprises are supported as a group, a contact person, and a leader who can make decisions for a group, should be selected from within the group. When the SBDSIA selects enterprises and prepares for BDS provision, it promotes a self-reliant attitude for the enterprises.

4.3 BDS provision by SBDSIAs

The SBDSIAs conduct business consultation to determine business development strategies and contents of BDS to be provided to selected enterprises. Business consultation 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. After the business development strategies are formulated through business consultation, the SBDSIAs provide the strategies to the enterprises in coordination with BDSPs. In this section, the role of each agency involved, identification of BDSPs, and other critical activities, including monitoring and evaluation of BDS delivery, are described.

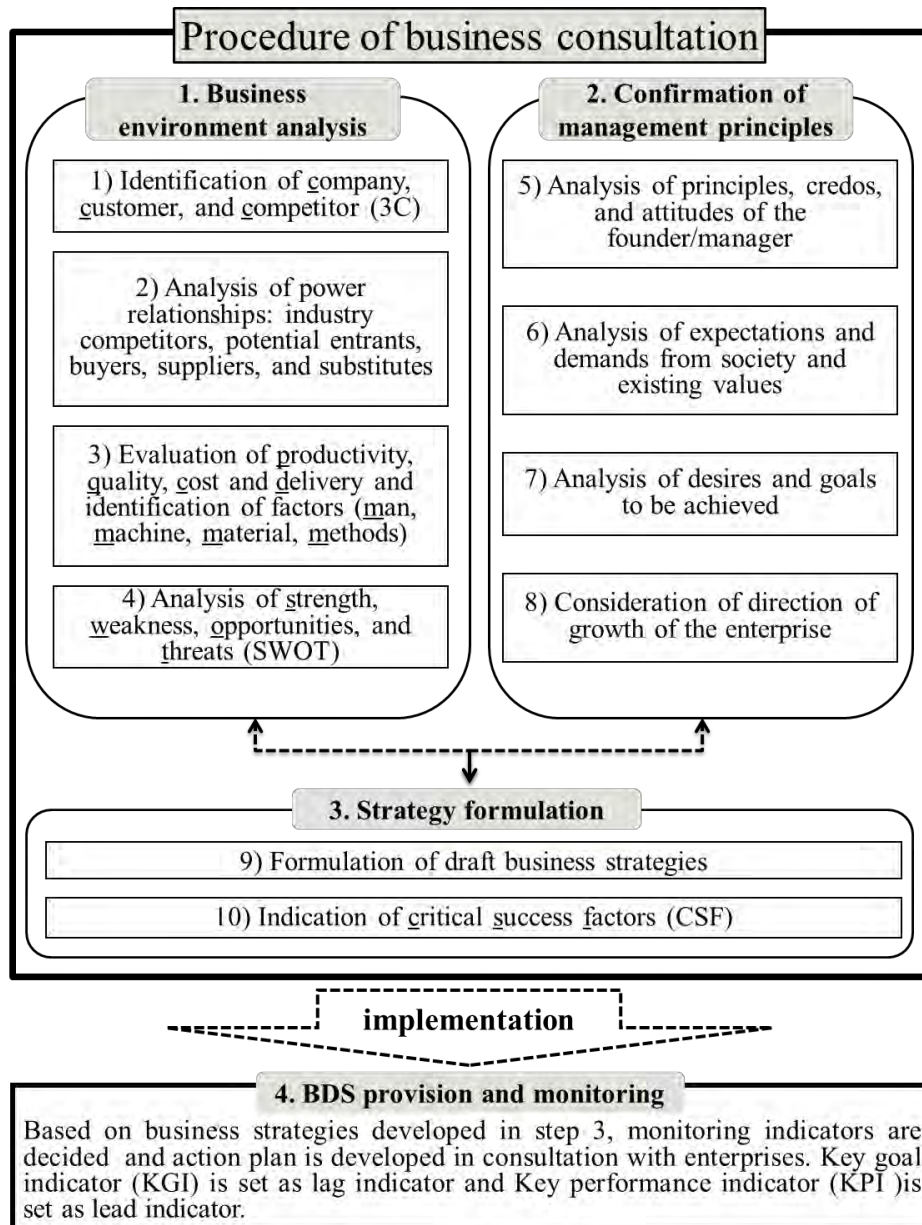
4.3.1 Implementation of business diagnosis for target enterprises

(1) Business consultation and development of business strategies

Business consultation is basically implemented for each enterprise. If the target is a group of micro enterprises, group business consultation can be considered to improve the efficiency of the diagnosis.

If the target is a group, it is important to articulate common characteristics of the enterprises to enhance the effects and efficiency of BDS. Business consultation is important to decide the contents of BDS to be provided. In consultation with enterprises, the SBDSIA develops a business consultation form (see Annex 2) of each enterprise or group.

The procedures for business consultation are described in Source: Project Team
 Figure 4-1. The flow created from basic business consultation and development of business strategies is divided into four steps: 1) business environment analysis; 2) confirmation of management principles; 3) strategy formulation; and 4) BDS provision and monitoring.



Source: Project Team

Figure 4-1 Procedure of business consultation and BSD provision

1) Business environment analysis

Business environment analysis involves analysing the environment surrounding the enterprises. Business environment analysis is crucial to develop situational understanding and to formulate business strategies. Analysis steps are as follows:

- Recognition of 3C: To define Company, Customer, and Competitor. If the target is a group, group is set as a Company for the analysis.
- 5Fs: To analyse power relationships among one's company, industry competitors, potential entrants, buyers, suppliers, and substitutes. Second- and third-level buyers and suppliers should be included. Analysis of power relationships helps to organize key points for development of business strategies by understanding the position of the company within 5Fs.
- PQCD+4M: To evaluate productivity (P), quality (Q), cost (C), and delivery (D), as well as to identify factors (man, machine, material, method) that determine PQCD. For example, in case of poor product quality, reason(s) are analysed through the four factors (man, machine, material, method). This analysis should be carefully implemented, since the analysis results relate directly to business strategies and countermeasures.
- SWOT: To analyse strengths (S) and weaknesses (W) of one's company, as well as opportunities (O) and threats (T) from the external environment. This analysis can be implemented by utilizing information collected through the value-chain analysis.

2) Confirmation of management principles

After an environment analysis, management principles of the enterprises are confirmed. Micro enterprises, as well as small and medium enterprises, may have different management principles, due to differences in the scale of the businesses. Management principles need to be clarified according to each enterprise's individual business size.

- Value: To analyse principles, credos, and attitudes of the founder or current manager.
- Mission: To analyse expectations and demands from society and existing values.
- Vision: To analyse desires and goals to be achieved.
- Growth Vector: To consider the direction of growth for the following four areas: current products, new products, current markets, and new markets. At the level of micro-, and small-, and medium-sized enterprises, vectors of current products and current markets should be prioritized and carefully considered over that of new products and new markets.

3) Strategy formulation

Based on analysis results of (1) and (2), details of business strategies are formulated.

- Cross SWOT: To formulate draft business strategies using factors identified in the SWOT analysis. Strategies should be focused on the realization of opportunities with strengths, rather than with overcoming of weaknesses.
- CSF: CSF indicates critical (C), success (S), and factor (F). Based on draft business strategies developed in 9), CSF is decided. CSF is the goal of activities in BDS provision.

4) Monitoring

Based on business strategies developed in Step (4), goals and monitoring indicators are decided. These indicators are decided in consultation with enterprises. This helps to promote awareness of enterprises as participants of an MSME support development project.

- KGI: KGI is the lag indicator. A numerical value is set as a target executing CSF.

- KPI: KPI is the lead indicator. A numerical value is selected as a goal of actions.
- Action Plan: An action plan is developed to clarify who will do what, by when.
- Monitoring: Progress of the action plan, KGI, and KPI is periodically monitored (once a week). BDSPs should not only focus on recordkeeping, but also pay attention to reasons for the achievement level.

(2) Identification of management issues and solutions

The level of management capacity differs among MSMEs. In this section, MSMEs are separated into three categories: (1) informal-sector micro enterprises, (2) formal-sector micro enterprises, and (3) formal-sector small and medium enterprises. The following discussions of issues and solutions of enterprise management are presented, based on this categorisation.

1) Informal sector micro enterprises

The following are the characteristics of informal-sector micro enterprises: 1) the workplace is the same as the living space; 2) employees consist of approximately two to four family members and/or relatives; and 3) part-time processing activities are implemented, while engaging in household activities. Around 50% of enterprises are estimated to be informal sector micro enterprises, which are a majority of the targets for BDS provision. The objective of BDS provision for the micro enterprises is not expansion of their business operations, but increased profits within the existing structure—without changing the business size.

Table 4-8 Management issues and solutions of informal sector micro enterprises

Issues	Solutions can be provided by BDS	Expected effects of BDS
• No bookkeeping records	• Application of single entry type of bookkeeping	• Raising awareness as business enterprise, confirmation of business status based on figures recorded in bookkeeping
• No business strategies	• Development of business strategy by business consultation (one goal)	• Raising awareness as business enterprise
• No identity as business enterprise	• Business consultation based on business consultation form	• Raising awareness as business enterprise, maintenance of commitment and motivation
• No cooperative relationship among the same type of business enterprises	• Formulation of group • (group formulation for group purchase of raw materials)	• Awareness creation Raising awareness of group, cost reduction of unnecessary expenses, increase of savings
• Insufficient marketing information	• Provision of market price information, business matching	• Raising awareness of market trends, increase of traders
• Insufficient running costs	• Provision of microfinance information, facilitation of access to finance	• Improvement of access to financial institutions, keeping running costs down

Source: Project Team

Most micro enterprises in the informal sector do not employ the concept of business management. Keeping this in mind, management issues and proposed solutions of the micro enterprises are

presented in Table 4-8. In BDS provision for the enterprises, efforts should be made to grow from cottage industries to formal sector enterprises.

Group formulation among the same business types increases the efficiency of BDS provision. With group formulation of informal-sector micro enterprises scattered in villages, BDSP can easily identify groups in the village for efficiently providing BDS, which helps reduce BDS provision costs.

2) Formal sector micro enterprises

The characteristics of formal-sector micro enterprises are: 1) full-time business operations; 2) separation of workspace and living space; 3) application of small-scale machines in business operations; and 4) less than ten employees on the average, including non-family members. Employers are dominated by males. Roughly 40% of the enterprises operating in rural areas can be classified as the formal-sector micro enterprises. Developed from informal-sector micro enterprises, formal-sector micro enterprises are considered ‘businesses’, but still have characteristics of informal-sector micro enterprises. Similar to the informal-sector micro enterprises, the goal should not be the immediate enhancement of business capacity; it should focus on steady improvements in management. BDS provision should be organized to improve business capacity in a three- to five-year period.

Management issues and solutions of formal-sector micro enterprises are presented in Table 4-9.

Table 4-9 Management issues and solutions of formal sector micro enterprises

Issues	Solutions that can be provided by BDS	Expected effects of BDS
<ul style="list-style-type: none"> • Lack of bookkeeping practice 	<ul style="list-style-type: none"> • Application of single entry type of bookkeeping 	<ul style="list-style-type: none"> • Raising awareness as business enterprise, business management based on bookkeeping records, reduction of unnecessary expenses
<ul style="list-style-type: none"> • Lack of business strategy 	<ul style="list-style-type: none"> • Development of business strategy by business consultation (two to three business goals) 	<ul style="list-style-type: none"> • Raising awareness as business enterprise
<ul style="list-style-type: none"> • Diluted relationship among same type of business enterprises • Weak cooperative relationship among same type of business enterprises 	<ul style="list-style-type: none"> • Formulation of groups (group formulation aiming to purchase machines) 	<ul style="list-style-type: none"> • Creation of group identity, improvement of cost management
<ul style="list-style-type: none"> • Insufficient marketing information 	<ul style="list-style-type: none"> • Provision of price information in markets, business matching 	<ul style="list-style-type: none"> • Raising awareness of market trends, increase of traders
<ul style="list-style-type: none"> • Insufficient running costs 	<ul style="list-style-type: none"> • Provision of microfinance information, facilitation of access to finance 	<ul style="list-style-type: none"> • Improvement of access to financial institutions, securing of finance for machinery investments

Source: Project Team

3) Small- and medium-sized formal sector enterprises

The characteristics of small- and medium-sized formal sector enterprises include the following: 1) 10 to 50 employees; 2) application of division of labour; 3) existence of factories and machineries; and 4) existence of management posts. A management system is fairly developed at this level of enterprises. However, the business base tends to be weak, which increases the possibility for bankruptcy. The expansion of business operations should be targeted, rather than maintaining the size of the current business operations. Management issues and solutions of the small- and medium-sized formal sector enterprises are presented in Table 4-10.

Table 4-10 Management issues and solutions of formal sector small and medium enterprises

Issues	Solutions that can be provided by BDS	Expected effects of BDS
• Level of bookkeeping ability is low	• Application of single (or multiple) entry type of bookkeeping	• Financial management improvements, reduction of unnecessary expenses
• Unclear business strategy	• Strategy developments based on business consultation (target measures based on enterprise preference to decide through consultation with BDSP)	• Development of corporate mission, clarification of business management
• Low level of marketing knowledge and information	• Provision of market price information, business matching	• Raising awareness of market trends, increase of traders
• Inadequate control of running costs	• Provision of microfinance information, facilitation of access to finance	• Improvement of access to financial institutions, control of facility-investment costs, business expansion

Source: Project Team

(3) Identification of technology issues and solutions

Similar to the previous chapter, technology issues and solutions are identified according to the level of the business enterprises. Technology issues include issues of quality control, processing methods, machinery, and working environment.

1) Informal sector micro enterprises

The current processing technologies of the informal-sector micro enterprises need to be substantially improved. Poor production practices of the informal-sector micro enterprises are related to their operational environment not being detached from their respective living spaces. BDS should introduce low-cost methods to improve the processing technologies and environment. Table 4-11 shows the technology issues and solutions with regard to informal sector micro enterprises.

Table 4-11 Technological issues and solutions of informal sector micro enterprises

Issues	Solutions that can be provided by BDS	Expected effects of BDS
• No awareness of quality	• Quality management guide and training	• Raising awareness for quality • Development of positive attitudes for quality improvement
• No sanitation awareness of processing environment	• Sanitary management guide and training	• Raising awareness of sanitary management
• No awareness of processing method	• Review of processing method, application of low price machinery	• Improved efficiency of processing work, reduction of working hours

Source: Project Team

2) Formal sector micro enterprises

The current formal-sector micro enterprise situation is more advanced than that in the informal-sector micro enterprise, but significant improvement is still needed. In order to expand the size of their operations, continuous efforts to improve processing technologies and the work environment are needed. Technological issues and solutions for the enterprises are shown in Table 4-12.

Table 4-12 Technological issues and solutions of formal sector micro enterprises

Issues	Solutions that can be provided by BDS	Expected effects of BDS
• Low awareness of quality	• Quality management guide and training, application of machinery with loan or low investment costs	• Raising awareness for quality, production increase with same quality
• Low awareness of sanitation in processing environment	• Sanitary management guide and training	• Raising awareness for sanitary management, quality improvement
• Low awareness of processing method improvements	• Review of processing methods, provision of latest machinery information, application of machinery by loan or low costs of investments	• Improved efficiency of processing work, reduction of working hours, production increase with same quality

Source: Project Team

The opportunity for formal-sector micro enterprises to develop into small- and medium-sized formal-sector enterprises depends on the achievement of business management improvements. With regard to BDS provision, overseeing the entire value chain is essential. For example, BDS provision only to rice millers with less than 10 employees cannot improve the quality of the rice, because other participants in the rice value chain, such as parboilers and traders, together with their respective business strategies, also have an influence on the quality of rice. With the acquisition of business management skills, millers can expand their businesses to integrate parboiling, milling, and trading for improved rice quality and economic value added. It is important to consider the business environment, as well as other participants involved in the enterprises, when designing BDS to solve issues facing formal-sector micro enterprises.

3) Formal sector small- and medium-sized enterprises

The challenges of processing technology and production environment for small- and medium-sized formal-sector enterprises include effective investments in facilities and machinery, while maintaining current working factories, facilities, and machines. Technological issues and solutions of small- and medium-sized enterprises in the formal-sector enterprises are shown in Table 4-13.

Facilitating access to financial services is important with regard to BDS provision for small- and medium-sized formal-sector enterprises. Investments in facilities and machinery must result in better quality management and productivity. BDSPs also facilitate raising awareness of technological issues and the production environment.

Table 4-13 Technological issues and solutions of formal sector small and medium enterprises

Issues	Solutions that can be provided by BDS	Expected effects of BDS
• Insufficient thoroughness of quality management	• Investments through loans from financial institutions, application of training by quality management special agencies	• Price increase, development of new markets, knowledge improvements on quality maintenance and management
• Insufficient maintenance and thoroughness of processing environment	• Application of 5S	• Maintenance of clean processing environment
• Insufficient inventory management skills	• Application of 5S; investments through loans from financial institutions	• Inventory management improvements, financial management improvements

Source: Project Team

4.3.2 Implementation and facilitation of BDS delivery to enterprises

(1) Provision and facilitation of business development services

Based on a business diagnosis, the substantive and meaningful parts of BDS are determined. SBDSIAs provide BDS with BDSPs. This section explains the role of each agency, the selection of BDSPs, which can deliver appropriate BDS, and other important issues in BDS provision.

1) Role of the SMEDAN and SBDSIA for BDS delivery

SBDSIAs are the main players in providing BDS. The SMEDAN's main responsibility is to support the SBDSIAs and create an environment for an effective BDS delivery. The SMEDAN holds the role of coordination, guidance, and supervision to improve quality of BDS and to manage nationwide information to be shared with the SBDSIAs. For example, the SMEDAN collects information on BDSPs, and provides such information to the SBDSIAs.

The SMEDAN assists the SBDSIAs in approaching financial institutions, such as the National Economic Reconstruction Fund, and the Bank of Industry for providing loans to enterprises. The Business Support Centre and the Business Information Centre, as representatives of the SMEDAN, help the SBDSIAs provide opportunities to target enterprises for accessing a loan.

The state government is not the only source of funding for BDS delivery. The SBDSIAs can apply to the SMEDAN to secure a budget, and the SMEDAN is responsible for playing the role of a facilitator to secure funds for the SBDSIAs to provide effective BDS.

The SMEDAN can provide BDS directly to MSMEs and can make an arrangement for target enterprises of BDS to participate in training sessions funded and organized by the SMEDAN.

2) Selection of BDSP

BDS information requested by enterprises needs to be sorted, so that BDSPs are selected based on the demands for BDS. BDS is classified primarily into ‘knowledge-based’ and ‘skill-based’ services. Categorizing the types of services available, as well as explaining the make-up of BDS, facilitate the BDSP selection.

Some private BDSPs and non-governmental organizations (NGOs) can provide BDS. Information on these private BDSPs should be collected, and BDS that can be provided must be examined carefully. Private BDSPs and NGOs often have a high skill set and experience in providing training and specialised areas of expertise. They are often enthusiastic about providing BDS and have more flexible attitudes than the SBDSIAs. To create more alternatives for BDS delivery, BDSP candidates should be searched widely in the private, as well as the NGO, sectors.

If several BDSPs could provide the same service, BDSPs should be selected to maximize the effects of BDS. BDSPs can be compared in order to select the best ones to be granted the opportunity to deliver BDS.

Even if there is no BDSP that displays the exact knowledge and experience needed to meet the request, the SBDSIAs can give training on specific skills, or provide information on training material to BDSPs, in order to provide specific BDS. An example is shown in Box 4-2.

Box 4-2 Utilizing a BDSP with similar experience

In Kano and Niger States, BDS to improve sanitation and efficiency of the mechanical groundnut oil extractors’ factory was planned. A method called 5S³ was chosen. The SBDSIAs looked for a BDSP that was capable of providing 5S training, and found a BDSP with experience similar to 5S. A trainer of that specific BDSP was trained on 5S, and 5S training for the factory was successfully conducted by the trainer.

Source: Project Team

Scheduling of BDS

Based on the material that constitutes BDS, through surveys and business diagnosis, it is necessary to consider the individual BDS items or topics that are dealt with, as well as the BDS schedule, in a way that maximizes the effectiveness of BDS. The seasonality of the products produced by enterprises, together with the availability of the workforce, should be considered for scheduling.

³ It is a Japanese tool aiming to improve the production environment and productivity in the manufacturing sector. 5S signifies the first letters of sorting (Seiri), straightening up (Seiton), cleaning (Seiso), cleanliness (Seiketsu), and discipline (Shitsuke).

Box 4-3 Case of suitable timing to propose an activity

Here is a case where the appropriate timing of suggesting a ‘group purchase’ (formation of an alliance of several purchasers to negotiate product price, based on increased volume) boosted the enterprise owners’ morale. Cost reduction was judged necessary for traditional groundnut oil processors, and group purchasing of the raw materials was suggested to them. Past market criteria has indicated that in November, the price of raw groundnuts starts increasing. Enterprise owners knew this and understood the meaning of group purchasing. Thus, they began spontaneously group purchasing and practiced this purchase-power-leveraging strategy by purchasing 21 times in 9 months. As a result, they cut their raw groundnuts expense by 11%. Group purchase was introduced when the price of raw materials was increasing, so that it was easier for enterprise owners to accept the new concept to improve their business condition. They had no experience of working together in the past, but the appropriate timing of the suggestion led to their spontaneous actions.

Source: Project Team

The case above illustrates the importance of considering the seasonality of a target product to improve the effectiveness of BDS. When a BDS schedule is prepared, the SBDSIA and BDSP examine its feasibility by considering the capacity of BDSP to provide BDS and the influences of other programs.

Important points in considering BDS

The following are a few important points in providing BDS:

Consider a method of providing BDS that suits the capacity of an enterprise. When the BDS detailed functions are planned with a business consultation, the method of providing BDS also needs to be considered. If the basic learning ability of an enterprise owner or most employees is not high (e.g. if their literacy level is low), it may affect the implementation of the training. In such a case, BDS delivery methods should be considered to enable the trainees to effectively learn. Thus, the BDS delivery should be flexibly designed.

The following is a BDS case that considered an enterprise’s capacity.

Box 4-4 Case of BDS provision with the enterprise capacity considered

In Kano and Niger States, when BDS was provided, single-entry bookkeeping was adopted for the accounting training, due to the minimal educational background and experience of enterprise owners. Additionally, literate family members of the enterprise owners were invited to the accounting training to assist the enterprise owners in managing their financial records, which helped achieve high maintenance levels of financial records in both states.

Source: Project Team

It is necessary to make the kinds of considerations and efforts that are reflected in the case above, since such undertakings help to generate appropriate outputs.

- Development process of training contents: The SBDSIA is the main agency to develop training contents, with support from BDSPs. Training content and materials need to be developed with

an aim towards flexibility. It is important to develop training contents through which trainees can obtain desired skills and knowledge in a limited time. Moreover, rehearsing a training session reveals necessary time for lectures and training exercises.

- Working with local manufacturers: Equipment and tools are often requested as part of BDS. There are local manufacturers who can produce simple equipment and tools. Sustainability of BDS is enhanced with maximum use of local manufacturers because of cost effectiveness and appropriateness of the technology level.
- Replacement of BDSP: After commencing BDS, the following situations may occur: (1) The ability of the selected BDSP is not sufficient to provide the desired BDS; (2) BDS cannot be delivered as scheduled. If these situations occur, and the cause of the problem is either the inability, or lack of commitment, of the BDSP, the BDSP should be replaced by providing better BDS.
- Risk management: Examine potential risks upon BDS delivery. If there are any risks that could be prevented, take the necessary action(s) beforehand; for example, enterprise owners may not effectively utilize equipment or services they receive through BDS. Also, BDS does not have to be free of charge. Cost sharing for providing BDS services should be considered and discussed with enterprise owners. Lastly, sometimes enterprises do not make the efforts that are required of them. Thus, raising awareness of enterprise owners to strengthen their sense of ownership of their own business development would be effective in reducing this type of risk.

(2) Monitoring and follow-up activities

1) Monitoring method and forming an implementation system

With regard to BDS monitoring, a SBDSIA staff member visits a target enterprise once a week. The staff member monitors the enterprise's financial record-keeping and the achievement of set indicators, based on a business diagnosis. Monitoring activities are carried out efficiently with a minimum number of personnel. Monitoring staff members also need to have sufficient bookkeeping and business-diagnosis knowledge. When there is a demand for quality improvement of products or increased production volume, technical assistance is provided by experts who belong to BDSPs. Therefore, the person in charge of BDS monitoring must have a certain level of knowledge of quality improvement and product management.

2) Monitoring methods

The main monitoring items are KGIs and KPIs. Information concerning the indicators is collected and recorded in a specific monitoring format, shown in Appendix 5. Monitoring data needs to be aggregated periodically and used for analysing the achievement rate of indicators. To motivate the target enterprises, necessary feedback is provided. Showing enterprise owners their own business goals and concrete steps is also an important part of the monitoring activities. Numerical indicators make it easy to compare the achievement levels of different target enterprises through BDS. Numerical indicators can also be used for qualitative monitoring items. If there is any monitoring item that is difficult to measure with numerical indicators, descriptive records can be kept in a monitoring format.

3) Important points regarding monitoring

In order to smoothly commence the monitoring activities, the roles of the monitoring staff members must be determined during the planning stage. As BDS implementation is initiated, monitoring activities also need to be conducted. Therefore, in the BDS planning stage, each monitoring staff member's responsible enterprises should be determined, and a monitoring supervisor also must be appointed.

Box 4-5 Case of a change in an approach of BDS (Shea butter in Niger state)

This example is a case that shows the importance of flexibility when a new fact is revealed during BDS delivery.

At the beginning of the project, the following BDS goals were set: improvement of management skills through financial recordkeeping, and an increased profit ratio through improvement of the products' quality. Technical instructions were provided to improve the skills to produce FFA grade 2 level shea butter products. After several months of technical support, the target enterprises improved the quality of their shea butter products.

However, after commencing the BDS activity, it was found to be unrealistic to improve the profit margins by selling traditional processors' high-quality products at high prices to mechanical oil processors. The mechanical processors and the chairman of a shea butter association said that they would purchase high-quality shea butter at a high price. However, when the improved-quality shea butter was shown to them, they only offered a very low price, which was essentially the same as those for raw materials. The same shea butter was shown to other shea butter traders, but no trader offered a better price than the market price. Thus, it was judged difficult to find traders in Niger State who appreciated the standard set by the Standards Organization of Nigeria (SON) to determine the shea butter price. Therefore, it was decided to change a portion of the business approach.

Quality improvement is the most effective approach to raise the sales price of traditional processors' shea butter. Many target enterprises already acquired skills to produce shea butter better than the grade 2 level. Thus, the business approach was changed to explore new buyers who would determine a price based on quality of products. Then, marketing activities were added to BDS, while maintaining the business goal.

Several activities were carried out to help build a business relationship between target enterprises and newly found buyers from other states. Although a trusting business relationship was not built during the BDS provision period, the business goal and agenda became clearer and more focused. It is because the BDS approach was immediately changed to a correct direction when the current direction was found to be impractical.

Source: Project Team

The following are some of the monitoring activities required to produce an effective monitoring program:

- Conduct periodic visits to target enterprises.
- Raise awareness among target enterprises to participate in follow-up meetings with the monitoring staff.
- Let target enterprises know in advance of follow-up visits.
- Provide appropriate instructions at a suitable time.
- Promote a self-help attitude among the target enterprises.
- Provide feedback.
- Motivate target enterprises.
- Build a trusting relationship with target enterprises.

Other than the above-mentioned points, flexible attitudes and perspectives suited for a situation are necessary.

4) Shifting the direction of BDS

When a BDS goal is found to be implausible during BDS implementation, the SBDSIA, and the enterprise that receives the BDS, need to jointly discuss the situation. If the goal needs to be changed, it may be changed with the consent of both parties. Sometimes a goal or a BDS approach needs to be changed because of a change in the market conditions, decrease in profits, the wrong approach to achieve a goal, and/or too much time spent trying to achieve a goal. In these situations, either the approach, or the goal, needs to be changed. In some cases, low motivation of target enterprises may necessitate a change in the goal or approach. The capability of the BDSP could also be the main cause of the issue. When the above-mentioned situations occur, a prompt and flexible judgment needs to be made.

If the BDS policy is not changed, it would be difficult to find a realistic pathway forward to achieve improvement in the profit margins. Reaching a consensus with target enterprises is essential when a BDS approach, or a business goal, needs to be changed.

5) Analysis method to measure the achievement level of the indicators for KGI and KPI

business diagnosis form is measurable, based on numerical values. On the other hand, to make an overall judgment, it is necessary to analyse the cause of an output by examining a relationship among indicators. As indicators, there are critical success factors (CSF), key goal indicators (KGI), and key performance indexes (KPI). Relations among these three indicators are that KGI is a direct factor to achieve CSF, and KPI is a factor to support achievement of KGI. Thus, examining KGI and KPI indicates the achievement level of CSF. Each indicator is also a numerical goal; hence, the achievement level of each indicator can be objectively measured. However, to understand the entire achievement level of a business goal, even if a numerical goal was not achieved, the cause of the impeded success should be analysed

Box 4-6 Case of collecting information to measure the achievement level of KGI and KPI

Example of mechanical groundnut oil processors: While BDS was provided, prices of raw ground nuts were recorded at a market where target enterprises did business. The information collected at the market was used to compare the price at which the target enterprises paid as a group and the regular market price, which made it easy to find the reduction rate of the cost with the group purchase strategy. Such calculations became possible with information on periodic market prices. Thus, before starting monitoring activities, it is important to consider what information is necessary to measure the achievement levels of KGI and KPI.

Source: Project Team

If monitoring is carried out on a regular basis, communication with target enterprises is made, much information is collected through monitoring activities, and it becomes easier to analyse the cause of a BDS result. If it is difficult to analyse the achievement level of indicators only through monitoring activities with the business diagnosis form, financial records and processes during technical support would provide sufficient information for the cause of an outcome.

Collecting market price information on a regular basis is useful, but costly. Therefore, it is essential to consider in advance what kind of information is necessary to be collected. The following is a case of information collection to measure achievement of KGI and KPI.

4.3.3 Evaluation

(1) Evaluation of Output of BDS Provision

After the SBDSIA provides BDS to enterprises in collaboration with BDSPs, an evaluation is conducted to confirm the BDS' output and analyse ways to improve efficiency in providing BDS. The results of the evaluation explain how the AWPB, prepared by the SMEDAN, has been carried out as planned, how many BDS have been provided by PBDSI to enterprises, and how many of the enterprises' business strategies have been achieved. Evaluation criteria are determined for each of the BDS to match the respective BDS' contents.

Table 4-14 describes the evaluation criteria categorized by the contents of the BDS. Evaluation criteria can be classified into quantitative and qualitative criteria. Output of BDS is evaluated, based on the achievement level of KGI and KPI in the business consultation form.

Table 4-14 BDS contents and evaluation items

BDS contents	Evaluation items
• Business management	• Improvement in financial management through continuous bookkeeping practices; improvements in loan application ability, including business strategies development, raising awareness of entrepreneurship, and loan lending and enhancement of investment costs
• Processing	• Increased processing volume through service provision
• Price and marketing	• Improvement in product quality through service provision; improvement in price according to quality improvements; increase in the number of clients

Source: Project Team

the business management situation, including KGI, KPI, and financial records, is monitored every week. Additionally, the SBDSIA conducts regular monitoring to evaluate whether information is collected properly and whether issues of BDS provision are implemented effectively. The SBDSIA develops AWPB for the next fiscal year based on the evaluation results.

(2) Impact evaluation of MSME Project

The impact evaluation of an MSME project is intended to quantitatively evaluate the economic impact that is generated by public finance at the state-wide level. Based on the outcome of providing BDS to enterprises, the impact is evaluated by utilizing baseline survey data, as explained in Section 2.2.2. The calculation of the impact is explained in Section 5.2.

(3) Evaluation of staff performance of SMEDAN and SBDSIA

The performance of those who are engaged in providing BDS is evaluated at the end of the fiscal year, based on their performance goals. The evaluation process is considered a part of human resource management by the SMEDAN and the SBDSIA. Work performance is evaluated, based on staff

members' written goals. Supervisors provide evaluation feedback to their staff, as necessary. Performance evaluation procedures are described in Table 4-15.

Table 4-15 Sample staff performance evaluation procedure

Procedure	Contents
(a)	Staff member prepares a goal setting form at the beginning of the fiscal year. Goals should be related to surveys and BDS provision.
(b)	Supervisor of the staff member approves the goal setting form at the beginning of the fiscal year.
(c)	Staff member describes the level of achievement of each goal at the end of the fiscal year.
(d)	Based on the written form that describes the achievement of goals, supervisor and staff member review staff performance together. In this meeting, efforts and arrangements made by the staff member to facilitate tasks are confirmed. Staff member prepares the form for the next fiscal year after the meeting.
(e)	Supervisor evaluates performance and approves goals for the next fiscal year.

Source: Project Team

4.4 Capacity development for BDS provision

The SMEDAN is able to provide guidance to BSDSIAs in such business formation categories as: survey methodologies, business consultation methods, accounting and finance, business ethics, corporate law, tax administration, financial institutions, and utilization of professional institutions. Because the SBDSIAs and BDSPs are the front-line organizations with respect to BDS delivery, well-qualified, trusted, knowledgeable, and experienced business consultation, bookkeeping, marketing, processing, and technology commercialization personnel are required. In this section, the capabilities of the SMEDAN and BSDSIAs are identified, and ways to enhance them are described.

4.4.1 Required BDS delivery capacity and its enhancement

The SMEDAN is a facilitator and coordinator in providing BDS. The SMEDAN has staff located at its headquarters, as well as at state-level offices (including zonal offices in each geopolitical zone), the BSC, and the BIC, to coordinate state-level BDS-related agencies, BDSPs, and financial institutions. Results of effective coordination are visually articulated in improved achievements of BDS-provided enterprises, enhancement of business operations, increased amounts of lending, and decreased incidents of bankruptcy. The SMEDAN and SBDSIA are positioned to influence the level of achievement of enterprises. Therefore, the SMEDAN and the SBDSIA are required to make proper judgments on providing BDS, based on acquired knowledge and skills. In addition, broad knowledge regarding value chains of target products and market information, as well as the ability to deeply analyse market trends from each information source, are essential skills for communicating with MSME owners.

These abilities are fostered through interactions, in daily activities, with enterprise managers and BDS experts. In order to create such a working environment and to aid in improving the institutions, which contribute to the cultivation of the above-mentioned abilities, those with experience in private-sector enterprise management should be hired (for a certain amount of time) as leaders. Furthermore, consultants with expertise in organizational management should be recruited. As an enterprise-

supporting agency, the SMEDAN should acquire more knowledge than target enterprises. Experience and discipline are also needed to give guidance regarding the effective use of the management of revenues.

The SMEDAN requires additional abilities to provide technical guidance when BDS is provided to enterprises by the SBDSIA. With regard to survey methodologies, business consultation methods, accounting and finance, business ethics, corporate law, tax administration, financial institutions, government policies, technical assistance information, and utilization of professional institutions, the SMEDAN must be able to provide effective guidance and advice to the SBDSIA. In addition to the above-mentioned professional skills and knowledge, proficiencies in the areas of workshop facilitation, presentation, and communication are required to provide satisfactory services to clients. For the enhancement of these abilities, recruitment of experienced consultants, as well as on-the-job training (OJT), should be organized and promoted.

4.4.2 Necessary capacity and means of enhancement of SBDSIA and BDSPs

Table 4-16 shows the abilities that are required of the SBDSIA and BDSPs, who are direct BDS providers.

Table 4-16 Abilities necessary for BDSP

BDS contents	Necessary abilities of BDSP
Management	• Business consultation, bookkeeping analysis, business strategy development, marketing
Processing	• Sanitary management, processing management, and 5S application procedures
Technology	• Expertise on facilities and machineries, quality improvement methods

Source: Project Team

1) Management

Business consultation knowledge and skills utilized for development of BDS contents are basic abilities needed by BDSP. BDS provision is divided into the following four steps: 1) business environment analysis; 2) confirmation of management principles; 3) strategy formulation; and 4) monitoring of activities to achieve strategic goals. Methods used for each step need to be acquired. BDSP staff members receive the necessary guidance, continually seek improvements in providing their services, and develop basic knowledge for providing service in a practical manner in the areas of marketing, market trends, streamlining selling and purchasing practices, cost reduction, account analysis, analysis of profit-and-loss statements and balance sheets; and human resource management.

2) Processing

Food enterprises need to enforce sanitary management of the processing environment, while BDSPs are required to demonstrate supervisory abilities, based on related domestic regulations and guidelines. 5Ss developed in Japanese manufacturers, based on orderly maintenance of the processing environment, are an effective tool for business management in the areas of reduction of unnecessary expenses, as well as improvement of yields. These basic concepts and applications should be acquired through OJT.

3) Technology

In providing services for processing technology, it is essential for BDSPs to grasp basic processing and manufacturing processes for target products and/or BDS merchandise. Some technical improvements require large investments, while others require only lower costs. When BDS relative to technical matters are required according to business consultation, BDSPs should provide services based on adequate technical information and experience.

With regard to business management, an understanding of the Corporate Social Responsibility (CSR) concept by BDSP is desirable. Many enterprises in Nigeria know little about the CSR concept. This is because the enterprises' management situation is so unstable that they are unable to pay attention to CSR activities, in addition to their normal business operations. However, there are methods to introduce CSR activities without major investments. For example, maintenance of a clean processing environment is not an exorbitant cost in creating a positive image for traders and customers of target enterprises; work environmental cleanliness also helps further improve the company's business management activities.

Additional knowledge provided through market environmental analysis of target enterprises enhances the quality of services provided. With regard to technology, broad availability of information, including spare-parts providers and their locations, in addition to expertise on the use of facilities and machinery, is important to generate high-value-added BDS.

For the SBDSIA and BDSPs to acquire these necessary abilities, they can receive training or work together with experts and business management specialists. Investments in training, employment of consultants, and site visits to successful enterprises can also be considered. Since the abilities of BDS providers are reflected in increased profit margins, as well as business development activities of target enterprises, investments to improve staff performance should be strongly promoted.

4.5 Cost management for BDS delivery

BDS are delivered by applying limited public resources. Therefore, the SBDSIA and the SMEDAN need to manage their activities cost effectively and generate substantive 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.

4.5.1 Cost management strategy for BDS delivery

(1) Awareness of cost performance under the results-based approach

BDS is delivered with public finances. Thus, if BDS does not produce a higher impact than the cost incurred, it is judged to have wasted public finances. The SBDSIA and the SMEDAN, which are in positions to provide BDS, should be aware of public finance management. If the budget for BDS is efficiently spent, positive impacts on the entire industry would be increased.

(2) Improvement of cost performance with respect to impact to be generated

High-cost performance against impact means that the added value generated through BDS is higher than the cost to provide BDS. This section explains the necessary perspectives and elements for improvement of cost performance.

1) Necessity of effective utilization of limited resources

An objective of BDS delivery is to increase added value created by an entire target industry and to promote economic development; however, BDS budgets and personnel provided for BDS by the public sector are limited. Thus, maximization of added value against invested resources is a major consideration by the public sector.

To improve the efficiency of public services, monitoring of the impact made by invested resources is important. To improve cost performance against impact, focusing on a specific type of enterprise for providing BDS could be one of the options. It is also effective to support all types of enterprises in a target value chain. A suitable support method is selected based on the results of data analysis.

2) Appropriate financial management

A precondition to improve cost performance is that the budget for BDS is appropriately planned and managed. BDS provided by the SBDSIA is generated from public finances. Therefore, budget planning, procurement of budget, execution of budget, and financial record management must be conducted appropriately and deliberately by the state government and the SMEDAN. A plan for BDS delivery is reflected in an annual budget plan, with the goal of providing efficient BDS. To realize a high cost performance, it is important to secure transparency in a budget management cycle; to reduce waste in executing budgets, it is of paramount importance to coordinate activities among different units.

3) Important points when determining cost

When cost reduction is considered, which costs to cut should be carefully examined. For example, spending sufficient funds for continuous monitoring could enhance the performance of enterprises. Thus, budget items to be reduced, and those that are not to be reduced, should be clarified within the SBDSIA during the budget-planning stage. Periodic monitoring activities also require closely overseeing transportation and personnel costs. If the transportation costs are reduced, and the frequency of monitoring the costs is also reduced, financial recordkeeping and a new trial through BDS would not likely be an action for target enterprises. Thus, inappropriate cost reductions will result in low cost performance.

4.5.2 Calculation of necessary cost for BDS delivery

(1) Cost calculation method

In this section, cost calculation methods are introduced. In the first half, general calculation methods will be presented. In the second half, examples in cost performance improvement will be explained.

The cost for personnel, technology development costs, and transportation costs occupy a large portion of the total budget. Table 4-17 shows a general calculation method for each budget item.

In the table above, technology development and technical assistance is expected to be provided by BDSP. Thus, the cost for these matters is listed separately from the personnel cost. Also, equipment and materials or facility construction costs could be included in the cost for technology development and technical assistance. Budget items can be changed according to the SBDSIA accounting rules. Some budget items listed in Table 4-18 may not be necessary, and some other items not listed in the above table may need to be added. Items for the budget statement should be planned flexibly, based on the situation and organizational rules of the SBDSIA.

Table 4-17 Calculation method of each budget item

Budget item	Calculation method
1 Personnel	• Calculate the personnel cost concerning BDS delivery on an hourly or monthly basis.
2 Technology development and technical assistance	• Personnel cost of an engineer × number of engineers × days required for technology development
3 Equipment and materials	• Calculate the cost of equipment and materials for each BDS activity.
4 Facility construction	• Calculate expenses for facility construction by item.
5 Transportation	• Calculate the transportation cost from planning to monitoring activities including the transportation cost for surveys
6 Survey	• Determine the scale of a survey, and then calculate the cost of the survey.
7 Allowance, accommodation	• Target enterprises may be located in remote areas. If a business trip requiring an overnight stay is expected, allowance and accommodation costs must be estimated according to the SBDSIA rules. Necessary numbers of staff members and days need to be estimated. Then these figures need to be multiplied by unit cost.
8 Communication	• Calculate the communication cost with stakeholders of BDS delivery.
9 Documenting	• Calculate the documenting cost for BDS delivery.
10 Supply expenses	• Calculate the cost for necessary supplies for BDS delivery.

Source: Project Team

General calculation methods for budget planning and cost items are introduced above. Then, calculation methods to improve cost performance are explained below. To provide cost-effective BDS requires a comparison of added value and necessary costs for BDS delivery prior to project implementation. By identifying BDS with stronger economic impacts, it will be possible to provide more cost-effective BDS.

1) Example of cost analysis of the BDS provided to the rice value chain in Kano

The following is an example of the cost calculation of BDS provided to rice millers in Kano State.

Table 4-18 Cost of BDS provision in Kano State

Cost items	Amount	Breakdown/ Remarks
Personnel	NGN 50,000	Monthly salary. Junior level of SMEDAN or KMCICT staff. A staff member is responsible for one group of 10 enterprises for BDS provision.
Transportation (Gasoline cost for a car)	NGN 1,040	Cost of gasoline. 60 km/one-way trip. NGN 65/L, 15L/km. 4 visits to 10 enterprises as a group/month.

Source: Project Team

If BDS is delivered with the above conditions, the monthly cost of providing BDS per group of 10 enterprises by 1 staff member is approximately NGN 51,000 (see Table 4-18), which is about NGN 612,000 per year. Each staff member providing BDS should have basic business management

knowledge in the areas of accounting, marketing, processing, and technology used by enterprises in the target value chain. Micro and small-scale enterprises do not pay taxes. Providing BDS is mainly targeted for micro and small-scale enterprises. Thus, an amount of tax payment by the target enterprise is not subtracted from the cost for providing BDS.

The status of the rice value chain in Kano State is examined to explain the method for calculating cost effectiveness. Approximately 68,000 parboilers, 4,200 millers, and 65,000 traders work in Kano State. Parboilers and traders reside all over the state, while millers are located near the main roads that extend to the west, south, and east from the city centre. Judging from the location of millers along the major road and its total number, it is fair to say that a direct public finance investment to millers will have a more significant impact than one to parboilers and traders. Therefore, the cost for providing BDS to rice millers and growth of GDP are examined.

The estimated added value by millers state-wide is NGN 5,500 million. If a miller increases 5% of added value through providing BDS (opportunity cost is assumed as zero), the impact generated to the state is roughly NGN 270 million. The estimated cost of providing BDS to the entire millers in Kano State is NGN 100 million. The calculation method is shown below.

Gross margin (added value) per miller is NGN 1.3 million. The total number of millers in Kano State is estimated to be 4,208. Thus, $\text{NGN } 1.3 \text{ million} \times 4,208 \text{ millers} = \text{NGN } 5,470 \text{ million}$. A staff member works 5 days per week, and 2 out of the 5 days are spent providing BDS to millers (a group of 10 millers = $\text{NGN } 244,992 [612,480 \div 2.5]$) is the annual cost for providing BDS to 1 group of millers. The total number of millers in Kano State is estimated to be 4,208. Therefore, $244,992 \times 420.8 = \text{NGN } 103,092,633$ is the approximate total cost of providing BDS to millers.

In order to generate a 5% increase in GDP, NGN 100 million of public finance is needed for investment. NGN 100 million is lower than NGN 270 million, which is the added value generated by providing BDS. Therefore, if BDS is provided to the rice millers, cost-effective BDS preparatory actions are expected.

It is obvious that public finance investment to parboilers and traders, whose population is 32 times that of millers, is virtually too expensive. This type of analysis in the planning stage allows selection of business types that would generate better cost performance.

2) Example of a cost analysis of the BDS provided to traditional shea butter processors in Niger

The next example of shea butter in Niger State presents the calculation method of added value created by specific technical support. In Niger State, it is assumed that there are 59,000 traditional shea butter processors and 192,000 shea nut processors.

It is assumed that BDS is provided to traditional shea butter processors. To estimate the impact of added value through BDS, the cost required for BDS and the added value are compared. It is assumed that, if a government official in Minna of Niger State visits a community in the Katcha area every week to provide technical support to 10 enterprises, the cost required for 1 visit for 10 enterprises is about NGN 3,000 as Table 4-19 shows.

It is assumed that quality improvement of shea butter must result in improvement of the profitability of shea butter business. The cost required for quality improvement on shea butter in the OLOP pilot project and the added value is compared. By subtracting the sales profit of high-quality shea butter from that of regular-quality shea butter, the added value is identified. In this case, the average price of regular shea butter is NGN 3,700 per 20 kg without BDS during the pilot project period. On the other hand, as a result of BDS, the price of high-quality shea butter is determined to be NGN 4,500 per 20

kg. It is assumed that the adopted improved method does not require additional labour to produce a high-quality product.

Table 4-19 Cost of BDS provision, basic figures: Katcha area, Niger state

Items	Figures	Breakdown or remarks
Personnel cost	NGN 1,667	NGN 50,000/month ÷ 30 days × 1 day
Transportation cost (Gasoline cost for a car)	NGN 1,300	NGN 65 × 20 litters
Total	NGN 2,967	NGN 1,667 + NGN 1,300

Source: Project Team

If 10 enterprise owners produce 1,000 kg of regular-quality shea butter per month, as Table 4-20 illustrates, added value through producing a high quality product is NGN 40,000.

Table 4-20 Added value from 1,000kg of high quality shea butter production

Item	Amount	Breakdown
a) Price of regular products	NGN 185,000	NGN 3,700 × (1,000kg/20kg)
b) Price of higher quality products	NGN 225,000	NGN 4,500 × (1,000kg/20kg)
c) Added value (c=b-a)	NGN 40,000	

Source: Project Team

NGN 40,000 of valued added is generated per month during the shea butter production season, and BDS preparatory actions/measures cost NGN 24,000. Then, the gap between these two figures is NGN 16,000, and the added value exceeded the cost for BDS.

Table 4-21 Cost of BDS delivery for production of 1,000kg of high quality shea butter

Contents	Amount	Breakdown
a) Cost required for SBDSIA staff to provide technical assistance to 10 enterprise owners 5 times a month	NGN 15,000	NGN 3,000 × 5 days /month
b) Cost required for SBDSIA staff to provide assistance to negotiations with buyers for 3 days	NGN 9,000	NGN 3,000 × 3 days
c) Total cost (c=a+b)	NGN 24,000	

Source: Project Team

If other BDS activities are estimated to generate smaller added value than the technical support for quality improvement, quality improvement should be selected as a core BDS activity. A business goal needs to be set, based on the core activity and other necessary activities (such as marketing), and can be added to make the technical support coincide with the added value.

As explained above, calculations can be performed based on the macro and micro viewpoints. Information obtained through these calculations indicates the most cost-effective BDS. Thus, it is important to perform this type of cost estimation in the planning stage of BDS.

To carry out this cost estimation, data collected through the baseline survey are essential. Therefore, baseline survey data are necessary to maximize the cost performance of BDS. The cost for the baseline survey should be secured as a required cost for BDS delivery.

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Annex

Annex 1: Revised OLOP Programme concept paper

1. Background

1.1 Nigeria general

Located on the west coast of Africa, Nigeria is a multi-ethnic country of about 140 million people (2006 figures). It is easily Africa's most populous country and spread over a land area of 923,678 km², Africa's fourth largest dominion. The country operates a democratic, decentralised, federal system of government comprising a Federal Capital Territory (FCT), 36 states, and 774 LGAs. There are six geopolitical zones (GPZs), namely the north-east (6 states), north-west (7 states), north-central (6 states and FCT), south-east (5 states), south-west (6 states) and south-south (6 states). The Federal capital, and seat of government, is Abuja. There are three dominant ethnic groups: the Housa-Fulani in the north, the Yoruba in the south-west, and the Ibos in the south-east. Altogether, however, about 250 ethnic nationalities co-exist in a unique splash of diversity. This, on one hand, has produced a rich cultural heritage of festivals, dances, cuisines, dresses and traditions but, on the other, has infrequently produced internal conflicts arising mostly from inter-ethnic rivalries for power and resource control.

1.2 Current situation and development constraints

Agriculture is the mainstay of Nigeria's economy, accounting for about 40% of gross domestic product (GDP) and employing about 60% of the workforce. However, since 1973, the economy has become highly dependent on the oil sector, which by 2006 accounted for 70–80% of government revenues, over 90% of export earnings, and 25% of GDP. The gross national product per capita was estimated at about USD 530 at the end of 2001, but had increased to an estimated USD 850 in 2005, and USD 1000 in 2007 (Central Bank of Nigeria), mainly due to improved performance of the oil and gas sector. Higher revenues from the oil sector, however, have not led to a reduction in poverty.

The Government has committed itself to running a liberal economy, with a market-determined exchange rate, fiscal prudence, and decentralization. Privatisation and a progressive reform of the financial sector are other aspects of the Government's new focus. The reforms, launched in 2000, have started to yield positive results for macroeconomic stability and inflation, which is on a downward trend and was estimated at single digit (i.e. 9%) by the end of 2007.

The agricultural sector, though still the major contributor to GDP, has deteriorated considerably since independence due to the government's disinvestment in agriculture as more resources and attention were directed towards the petroleum sector. The rapid development of the oil sector in the 1970s reduced the importance of agriculture in economic development. Agriculture (including livestock, forestry, and fishing), which is still the main activity of the majority of Nigerians, constitutes about 40% of GDP. In recent years, agriculture and rural development have received renewed focus as the future drivers of accelerated economic growth, employment generation, and poverty reduction. Indices show that as of the end of 2006, the agricultural sector had achieved 6–7% growth and was projected to rise to 10%.

Poverty is, nevertheless, widespread in Nigeria. The latest estimate indicates that about 52% of Nigerians are poor, living on an income of below the equivalent of USD 1 per day. This implies that Nigeria accounts for about a quarter of the poor in sub-Saharan Africa, which dovetails well with its current placement as amongst the 30 poorest countries in the world at the start of the new millennium. It is, however, in stark contrast with its previous perception as one of the 50 richest countries in the early 1970s.

1.3 One Village One Product Movement in Japan

The One Village One Product (OVOP) Movement was initiated in 1979 in Japan as a strategic movement designed specifically to promote regional development. It encourages people to take up a product or industry distinctive to their region or community, and cultivate it through value-addition into a local, national, or global brand.

The OVOP Movement is founded on three basic principles.

Think globally, act locally

The OVOP Movement is about using local, natural, resources to create high value-added products. Such local resources are the driving force in OVOP. Local communities must find out what they have, as a first step, and then think about what they can produce. Establishment of a fair and competitive business and market environment are crucial to mobilising such local resources effectively. Examples of resources may include natural resources, a scenic or historic spot, cultural events such as festivals, dances, traditional foods, etc. From the existing resources, the communities are then challenged to create products that may be developed into globally marketable products. This approach is based on the premise that speciality products of a local region or community may be accepted globally.

Self-reliance and creativity

The OVOP Movement is a campaign to facilitate regional development based on local creativity and decision-making (i.e. endogenous). It is the local people who choose their speciality, mobilise resources, and thus act to revitalise their region/community. OVOP is a movement whose subject is the local people; government acts as a facilitator to support emergent activities.

Human resource development

OVOP aspires to cultivate resourcefulness among local people who become the driving force for generating new ideas in agriculture, processing, tourism, commerce, and many other fields. This calls for the transfer of literacy, vocational, entrepreneurship, and leadership skills to local communities with the ultimate aim of creating sustainable and happy communities through their own initiatives.

2. Basic concept of the OLOP Programme

2.1 Basic concept

The Federal Government of Nigeria has initiated a One Local Government One Product (OLOP) Programme, adopting the experience of the OVOP Movement in Japan. The basic concept of the OLOP Programme is to support rural MSMEs in value-addition of locally available raw materials. The goal and objectives of the OLOP Programme are specified as follows.

Goal:

To empower communities in Nigeria to achieve economic growth by developing their capacity to manage micro, small, and medium enterprises (MSMEs), and to identify, mobilise, and utilise locally available resources to produce value-added goods and services.

Objectives:

- To promote the OVOP approach of economic development
- To promote a fair and competitive business and market environment
- To support value-addition of locally available raw materials through enhancement of MSMEs
- To generate employment in rural areas
- To facilitate transfer of skills and technology for production of high quality goods/services
- To promote and improve market access for local products

- To enhance income generation opportunities and wealth creation for local communities
- To minimise rural-urban drift and generally create a new sense of satisfaction/well-being in rural communities

2.2 Relevance of the basic concept of the OLOP Programme to specific policies

2.2.1 Relevance to the development policies of the Federal Government of Nigeria

The National Economic Empowerment and Development Strategy (NEEDS) (2003–2007) focuses on agricultural productivity and small and medium enterprise development for creating employment opportunities at the community level, thereby increasing incomes for those who are under the poverty line. NEEDS was developed in response to the development challenges of Nigeria. It is a national plan for prosperity with four goals: (1) reorienting values, (2) reducing poverty, (3) creating wealth, and (4) generating employment. The promotion of private enterprise is proposed as one of the strategies to achieve those goals, and 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). The OLOP Programme is highly relevant to the national socioeconomic development anticipated by NEEDS.

The Nigeria Vision 20: 2020 is an articulation of Nigeria's intent to improve the living standards of its citizens and place the country among the top 20 economies in the world by 2020 (NPC, 2009). The First National Implementation Plan (2010–2013) of Vision 20: 2020 positions the small and medium enterprises sector as one of the critical elements to achieve the 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 to generate employment and create wealth (NPC, 2010).

2.2.2 Relevance to the Federal Government of Nigeria's policies on MSME promotion

The Industrial Policy of Nigeria was developed by the Federal Ministry of Trade and Investment (former Federal Ministry of Commerce and Industry) with the overarching objective of accelerating the pace of industrial development by increasing value-added 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 industrial policy sets the following medium-term objectives (Federal Ministry of Commerce and Industry, n.d):

- To strengthen the competitiveness of manufacturers by facilitating access to technology and best practices.
- To stimulate the development of small and medium enterprises by developing the nation's resources as a base for cheap inputs.
- To maximise linkages achieved between small-scale units and medium and large enterprises.
- To adapt and respond to the changing global environment.
- To further develop the nation's human resources and technology acquisition, while enhancing its absorptive capacity, physical infrastructure, and business support services.
- To encourage hi-tech industries.

The National Policy on Micro, Small, and Medium Enterprises was developed by SMEDAN with support from the UNDP (SMEDAN and UNDP, n.d). 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 promotion of MSMEs. The policy encompasses seven broad policy and programme areas as follows. These areas

can also be applied as areas of intervention under the OLOP Programme.

- Institutional, legal, and regulatory framework
- Human resource development
- Technology, research, and development
- Extension and support services
- Marketing
- Infrastructure
- Finance

Agro-processing and commodity value chains are emphasised in the policy as important areas to be promoted. The policy states that government will promote private sector-led and market-driven growth of the agro-processing subsector so that domestic economic linkages and agricultural productivity will contribute to growth and poverty reduction. This policy direction corresponds to the concept of the OLOP Programme to promote agro-processing MSMEs in rural communities.

The policy identifies the following as major functions of SMEDAN:

- Awareness creation, business sensitisation, and information provision for attitudinal changes and effective business decisions.
- Business Development Service (BDS), embracing training, counselling, and mentoring, to provide the platform for MSMEs to see themselves as players in a globalised environment.
- Promotion of enterprise networking and cluster formation to stimulate economies of scale and international competitiveness.
- Advocacy, policy development, and improvement in MSMEs' operating environment.
- Promotion of linkages and access of MSMEs to vital resources, especially finance and workforce.
- Networking and organisational development of business organisations.

3. Institutional framework for OLOP Programme

3.1 Basic principles

The following three basic principles of the establishment of the institutional framework for the OLOP Programme are introduced.

3.1.1 Define clear authority and responsibilities

The OLOP Programme is designed to be implemented by the federal and state level government organisations and other concerned stakeholders. It is necessary to predefine the authority and responsibilities of each stakeholder in the implementation mechanism so as not to create confusion and conflict among stakeholders during implementation of the programme.

3.1.2 Reduce coordination cost

Good coordination among all stakeholders involved in the OLOP Programme is required, and coordination costs among stakeholders should be minimised. The procedure for implementing the OLOP Programme shall be thoughtfully developed and shared among stakeholders so that information and resources flow smoothly.

3.1.3 Ensure transparency and compliance

All stakeholders must respect transparency and compliance. Monitoring and reporting systems shall be well designed to ensure transparency within the institutions implementing the OLOP Programme. Stiff penalties shall be defined to ensure compliance with the laws and regulations.

3.2 Institutional framework and implementation management

3.2.1 Authority and responsibilities of concerned organizations

(1) Outline of the relationship among concerned organisations

The institutional framework of the OLOP Programme is composed of two major categories of organisations: one is governmental organisations vertically coordinated from the Federal Government through Local Government Areas; and the other is various public institutions, financial institutions, private service providers, and NGOs that can provide services to MSMEs. Figure 1 describes the institutional framework of the OLOP Programme.

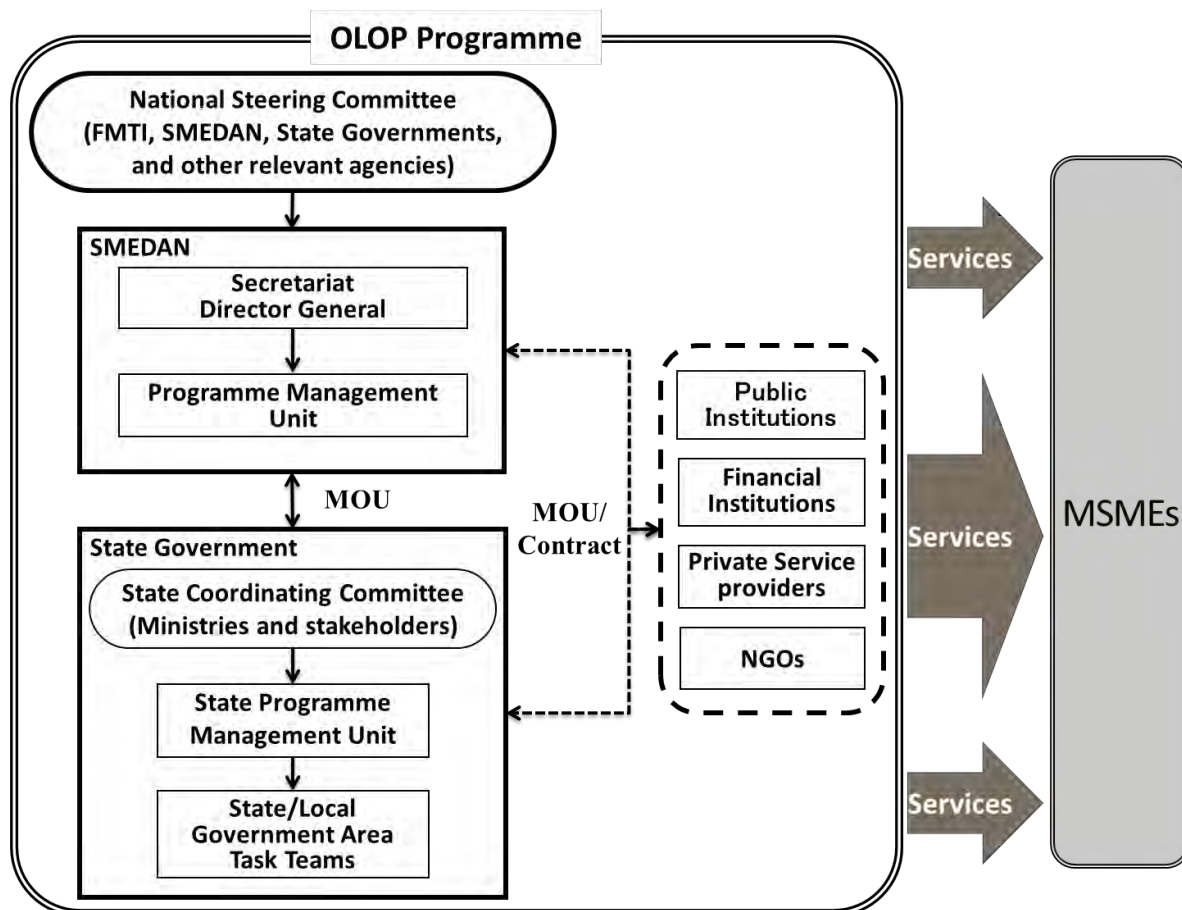


Figure 1 Institutional framework of the OLOP Programme

(2) 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 and Commissioners of the State Ministry of Industry and Commerce, and other concerned organisations.

(3) 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. Roles and responsibilities as well as each party's resource contribution shall be defined in the MOU.

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 to be supported under the OLOP Programme.

(4) 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. State government is the key institution for programme implementation at the state level and coordinates other stakeholders and service providers in the state. 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 to be supported under the OLOP Programme.

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

(5) 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. Those business service providers include the following types of organisations.

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

3.2.2 Process of planning, implementation, and monitoring and evaluation

(1) 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. AWPB shall be submitted to the National Steering Committee (NSC) for review and approval. After the NSC approves the AWPB, it shall be sent from SMEDAN to the SPMUs in the participation states.

(2) 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 the SPMU shall be the main player for carrying out activities to support MSMEs in the state. PMU at SMEDAN shall supervise state level programme implementation and facilitate communication and collaboration among state governments.

(3) 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.

4. Approach of the OLOP Programme

4.1 Selection of products and value chain analysis

4.1.1 Focus on potential products

The OLOP Programme aims to concentrate its interventions on the products that have high business potential. Each state may have different products that are produced, processed, and traded by MSMEs. Some of the products are listed below.

- | | |
|--------------------------------|--|
| • Raffia/mat products (woven) | • Butter (shea nuts, peanuts, soya, etc.) |
| • Wood/cane furniture products | • Fish products (fish farming) |
| • Clay/ceramic products | • Sea foods (shrimps, crayfish, etc.) |
| • Leather/leather products | • Dairy products (cattle, sheep, goat milk, yoghurt, etc.) |
| • African prints/batik | • Cashew nuts |
| • Rice | • Traditional barbecued products (Suya, Kilishi, etc.) |
| • Ginger | • Neem products (soap, cosmetics, mosquito coils, etc.) |
| • Fruits/vegetables | • Animal feed |
| • Cassava/cassava products | • Traditional liquor/drinks |
| • Honey products | • Chips (plantain, potatoes, coco-yam, yams, etc.) |
| • Spices and herbs | • Salt processing |
| • Coconut products | • Processed flours (maize, plantain, beans, yam, etc.) |
| • Gum Arabic | • Metal works (i.e bronze/brass casting) |
| • Sesame | • Gem stones |
| • Snail farming | • Traditional festivals, dances, and cuisines |
| • Cooking oils | |

At the initial stage of the OLOP Programme implementation, a short list of products shall be developed by concerned stakeholders in each state. Relevant stakeholders may include government organisations such as State Ministry of Commerce and Industry, the Ministry of Agriculture, and the Ministry of Local Government; private organisations such as the Chamber of Commerce and business associations; and NGOs involved in MSME promotion.

From the short list, some products shall be selected as the target products for the OLOP Programme. Each product on the short list shall be evaluated as to its potential economic impact if MSMEs related to that product are promoted. Use of evaluation criteria such as the following may facilitate discussion among stakeholders.

- Market needs
- Business potential of product
- Positive impact on local economy and gender equality
- Policy priority
- Complement to internally and/or externally supported interventions

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 is involved prior to the workshop. Scoring products based on agreed 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.

4.1.2 Analysis of product value chain

A target cluster shall be identified for each of the selected products. A product cluster refers to a geographical concentration of enterprises carrying on business in the same product or multiple products produced from the same raw materials. Individual enterprises within a cluster can be categorised into several business types that are related to one another through a product value chain. A product value chain refers to a string of enterprises working together to satisfy market demands. For example, a rice cluster may have parboiler, rice miller, and rice trader as business types. Paddy is brought from rice farmers to parboilers to be parboiled, then to rice millers to be milled, and then to traders to be sold to the market.

Baseline survey and value chain analysis are 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. Baseline survey and value chain analysis are also useful in selecting high potential business types and motivated enterprises for efficient BDS provisions which likely result in the generation of large economic impact with respect to limited public resources. In addition, cost of baseline survey and value chain analysis is affordable by the Nigerian governments.

4.2 Provision of continuous, dynamic, and fact-based BDSs to MSMEs

4.2.1 Business strategy formulation

Within each target cluster, the OLOP Programme intends to select enterprises that have high growth potential and that eagerly desire to improve their business. Those enterprises are likely to make full use of assistance provided by the OLOP Programme to produce maximum results. Concentrating

support on those enterprises is justifiable from the perspective of effective and efficient use of limited resources.

The selected enterprises shall undertake a business consultation to analyse their external business environment, examine directions for their business to pursue, and formulate business strategies. This process helps enterprises objectively grasp their position in the economy and convinces them to adopt adequate business strategies. Enterprises can always come back to this process of business environment analysis and strategy formulation as they carry on their business with assistance from the OLOP Programme.

4.2.2 Access to business services

On the basis of the business strategies developed above, the enterprises shall receive continuous, dynamic, and fact-based BDSs from the OLOP Programme. Access to various business services shall be facilitated according to the needs of each enterprise. Their business and financial records shall be regularly monitored to ascertain the progress and outcome of business services. The following are the types of business services that the enterprises may receive based on their business strategies formulated by business consultations facilitated by OLOP Programme.

(1) Service related to business management

Many MSMEs lack business management skills, and there is significant demand for capacity building in business management. Training is the most common business service provided to MSMEs to improve their business management capacity. Training may be provided by various organisations, including governmental organisations, SMEDAN, business consulting firms, and NGOs in the field of business development.

Business management skills are the basis for 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, and customer relations.

(2) Services related to production skills and technology

MSMEs often do not have access to appropriate skills and technologies to improve quality and productivity. Production skills can be taught through training, and machines and equipment can be provided by fabricators or distributors.

Improving productivity or quality by adopting better skills and technology helps enterprises to increase sales or charge better prices for their products. For example, a simple and inexpensive hand-powered machine could be introduced to replace heavy manual labour to increase production volume. Adopting a small device in the production process might also improve product quality so as to achieve better prices.

(3) Services related to marketing

Marketing may be the most serious challenge that MSMEs face. Marketing information and services can be provided by staff in government agencies such as the Export Promotion Council zonal officer, as well as by other concerned parties such as private consulting firms and NGOs. MSMEs may require long-term assistance by BDSPs to pursue the process of exploring new markets, identifying potential clients, and negotiating deals with new clients.

Improved access to market is the key to MSMEs' expanding their business. When MSMEs develop their capacity in business management and production technology, their production costs may be reduced and production quality and quantity may improve. However, their business can grow only if they find markets to accept their products. The OLOP Programme's continuous and dynamic support offers enterprises a combination of necessary services including marketing support.

(4) Financial services

MSMEs are in great need of finance, but few have access to financial services. There are many obstacles to MSMEs' accessing financial services. None of them kept proper books of their business. 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. They can be referred to financial institutions and given assistance by the OLOP Programme to fulfil requirements of the institutions.

Access to financial services allows MSMEs to invest in business facilities to improve their production. For example, bank loans can be used to purchase new processing machines to improve the quality or increase the volume of their products. In order for financial services to be used effectively to improve business, it should be necessary for other business services such as production skills and marketing to be available at the same time.