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Nigeria Agricultural Policy Activity

Niger State Business Environment, Sustainable Development, and the Implications for Agri-Food (Micro, Small and Medium Enterprises) Value Chain Actors: Stakeholder Perception and Evidence Report

By

Hephzibah Obekpa and Oyinkan Tasié

NAPA RESEARCH PAPERS

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ACRONYMS

AfCFTA	African Continental Free Trade Area
BOI	Bank of Industry
CBN	Central Bank of Nigeria
FGD	Focus Group Discussion
GEP	Graduate Entrepreneurship Program
MSMEs	Micro, Small and Medium Enterprises
NASC	Nigeria Agricultural Seed Council
NASME	Nigerian Association of Small and Medium Enterprises
NBS	National Bureau of Statistics
RIFAN	Rice Farmers Association of Nigeria
RMRDC	Raw Materials Research & Development Council
SDGs	Sustainable Development goals
SSF	Shared Service Facilities
SMEDAN	Small and Medium Enterprises Development Agency of Nigeria.
USAID	United States Agency for International Development

EXECUTIVE SUMMARY

This report is a product of in-depth consultation during a workshop and focus group discussion from relevant stakeholders, including Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), Nigerian Association of Small and Medium Enterprises (NASME), Policymakers (Ministry of Agriculture, Ministry of Commerce, and Ministry of Justice) and different associations from Niger State. The consultation records and analyses perceptions of these key stakeholders of the business environment for MSMEs, and more specifically for Agri-Food enterprises, and the regulatory frameworks specific to Niger state. As a result, many opportunities and challenges in Niger state were highlighted and suggestions proffered to mitigate the challenges and thereby enhance the business environment for MSMEs, and Agri-Food enterprises. Policies and regulatory frameworks that affect MSMEs and Agri-Food enterprises are also discussed.

INTRODUCTION

The contributions of Micro, Small and Medium Enterprises to country economies is well established, and this is particularly true for Nigeria. Repeatedly, and most recently, policies and applicable regulatory frameworks on MSMEs recognize their importance to Nigeria's Economy. For instance, the National Policy on Micro, Small and Medium Enterprises (2021 – 2025 Edition) referencing data from Nigeria's National Bureau of Statistics records that in 2017 MSME's in the country account for about 60 million jobs. Presumably, this number has risen given the increasing concerted focus on MSMEs by government at all tiers in the country, local; state; and national; and similar focus at the regional and continent-wide governance structures. Hence, strengthening the understanding of the business environment for MSMEs in Nigeria, particularly agri-food enterprises, which is in focus is critical. In addition, focus on regional and continent-wide policy and regulatory frameworks that enhance the business environment for MSMEs in Nigeria is important.

The scope of the general research was limited to selected states in Nigeria, this report is on Niger State. Key informant interviews and focus group discussions were utilized in the study. For Niger State, 16 stakeholders, representing as holding strong and relevant expertise on the subject were purposefully selected. The selection cut across public and private sector and included participants from the non-governmental organization space. Prominent institutions participating in the study included the Small and Medium Enterprise Development Agency of Nigeria, State Ministries of Agriculture, Commerce and Justice. Also participating were, Farmer Associations and the National Association of Small and Medium Enterprises.

UNPACKING NIGER STATE BUSINESS ENVIRONMENT

The vision of the MSME policy is to ensure the emergence and sustenance of an ecosystem that enables Nigeria's MSMEs to be locally and globally competitive. Its mission is to focus attention on the availability of financial and non-financial services to allow MSMEs to contribute maximally and optimally to national output, wealth, and job creation. The term "business environment" refers to forces that are either internal or external to a business and can help or hinder the business's pursuit and realization of its objectives, such as product and service production, profit maximization, cost minimization, customer satisfaction, job creation, corporate social responsibility, and shareholder wealth maximization (Kotler and Keller, 2012). Niger State is one of Nigeria's 36 states in Nigeria, and it was created on February 3, 1976, in the north-central region of the country. Minna is the state capital of Niger, and the State is known as "Power State" because it is home to Nigeria's three largest hydroelectric power facilities, Kainji, Jebba, and Shiroro. It is Nigeria's largest State, covering a vast landmass of about 86,000km² and accounting for 8.6 million hectares, or 9.3% of the country's total land area (TENS, 2022). Niger state is unique and promises to be a hub for entrepreneurship because of the several opportunities in its business environment. The focus group participants highlighted some of these opportunities during the discussion. One significant opportunity for businesses to thrive in Niger State is the availability of a large pool of untapped human resources with active youths, women, and abled body men, which can translate to cheap labour as the supply of labour is more than the demand for it. According to Gwada (2022), the unemployment rate in Niger State, which translates to excess labor, is 38.80 per cent, higher than the national average.

Niger has good road networks to markets to ease the movement of goods and services. This is confirmed by the ESMP (2019) report that says The World Bank (WB) and the Agency for French Development (AFD) have provided funding to the Nigerian government for the implementation of the Second Rural Access and Mobility Project (RAMP-2) in Niger state. RAMP-2 is primarily intended to boost agricultural productivity and value chain and small family farmers' income and competitiveness in rural areas. The majority of these farmers live in rural areas, and their agricultural inputs and outputs (products) are heavily reliant on accessibility and mobility. A total of 20 essential river crossings throughout different Local

Government Areas (LGA) in Niger State have been identified, constructed, and commissioned as part of RAMP-2 activities to facilitate the accessibility of local farmers, especially during the wet seasons. The ESMP (2019) also aids the proximity to the market as virtually every community in Niger state has several markets, making business in the State more enticing as one does not need to look for markets to buy or sell products. Also, it was reported in the group discussion that Niger State has many locally manufactured equipment/tools to reduce the cost of inputs for business owners. The NASENI executive vice-chairman confirmed this by disclosing that NASENI, through SEDI, has begun the design, manufacture, and reengineering of all processes that would deliver the needed technological progress, industrialization, and innovations capable of resolving unemployment, poverty, and capital flight in Niger (Isaac, 2022).

Participants also mentioned access to finance through BOI, BOA & CBN and also the establishment of 25 micro-financial institutions to access soft loans as opportunities for businesses in Niger to leverage. Mr Rasheed Olaoluwa, Managing Director of Bank of Industry (BoI), has put the loan disbursement to entrepreneurs in Niger State under its Micro Small and Medium Enterprises Fund (MSME) at N497 million. Aside from the matching fund, he said the bank had granted direct loans totalling over N225 million to businesses in the State on its own (BOI, 2015). Premium Times (2018) also confirmed that the Niger State Government has begun disbursing the N1 billion Micro Small and Medium Enterprises Development Fund (MSMEDF) from the Central Bank of Nigeria (CBN) to 11 578 beneficiaries. The fund was the first of a series of payments to Micro, Small, and Medium Enterprises (MSMEs) to promote financial inclusion, wealth creation, and youth empowerment.

The key opportunities in Niger State are access to land, vast human resources and available markets. The FGD discussion noted that access to these opportunities was available to all gender, with males taking the higher percentages in most cases. However, in rare cases are the opportunities equal for men and women; for example, youth empowerment in all the zones was put at 40 per cent for females and 60 per cent for men. For rice processing, access was put at 80 per cent for females and 20 per cent for males. Access across all the local governments to these opportunities was also not the same as local governments closer to the state capital were better favored than those farther from the state capital for some interventions. For example, those in the urban area get quick access to finance before those in rural areas.

Regarding challenges affecting MSMEs and Agri-Food enterprises in Niger state, many challenges were listed, including insecurity resulting from kidnappings and terrorism. Daily Post (2021) noted that Niger is one of the northern Nigerian states that is hardest hit by the epidemic of mass kidnapping and ransom kidnapping by bandits. Furthermore, in the Borgu and Shiroro Local Government Areas, the combined forces of Boko Haram and the Islamic State of West Africa Province (ISWAP) are openly operating. It was also noted that using human power instead of machines for some businesses reduces the yield of some MSMEs as machines are more efficient and faster than human beings.

Some participants complained about the lack of access to interest-free loans for some small businesses. Despite the Bank of Agriculture, Bank of Industry, Central Bank of Nigeria's (CBN), Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NISRAL), and the state government's significant contributions to agriculture in the State, the majority of small-scale businesses continue to struggle to access affordable financial services to help them develop their businesses and livelihoods.

Finally, the challenge of lack of investors to collaborate with the locals on fabricating equipment such as simple farm tools was mentioned. However, participants believed that if investors put in their money to local equipment fabrication, the equipment price would fall and become more affordable for locals.

IMPLICATIONS FOR AGRI-FOOD VALUE CHAIN ACTORS IN NIGER STATE

The agricultural sector is the backbone of Niger State's economy and the primary source of income for the majority of the rural population. Sustained agricultural expansion is vital for boosting food security, raising people's living standards, creating jobs, and accelerating the state's economic growth (NSAS, 2019). The availability of large arable land lying fallow that is yet to be utilized is an opportunity for investment in agriculture as Niger state enjoys a favorable climate for most of the year. Layele (2012) reported that Niger State has a favorable climate for producing all cash and food crops. Another feature that can help agriculture develop in the state is the state's rainy season, which lasts between 5 and 6 months. Rice, melon, cotton, beans, millet, sorghum, soya beans, yam, and sugarcane are believed to be appropriate for cultivation on the fertile ground of the state, which can be sown twice a year in almost all regions of the state. Additionally, large water bodies are available that can be used for dry season farming.

The state also has research institutes and other agencies that train and strengthen the capacity of business owners. For example, the Niger State Agricultural and Commodity Exchange helps to train farmers and enables them to meet standards to export their produce. AFEX Commodities Exchange has signed a Memorandum of Understanding (MoU) with the Niger State Ministry of Agriculture and the Niger State Commodity and Export Promotion Agency (NSCEPA) to improve the productivity and livelihoods of Niger State farmers while also empowering the state's youths, according to The Nation (2022).

When farm produce is distributed, farmers in rural areas have more advantages because of the farmlands available than the farmers in the urban areas. Moreso, agricultural interventions favour those in the rural areas rather than those residing in the urban areas because there are more farmers in rural areas compared to urban areas. Also, during rice intervention, those in zone A who are the primary rice producers have an advantage during distribution compared to other zones. On the other hand, during interventions that have to do with maize, sorghum, soybeans, and guinea corn, those in Zone B & C are at a better advantage.

Regarding challenges affecting MSMEs and Agri-Food enterprises in Niger state, many challenges were listed, including a lack of optimum utilization of large water bodies available for irrigation farming. Insecurity remains a challenge for agribusiness as the movement of goods is made difficult because of the rampant kidnappings. Some farmers are still unable to harness the favorable climate in the state for optimum production. Other challenges include lack of access to interest-free loans and lack of proper funding for government agencies saddled with financing agriculture.

Inadequate facilitators for capacity building alongside a Lack of sustainability from a few trainers in the state were reported as challenges. In addition, participants complained of poor extension services to farmers in rural areas. According to Merem et al. (2017), one of the most significant obstacles facing the Niger State agricultural industry is the lack of trained and certified agricultural extension agents to supply farmers with vital agricultural knowledge. It is primarily a result of the capacity gap in several state-run institutions in Nigeria (Adebayo et al., 2009).

Also, another challenge affecting agribusiness is the lack of value addition to products produced in the state. Participants noted that about 75 per cent of the crops produced in Niger are sold without value addition. This limits the potential to make more profits or create jobs for the unemployed in the state. To promote sustainable development and poverty reduction in Niger state, Umar et al. (2015) proposed continual capacity building of farmers in various livelihood activities, including food processing, aquaculture, and apiculture. Niger still lacks investors who would collaborate with the locals to ease the fabrication of simple farm tools. Finally, some participants reported that some roads in the core rural areas have poor road networks, hindering agribusiness in such localities.

TRACKING FOR SUSTAINABLE DEVELOPMENT

The Nigeria Bureau of Statistics (NBS) recently released the 2019 Nigeria Poverty and Inequality Survey Report, which rated Niger as the country's twenty-ninth least poor state. "Niger State has a poverty headcount rate of 66.11 per cent," according to the survey. Also, in 2019, the Niger State Government, in conjunction with Solution17 for SDGs, held a unique training session for all Permanent Secretaries and other state executives on how to integrate SDGs into the state's development strategy (Vanguard, 2019). SDG 1, which aims to eliminate poverty, is linked to SDG 2, which strives to eliminate hunger. According to the focal group discussion findings, Oyo state is making progress, although it is still a long way from reaching SDGs 1 and 2. However, if the issues highlighted as challenges that MSMEs and the agri-food sector face are reduced to the bare minimum, more can be accomplished in terms of SDGs 1 and 2. The African Continental Free Trade Area gives the continent's financial sector prospects to flourish. ACFTA aims to open a market of 1.2 billion Africans with a combined GDP of \$3 trillion by allowing African economies to expand through increased competitiveness, innovation, and the removal of trade barriers (The Nation, 2021). The agreement promises to eliminate tariffs on 90% of commodities and gradually apply the same to services. As a result, Nigeria, Africa's single largest market, is projected to gain the most from the ACFTA by up-scaling goods production. Participants listed policy and regulatory frameworks at the national level that are also present at the state level that can position Niger state to key into ACFTA as:

- 1) The investment and securities regulatory act: this establishes the investment and securities tribunal as a special court to handle matters related to the capital market security to determine any question of law or dispute on the capital market for SMEs.
- 2) The shared service facilities (SSF) regulatory framework: this is aimed to push MSMEs to become more competitive through machinery, equipment, tools, systems, skills and knowledge support and a shared system.
- 3) Nano MSMEs: this is a new policy; this encompasses several SMEs with comprehensive coverage for their activities and support system that approve their standard of operation in various states and local governments.

One primary concern discussed was the need to strengthen the policy framework on food safety in Niger and Nigeria generally. There has been no active regulatory body from the government to prevent adulterated or substantial agricultural products from being sold in the market. Furthermore, farmers are not adequately sensitized and informed on the implication of chemical usage on human health, the chemicals used in food production should be inorganic. Because of this weakness, most of the chemicals used by farmers and intermediaries to store their products are dangerous and make them less competitive for export.

POLICY RECOMMENDATION

Suggestions were made on what can be done to make MSMEs and the Agri-Food businesses competitive. In the short run, the following can help:

- Provision of entrepreneurial education for MSME owners.
- Increase in skill acquisition/empowerment.
- Farmers should be supported and encouraged to produce for exchange.

In the medium and long term, the following suggestions were made:

- Farmers should be encouraged to use organic instead of synthetic chemicals to reduce crop/product infestation.
- Testing the soil in order to have adequate knowledge of the quantity of chemicals to use is a crucial factor in ensuring food safety.
- Enforcement of pesticide regulations will prevent Agri-Food enterprises from over-applying chemicals, which later destroy the food leading to food shortages in the country.
- Update of the standard required to meet standard regulations. This will enable the country to export perishable food items without spoilage.
- Developing a food safety policy in the state will sensitize people on the proper application of chemicals and guide farmers from site clearing to storage.

CONCLUSIONS

The round-table workshop and focus group discussion identified the opportunities existing in Niger state for MSMEs and Agri-Food enterprises to leverage. The key opportunities that stood out in Niger State were access to land, vast human resources, and available markets for produce. At the same time, a plethora of challenges were listed that prevented these enterprises from being efficient. One major challenge listed is the problem of insecurity in some parts of the state. It was also unanimously agreed that government needs to strengthen and enforce policies on food safety as this is the major problem with most of the products in the state that might prevent them from fully benefitting from ACFTA.

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