INCLUSIVE BUSINESS AND IMPACT INVESTMENT AS STRATEGIES FOR INCLUSIVE GROWTH IN NIGERIA

COVID-19 IMPACT CONSORTIUM

NexTier ADVISORY Public Sector

Content

Content

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This report is the outcome of the work carried out by the COVID-19 Impact Consortium (CIC-19) policy pillar on creating an enabling policy environment to support Inclusive Businesses, Impact Investment, and other Social Enterprises affected by the adverse effect of the COVID-19 pandemic. It is the work of Stanley O. Zebulon, Senior Policy Consultant at Nextier Advisory Ltd. If you have any feedback or comment on this report, kindly send them to szebulon@nextieradvisory.com.

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EXECUTIVE SUMMARY

The private sector's contribution to achieving sustainable development goals and structural transformation aims to deliver results to the people at the base of the economic pyramid. Inclusive Business and Impact Investment are two innovative approaches to create value for companies and low-income communities, and, by extension, the country.

Inclusive Business provides goods, services, and livelihoods on a commercially viable basis, either at scale or scalable, to people living at the pyramid base, making them part of the value chain of companies as suppliers, distributors, retailers, or retailers customers. At the same time, Impact investments are investments made to generate positive, measurable social and environmental impact alongside a financial return. These models are implemented through inclusive and social enterprise initiatives.

The government's efforts towards inclusive growth, financial inclusion and last-mile development can be achieved through these models. The triple benefits inherent in the models ensures improved livelihood for people at the base of the economic pyramid, access to a new market for businesses and economic development for the government.

Some private-sector organisations have tried to mainstream the Inclusive Business and Impact Investment models in Nigeria. Notable amongst them are the African Venture Philanthropy Alliance (AVPA) and Impact Investors Foundation (IIF) for the Landscape Study of Social Investments in West Africa, focusing on Nigeria and Ghana and the Analysis of Impact Investing and Policy Landscape Nigeria and Ghana, respectively.

In a survey by Enhancing Financial Innovation and Access (Elfina) in 2020 on Agent banking operators' location, pre-urban to rural frontier accounted for 46% of the Agent banking population. This is because of adopting financial technology (FinTech) to provide finance for farmers and investment vehicles for capital providers, thereby bridging the supply and demand gap in the sector. Companies in Nigeria with the IB model in their value chains include Nestle, Coca-Cola, Unilever, and other multinationals.

Despite the cross-sectorial potential benefits of adopting these models and the inherent economic development they portend; some challenges hinder the actualisation. The government has in the recent past provided. Still, it provides financial support schemes to micro, small and medium enterprises through various stimulus packages. Still, they are not enough to create the momentum needed to encourage impact investments and inclusive Business. The lack of infrastructure, shortage of credible economic data, limited understanding and lack of awareness are among the challenges of the models in Nigeria.

Nevertheless, capacity development to foster a good understanding of models will increase the openness of government officials and other stakeholders in the value chain to promote their adoption. Also, the government's effort in policy amendments will create an enabling environment for these businesses to scale. In line with efforts towards creating an enabling environment, we have put forward the following policy recommendations for consideration by the government.

Policy Recommendations

1. Institutionalising IB and II support in Nigeria - (Appendix 1)

2. Promoting IB and II Awareness in Nigeria - (Appendix 2)

3. Creating a Financing Structure for IB and II - (Appendix 3a – 3d)

a. Restructuring the "Survival Fund" programme of the government to target IBs and IIs.
b. Creating an IB Risk Reduction Facility Fund as a co-financing mechanism by the government.
c. Deploying the unclaimed Dividend Fund as a co-financing mechanism by the government.
d. Creating investment instruments for sustainable finance.

4. Putting in place a Coordinated Stimulus Implementation Strategy - (Appendix 4)

INTRODUCTION

Nations around the world are leaning towards sustainable and inclusive growth as a strategy to achieve economic development. They are adopting policy initiatives that consider the need for inclusion by incorporating the base of the pyramid in economic value chains.

In Nigeria, the lack of an enabling business environment remains a significant challenge to MSMEs as they strive to scale their operations. Particularly, Inclusive Businesses and Impact oriented Investments have been neglected in policy initiatives of the government to support MSMEs in the country before and during the COVID-19 pandemic.

To this end, the COVID-19 Impact Consortium, in collaboration with other stakeholders, wants to work with the Nigerian government to create an enabling business environment conducive for Inclusive Businesses and Impact Enterprises.

The objective is to get the Nigerian government to consider and adopt Inclusive Business and Impact Investment models as a strategic plan towards inclusive growth and economic development.

PART ONE

GENERAL OVERVIEW OF INCLUSIVE BUSINESS AND IMPACT INVESTING IN NIGERIA

What is Inclusive Business?

Inclusive Business[1] (IB) Any business that provides goods, services, and livelihoods on a commercially viable basis, either at scale or scalable, to people living at the pyramid base, making them part of the value chain of companies as suppliers, distributors, retailers, or retailers customers. The private sector's contribution to achieving sustainable development goals and structural transformation aims to deliver results to the people at the base of the economic pyramid (BoP).

Inclusive business is implemented through distinct approaches, notably inclusive business models and social enterprise initiatives. The widespread adoption of IB by the private sector allows broad market development that will benefit the vulnerable low-income people in the country by including them in economic value chains.

What is Impact Investment?

Impact investing[2] (II) refers to investments. "Impact investments are investments made to generate positive, measurable social and environmental impact alongside a financial return ". Impact investments provide capital to address social and environmental issues.

Inclusive Business (IB) and Impact Investment (II) Relationship

The relationship between these two (2) innovative approaches to business and investment and how they interact to create value for companies and low-income communities, and, by extension, the country is summarised as follows:

- II provides support for IB mainly through the provision of access to capital and frequently through technical assistance, mentorship, and other enterprise development assistance to ensure the success of IBs to achieve financial targets and expected social impacts.
- Consequently, if appropriately implemented, II and IB work together to improve the livelihood of low-income people living at the base of the economic pyramid.

Business owners must balance the relationship between inclusion, social impact, and financial return for businesses to scale and create measurable impact. Consequently, the struggle by business owners to achieve growth might persist if this balance is not achieved systematically.

Implementation Challenges

Enterprises developing and implementing IB models are confronted with several problems: infrastructural challenges, insufficient knowledge, inadequate skillsets, and limited access to finance for the low-income population. Accordingly, for IB and II to thrive, there is a need to address these challenges and present their potential to generate a good return on investment and sustainable growth for the enterprises.

Benefits of IB and II

The drive towards inclusive growth in Nigeria can be aided by the deliberate support of inclusive business and impact investment, which has the following inherent benefits embedded in it:

- Reduction in Unemployment.
- The improved livelihood of low-income, vulnerable people at the base of the economic pyramid through the provision of essential goods and services.
- Improved financial capacity of the people at the base of the pyramid.
- Access to a new market for IB companies and investors for greater return.
- Improved infrastructure.

[1]G20 - Inclusive businesses provide goods, services, and livelihoods on a commercially viable basis, either at scale or scalable, to people living at the base of the economic pyramid (BOP), making them part of the value chain of companies' core business as suppliers, distributors, retailers, or customers.

[2]https://thegiin.org/impact-investing/.

Overall, IB and II create a positive social impact for all stakeholders, as depicted in the table below.

Triple Win Summary

Benefits from inclusive business for all parties

Added value for companies	Added value for low-income people	Added value for other ecosystem actors
Building new markets: Strong growth within low-income markets and opportunities represented by unmet needs can translate into long-term profits and increased revenues.	**Meeting needs:** People can gain access to needed goods and services such as food and nutrition, energy, clean water and sanitation, housing and financial services.	**Governments** can leverage private investment to achieve social objectives, in particular creating jobs for youth, increasing incomes, and improving access to basic goods and services.
Strengthening supply chains: By working with smallholder farmers or manufacturers, companies gain access to new sourcing channels.	**Increasing income:** People can find jobs, increase their incomes and improve their livelihoods. Lower product prices can increase relative consumption power.	**Development partners** can support sustainable solutions able to continue even after the development funding stops.
Enhancing reputation: Tangible social benefits can improve company reputation, increase the value of brands, and make it easier to secure licenses to operate locally.	**Enhancing productivity:** Access to electricity, financial services, health services, telecommunications, inputs, technology and capacity-building makes people more productive.	**Civil society organizations** can create opportunities for their constituencies within low-income communities.
Retaining and motivating employees: A commitment to social goals motivates employees and helps a business attract talent.	**Enlarging choices:** Being integrated into formal markets gives people new choices and the ability to make their own decisions.	**Research institutions** can collaborate on applied research with businesses, which may also provide funding.
Driving innovation: Challenges in low-income markets drive innovation that could also be applicable to other markets.	**Instilling self-confidence:** People with more choices gain in self-confidence and develop a sense of control of their lives.	**Intermediaries** increase their relevance by providing concrete benefits to their members.

A Case for IB and II in Nigeria

A veritable inclusive strategy will involve appropriate partnerships in engagement with the low-Income people at the BoP. This partnership will ensure their integration into the business ecosystem, thereby providing access to income opportunities, essential goods, and services to improve their livelihoods.
For IB and II to work, it requires a collaborative effort from all government and private sectors. Creating an enabling environment for IB and II to bring about inclusive growth in Nigeria still requires extensive work. Adopting a pro-poor approach in creating interventions towards supporting IB and II can only be effective if the ecosystem provides relevant information, capacity, incentives, investments, and coordinated implementation methodology.

This integration of low-income earners in the economic value chain of private sector-led businesses requires deliberate action from all stakeholders, especially the government. With innovative strategies at the forefront of government actions, the inclusion of the BoP in the value chain could begin with overhauling the business landscape to support IB and II towards mainstreaming the approaches.

CURRENT EFFORTS BY PRIVATE SECTOR ORGANISATIONS II IN NIGERIA

African Venture Philanthropy Alliance (AVPA)

- AVPA, with support from the United States African Development Foundation (USADF), Social Capital Foundation, the Rockefeller Foundation, and other stakeholders, carried out a "Landscape Study of social investments in West Africa."[3] with Nigeria and Ghana as key focus areas. Key recommendations of the report are as follows:

	Recommendations For SI Stakeholders	Priority Level
Recommendations to catalyze diverse and innovative pool of social capital	Enhancing the supply and use of catalytic capital in the region	High
	Enhancing collaboration with the government	High
	Promoting education and awareness of social investment practices	High
	Developing social impact bonds to solve key development challenges	Medium
	Driving shared value collaboration	High
Recommendations to empower organizations delivering social change (demand side players)	Leveraging alternative funding models for NGOs/CSOs	Medium
	Establishment of a technical assistance toolkit and on-site training for NGOs	Medium
	Developing interventions to support human resources (HR) needs of enterprises	Medium
Recommendations to develop enabling environment and infrastructure	Data building and development of knowledge tools	High
	Focused mobilization and deployment of philanthropy funds	High
	Enhancing support for the sustainability of ecosystem support organizations (ESOs)	Medium
	Improving the legal and regulatory frameworks	Medium
	Enhancing impact measurement and management	Medium

Source: AVPA Report - Landscape for Social Investment in West Africa – Recommendations Page three.

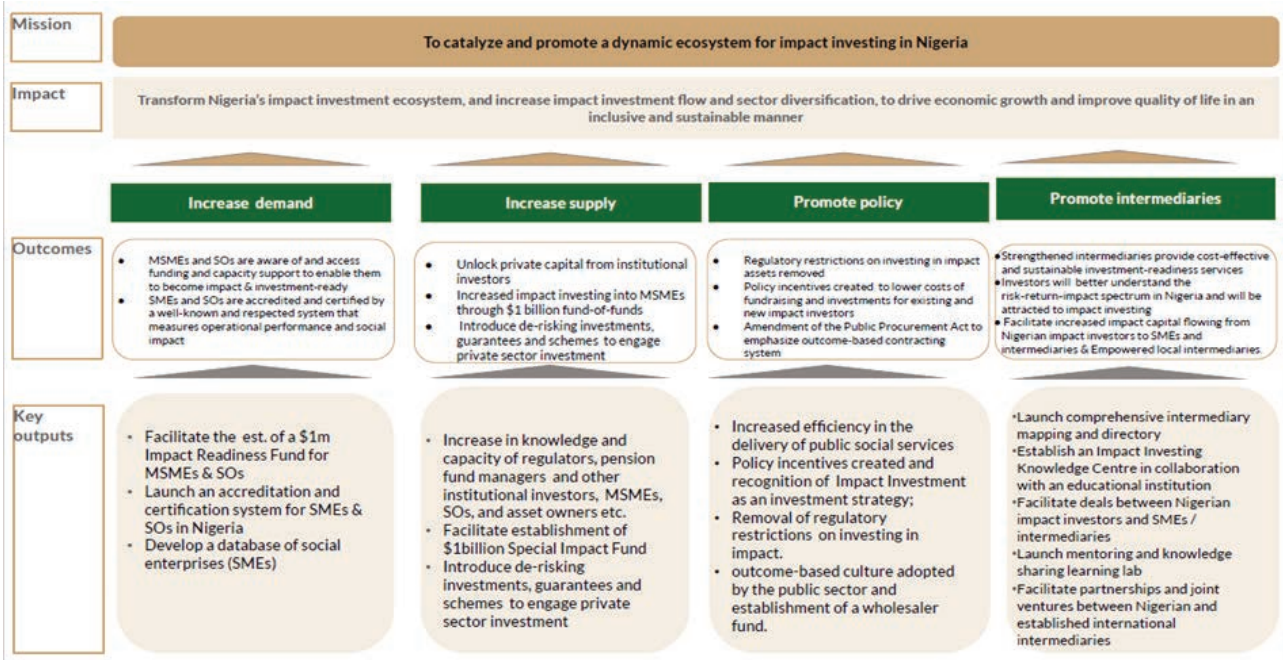
Impact Investors Foundation (IIF)

- IIF in 2015 launched a Landscape Study on "Nigeria and Ghana Impact Investing and Policy Landscape Analysis."[4] in collaboration with The Global Impact Investing Network (GIIN) and the Ford Foundation. This report x-rayed the Impact Investment ecosystem and policy challenges affecting its development in Nigeria and Ghana. Some Policy recommendations from the report are as follows:

a. Advancing the recognition of impact capital as an investment strategy.
b. Building greater awareness to mobilise local capital.
c. Incentivising appropriate layering of capital.
d. Driving sector-specific reform in high-priority industries.
e. Convening and shaping the ecosystem of business development service providers.
f. Creating stronger organisations able to drive systemic/institution-level technical assistance.

- Also, the IIF is coordinating the establishment of a National Advisory Board (NAB) for Nigeria. This advisory board will be made up of an influential cross-sector coalition of leaders united to grow impact investment as a powerful force in Nigeria. When fully established, the board will represent Nigeria's entire impact investing ecosystem, dedicated to implementing the strategy and actions to address barriers and bring opportunities to deepen the market in Nigeria. Extract from the current working plan of the NAB is attached below.

[3]https://avpa.africa/landscape-report-west-africa/



Source: IIF – Business Plan (National Advisory Board For Impact Investing in Nigeria)

IB AND II PRIVATE SECTOR ACTIVITIES IN NIGERIA

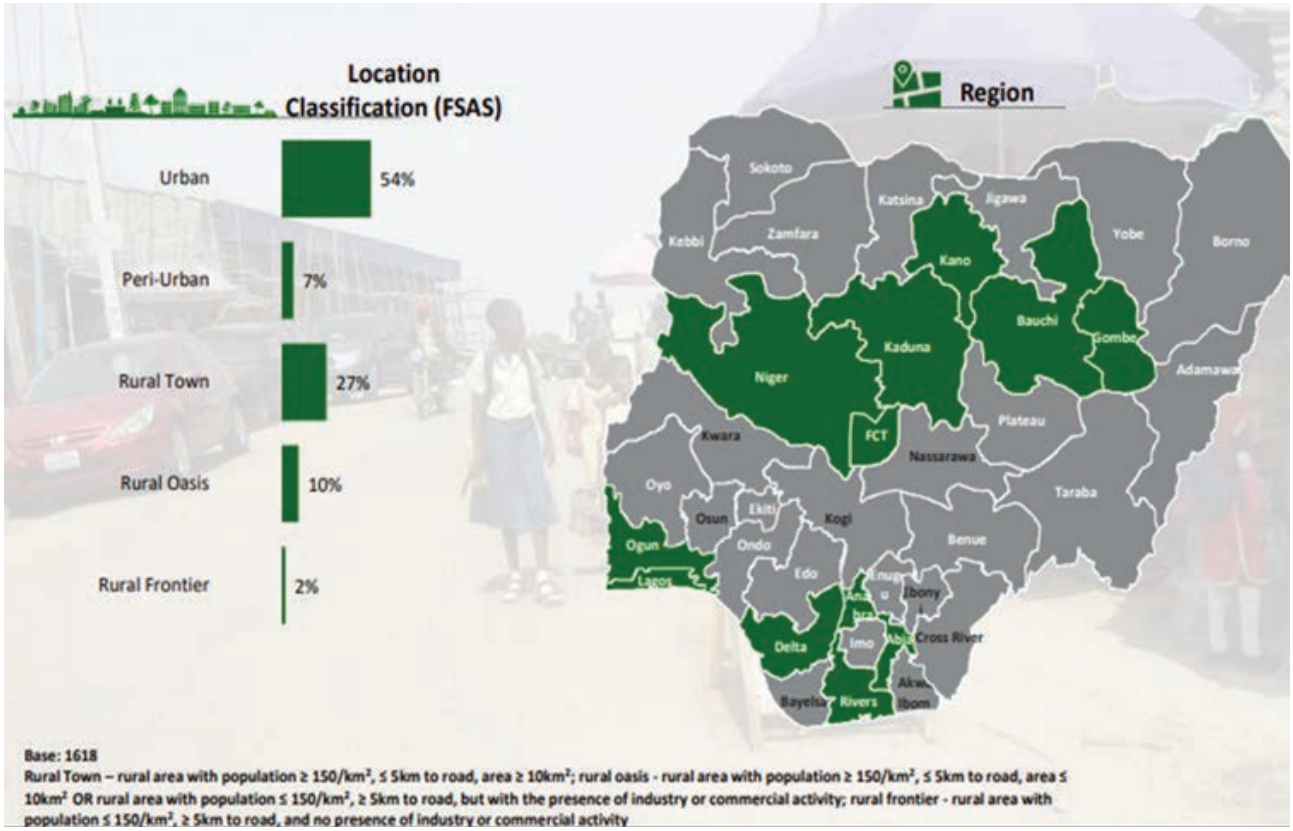
Sectorial Activities and Impact Enterprises Implementing IB and II:

Financial Inclusion through Financial Technology - FinTech:

FinTech companies have managed to significantly improve the livelihood of low-income people living at the BoP despite challenges in infrastructure. The success stories of companies like PayStack, FlutterWave, Paga, PiggyVest, Interswitch, E-Transact, SystenSpec's – Remita in enhancing financial inclusion in Nigeria is testament to the speed to scale in technology companies. Mainstream financial Institutions also have adopted electronic payment platforms and agent banking to scale operations while engaging and to improve the livelihood of the low-income people at the BoP.

The introduction and adoption by the banks of remote POS Agents (Agent Banking) in rural areas as a financial penetration strategy has created many jobs for the BoP occupants. Internal Report from First Bank of Nigeria dated December 31, 2020, puts their Agent bankers at 87,000 and total transaction volume at N7 trillion. Below is a survey by Enhancing Financial Innovation and Access in 2020 on Agent banking operators' location. Pre-Urban to Rural Frontier accounted for 46% of the Agent banking population.

[4]https://impactinvestorsfoundation.org/category/resources/research-and-publications/



Source: - Enhancing Financial Inclusion and Access https://www.efina.org.ng/wp-content/uploads/2020/08/Financial-Services-Agents-Survey-2020-Report-1.pdf

Agriculture:

The increased agribusiness awareness in Nigeria is a testament to the benefits of an inclusive business model and impact investing. The integration of rural farmers in agribusinesses' raw material and food supply chain contributes to inclusive growth. The industry has spur technological innovations as a tool for inclusiveness. They adopt FinTech to provide access to finance for farmers and investment vehicles for capital providers, thereby bridging the supply and demand gap in the sector.

Companies in Nigeria with the IB model in their value chains include Nestle[5], Coca-Cola[6], Unilever[7] and other multinationals. Others that have adopted the smallholder farmers model as a business strategy thereby contributing to employment creation, financial empowerment of the BoPs, and improved livelihood for the previously excluded population low-income group include:

- Flour Mills of Nigeria
- Babban Gona
- SeedCo Nigeria Ltd
- BUA Group
- AgroMall
- OLAM Nigeria
- Stallion Group
- Dangote Group
- FarmCrowdy
- Indorama

[5]Nestlé Nigeria PLC, in collaboration with International Fertilizer Development Centre (IFDC) / 2Scale, is helping farmers improve their livelihoods by empowering smallholder farmers on sustainable farming practices under the initiative, Nestlé Nigeria & IFDC/2Scale Project Sorghum & Millet. The partnership aims to improve grain quality and productivity.

[6]5by20 is The Coca-Cola Company's program to help 5 million female entrepreneurs —from fruit farmers and artisans to recyclers and retailers —become part of our value chain by 2020. Over 3.2 million women in 92 countries have started businesses as part of our 5by20 program. Women invest much of their income into their local economies. When we help women, we help communities.

[7]Unilever Project Shakti
Over the past couple of months, Unilever Nigeria has leveraged the Shakti project to lift thousands of rural women out of poverty and get them to participate in economic activities by providing income-generating opportunities and also use their network to create hygiene awareness in the community. So far, 2,000 women have been empowered across 60 local governments in 11 states reaching over 100,000 homes. The project has seen a 90% loan repayment rate and generated significant revenue for Unilever.

PART TWO

IB AND II IMPLEMENTATION IN NIGERIA

HINDRANCES TO EFFECTIVE IB AND II IMPLEMENTATION

Despite the cross-sectorial potential benefits of adopting these models and the inherent economic development they portend; some challenges hinder the actualisation.

Public Sector officials identify two main obstacles hindering the promotion and adoption of these models as economic development strategies. These hindrances are:

1. Lack of Appropriate Information about IB and II: Very few public sector officials are conversant with IB and II. This shortage of understanding of how value chain linkages and social impact can engender economic development is crucial for the government's IB and II adoption.

2. Political and Policy Inconsistency: Politics play a significant role in Nigeria's civil service administration. Policies are as volatile as a change in government. Every change almost always means a change in policies. Therefore, it is not easy to plan or make predictions regarding policies that will continue with new administrations. Most public sector officials stated that unless the process of having the conversation is entrenched in government and supported by appropriate directives or legislation, it will be challenging to make progress.

Additional hindrances affecting the adoption of these models from the Private Sector perspectives are as follows:

3. Lack of an Enabling Business Environment: The World Bank's 2020 Doing Business report ranked Nigeria 131st out of 190 countries. Though an improvement from the previous 146th ranking in 2019, the challenges of institutions, infrastructure, Information technology, etc., remain. A conducive business environment with friendly regulations will encourage big businesses significantly impact enterprises to partner and work with small and growing businesses to integrate the BoPs in their value chain.

4. Lack of Access to Sustainable/Patient Finance: Inadequate financing is a significant obstacle to adopting IB and II business models in Nigeria. Businesses need financial support to enable them to venture into risky low-income markets, which would enable them to achieve scale and sustainability. The government has in the recent past provided and still provides financial support schemes to micro, small and medium enterprises (MSMEs) through various stimulus packages but are not enough to create the momentum needed to encourage impact investments and inclusive business. The government could put structures in place for targeted financial support to encourage impact investors and inclusive business. This will support those venturing into the rural frontiers.

5. Lack of Infrastructure: Social Impact and integration of the people at the BoP in economic value chains require both soft and hard infrastructure to flourish. Factors such as inadequate funding, corruption, economic disruption, and poor governance have contributed to Nigeria's lack of inadequate infrastructure. For example, allocating resources to improve road networks from farm settlements and across the nation to support the Agribusiness ecosystem will bring about improved income and livelihood for the BoPs. Also, improvements in mobile network connectivity, electricity supply, and bank presence are required to improve the viability of low-income markets.

6. Lack of Investment Ready Companies: Impact investors ready to make investments cannot identify viable investments that meet financial and social, or environmental objectives. Also, the negative perception about impact investing that value must be sacrificed for profit, and that impact investments underperform compared to traditional investments contribute to make the adoption of this model a challenge in Nigeria.

7. Limited Understanding of Private Equity and Venture Capital Market in Nigeria: Some investee companies struggle with the notion of admitting equity investors for fear of losing control of their businesses. Also, investors are concerned about an exit strategy, given the depth in the capital market in Nigeria. Capacity development of these business owners is needed to increase the knowledge depth of IB and II models in Nigeria.

8. Shortage of Credible Economic Data: Data integrity is a variable in analysing low-income markets. In Nigeria, data duplicity, incomplete/incorrect data, or total absence of data is part of the hindrance to investments. Some businesses with the capacity and skillsets required to operate in low-income markets cannot function when there is no data, slowing down market development. Businesses need to be aware of current trends, demographics, competition, and current knowledge of the market system to succeed.

9. Lack of Awareness/Knowledge: For the models to be welcomed, they must first be understood by the stakeholders. Poor or lack of understanding of value chain linkages, low-income markets, social impact, and how they affect

people's livelihood at the BoP and, by extension, economic development are critical challenges affecting IB and II models in Nigeria. Capacity development through public-private sector engagement will strengthen the knowledge of inclusive business and impact investment.

10. Unequal Business Opportunities: Integrating low-income business owners or individuals in the value chain require access to equal opportunity. When access to opportunity is not based on equal standards instead on 'Long-Legs[8] ', some of the people at the BoP are excluded from specific business opportunities.

RECOMMENDATIONS TO ADDRESS THE IDENTIFIED HINDRANCES

1. Capacity Development: Good understanding of IB and II will increase the openness of government officials and other stakeholders in the value chain to promote their adoption. Working with Private Sector Technical Assistance providers to deepen the knowledge base on the concepts and inherent benefits to the government and low-income communities will increase enthusiasm amongst stakeholders.

2. Encourage Innovation: One of the challenges of adopting IB and II in Nigeria is low innovation ability. The country's economic landscape affects the capacity of businesses, individuals, and government to concentrate and nurture new ideas or innovate existing commercial models that have worked in other climes. Encouraging innovative capacities that will build on lessons from outcomes in more established nations already implementing IB and II is critical to shortening Nigeria's learning curve towards IB and II adoption.

3. Financial Support for Scaling: Business models differ depending on the sector. The strategy for growth could be sector-specific to achieve the full potential of each sector. Depending on the engagement strategy of low-income people, scaling will mean different things to different enterprises. IB enterprises that are innovative in the technology space might have a shorter time to scale than others like agriculture, health, and energy, which might take a long time to scale. The multiplier effect of IBs integrating the low-income people at the BoP into the economic value chain and the social impact created by Impact investors typically outweighs the financial investment made to achieve them. Consequently, financial support from private and public sector stakeholders is needed to support adopting these models for inclusive growth and development. A blended finance[9] the mechanism could be a veritable tool to unlocking the needed capital to drive the initiatives.

4. Institutionalising IB and II enabling support in Nigeria: Institutionalising the development and implementation of an enabling environment for IB and II within government ministry or agency ensures sustainability[10] of the process dynamically and adaptively. The entrenchment of this process will give the following outcomes:

a. Accountability
b. Consistency
c. Commitment
d. Continuity
e. Process improvement

5. Creating Incentives: As part of the government's drive to ensuring an enabling business environment for IBs and II, an incentive mechanism might be necessary to reward organisations that adopt the IB and II. Financial incentives and non-financial benefits could be considered for organisations engaging with low-income people. These benefits can be in cost reduction and removal of bottlenecks of doing business in the country. Also, providing an award system to recognise outstanding performance will enable inclusive businesses to function in various dynamic environments.

6. Building Partnerships: Partnerships between established inclusive Businesses and small businesses in low-income communities will bring about capacity development, employment creation, improved livelihood for the BoPs, and a new market for inclusive businesses. Also, Public-Private Partnerships in critical sectors with substantial social impact will be a positive move towards entrenching IB and II in the country. Partnership with organisations with existing networks to act as intermediaries can help impact enterprises to achieve scale faster.

7. Providing Access to Information: Access to credible information is essential will assist impact enterprises and inclusive businesses in decision making. Information relating to access to finance, market data, economic trends, and competitive environment can be the difference between business success or failure.

[8]Connection with people in authority within the community or business organisation.
[9]Blended finance is defined "as the strategic use of development finance and philanthropic funds to mobilise private capital flows to emerge and frontier markets", resulting in positive results for both investors and communities. - Wikipedia
[10]Sustainability means meeting our own needs without compromising the ability of future generations to meet their own needs.

PART THREE

RECENT POLICY AMENDMENTS TOWARDS AN ENABLING ENVIRONMENT FOR MICRO, SMALL AND MEDIUM ENTERPRISES IN NIGERIA

CAMA 2020 Amendments:

- Section 18 (2): This provides that one person can now become a company shareholder, as against the previous requirement for two persons to form a company. In this context, the person cannot be a minor (a person below 18).

- Section 27: This section replaces 'Authorised Share Capital' with 'Minimum Share Capital'. This implies that the promoter(s) of a business must not pay for or allocate shares that are not needed at the specific time of incorporation.

- Section 40 (1): There is the introduction of Statement of Compliance (SOC) signed by an Applicant (or agent), without the need for a Lawyer or Notary Public to attest to Declaration of Compliance (DOC). SOC is a requirement of the law that indicates that the applicant has complied with the registration and requirements.

- Section 98: This section abolished the mandatory use of the common seal, as its use by companies is now optional, NOT mandatory.

- Section 119: This section emphasises transparency in terms of control in a company. It requires that persons with significant control in a company disclose its shareholding to other shareholders. For example, anyone who has a person(s) holding shares on their behalf as trustees or proxies, whilst being shareholders themselves in the same company, are expected to disclose such relationship for transparency.

- Section 223 (12): There is a significant reduction of Filing Fees for Registration of Charges to 0.35%, which implies a reduction of cost in fees relating to charges.

- Section 265 (6): Firms cannot appoint one (1) Director to hold the Chairman and Chief Executive Officer of a Private Limited Liability Company.

- Section 307 (1): One person cannot be a Director in five (5) different Public Limited Liability Companies.

- Section 330: Private Limited Liability Companies are now exempted from appointing Company Secretary.

- Section 402: Small companies or companies having one shareholder are NOT mandated to appoint auditors at AGMs to audit their financial records. These companies are exempted from auditing accounts in respect of a financial year.

- Section 434 – 549; 718 – 721: Insolvent Companies can now be rescued from distress and liquidation instead of winding up through the following options: Voluntary Arrangements, Administration, and Netting.

- Section 849: The new Act extends merger beyond LLCs to Incorporated Trustees. This implies that two or more NGOs, social entrepreneurs with different registered organisations, with similar goals can merge to form one (1) single organisation.

- Section 861: This section validates the recognition for electronic filing of documents, electronic share transfer, and electronic meetings for Private Limited Liability Companies (LLC). In another provision (section) of the same law, you can now hold or attend Virtual AGM (Annual General Meetings) from anywhere in the world.

- Introduction of Limited Liability Partnerships and Limited Partnerships, which combines flexibility and tax status of a partnership with limited liability for members of a company.

Finance Act 2019 Amendments:

- The classification of companies into three categories: small companies: turnover of N25,000,000 and below (small companies are fully exempt from companies' income tax and VAT); medium companies: turnover of between N25,000,000 and N100,000,000; and large companies with turnover of above NGN100,000,000.

- The taxation of digital companies using the "significant economic presence" test.

- The modification of commencement and cessation rules applies on an actual yearly basis to eliminate gaps and avoid double taxation.

- Authorisation of insurance companies to carry forward tax losses indefinitely.

- The introduction of an interest deductibility cap at not more than that 30% EBITDA on loans issued to Nigerian companies by foreign connected persons.

- The reduction of the tax exemption on interest payments on foreign loans that meet the relevant criteria, with the maximum exemption now 70%, down from the previous 100% exemption.

- Dividends distributed from petroleum profits are now to be subject to withholding tax at the rate of 10%.

- A rise in the VAT rate from 5% to 7.5%.

- VATable goods and services' expansion includes intangible assets or property excluding the transfer of interest inland.

- The expansion of the meaning of "instrument" under the Stamp Duties Act to include electronic documents; and

- The introduction of a 365-day pre- and post-business reorganisation rule for related party business reorganisation transactions for the assets transferred to be subject to the applicable tax benefits, such as an exemption from capital gains tax and VAT, transfer of assets at tax written down value.

Finance Act 2021 Amendments:

- The reduction of minimum tax payable by companies with no assessable profit from 0.5% to 0.25%.

- Donations to funds set up by the government regarding a pandemic or natural disaster are now allowable deductions to determine assessable profits of a company.

- Companies now required to file self-assessment tax returns yearly to the Federal Inland Revenue Service.

- A notice of assessment from the FIRS or a notice objecting to an assessment from the FIRS can now be served electronically.

- Expenditure on software is now deemed a qualifying capital expenditure so that companies can now claim capital allowances on expenses incurred in obtaining software for their businesses.

- Incorporeal rights, such as intellectual property rights, are now subject to VAT upon transfer.

Nigerian Investment Promotion Commission (NIPC) Act 2004

- Sections 17 and 18 of this Act liberalises foreign investments and ownership of investment by foreigners allowing up to 100% ownership of enterprises by foreign investors. This effectively allows foreign investors to invest in all, or a portion of, the shares of any Nigerian enterprise except those prohibited by the Act.

- Section 24 of the NIPC Act provides that a foreign investor in an enterprise, to which the Act applies is guaranteed unconditional transferability of funds through an authorised dealer, in freely convertible currency, of:

a. dividends or profits (net of taxes) attributable to the investment.
b.
c. Payments in respect of loan servicing where a foreign loan has been obtained.
d.
e. The remittance of proceeds (net of all taxes) and other obligations in the event of a sale or liquidation of the enterprise or any interest attributable to the investment.

- Section 25 of the NIPC Act provides guarantees to investors against nationalisation and expropriation. Where, however, an acquisition is made in the national interest for a public purpose, the investor shall be entitled to:

a. payment of fair and adequate compensation.
b. A right of access to courts to determine the investor's interest or amount of competition to which the investor is entitled.
c. Payment of compensation without undue delay and authorisation for its repatriation in convertible currency, where applicable.

PART FOUR

DRAFT POLICY RECOMMENDATIONS TO ADDRESS IDENTIFIED HINDRANCES

Despite the work already carried out by various stakeholders, IB and II remain at the nascent stage in Nigeria. Intending to muster collaboration between various stakeholders and highlight potential alliances that will provide further synergies for cost-effectiveness, reach, agility, and multiplied impact, the Consortium propose the recommendations mentioned below for consideration by the government.

LIST OF RECOMMENDATIONS

1. Institutionalising IB and II support in Nigeria - (Appendix 1)

2. Promoting IB and II Awareness in Nigeria - (Appendix 2)

These recommendations will enhance an enabling business environment for inclusive businesses and Impact investing in Nigeria thrive by:

a. Encouraging private sector adoption, thereby unleashing their innate potentials to drive sustainable, inclusive economic development in the nation.

b. Encouraging businesses and business leaders to channel resources towards a better course than sometimes throwing money at community leaders and a privileged few in the name of Corporate Social Responsibility (CSR).

c. Encouraging foreign impact investors looking for portfolio diversification into other climes (Africa).

d. Taking advantage of the adoption and tropicalising international best practices to shorten our time to scale, thereby creating a more significant impact.

e. Encouraging greater acceptance by both public and private sector actors.

f. Bringing about the nomination of a champion at both federal, state, and local government levels to drive the development of the models in Nigeria.

g. Improve the capacity of the ecosystem actors to understand and explore the opportunities inherent in the models.

h. Accelerating last-mile development efforts of the government.

3. Creating a Financing Structure for IB and II - (Appendix 3a – 3d)

a. Restructuring the "Survival Fund" programme of the government to target IBs and IIs.

b. Creating an IB Risk Reduction Facility Fund as a co-financing mechanism by the government.

c. Deploying the unclaimed Dividend Fund as a co-financing mechanism by the government.

d. Creating investment instrument for sustainable finance.

These recommendations will create a targeted funding support for Inclusive Businesses And Impact Enterprises in Nigeria. The following benefits will ensue:

a. Ensure a sustainable micro, small and medium enterprises (MSME) development strategy that will impact the livelihood of the low income and the most vulnerable in our nation.

b. Solve the access to finance (A2F) challenge faced by impact and inclusive organisations by channelling capital to catalyse the ecosystem's growth.

4. A Coordinated Stimulus Implementation Strategy - (Appendix 4)

The Nigeria government as an entity sets the tone that drives economic activities in the nation. In the wake of the COVID-19 pandemic, the government's stimulus packages are being implemented in silos by various agencies and ministries of government. For an impactful outcome, a funnel implementation approach could be considered, thereby harnessing all government actors' strengths.

PART FIVE

SUMMARY AND CONCLUSION

Summary

In exploring an enabling environment for Inclusive Businesses and Impact Investment, it is pertinent to understand the uniqueness of IB models and analyse them as different from traditional business models. To achieve this, the government could adopt a cross-sector approach in reviewing impediments that hinder the country's growth. From the body of evidence on Inclusive Business research, especially as documented on the G20 platform, it is evident that different governments adopt bespoke strategies that fit their clime in addressing the issue.

These approaches can be sub-divided into two, namely, the functional business approach that targets reduced costs and risks for businesses, thereby increasing competitiveness and the more comprehensive government policy approach that addresses institutional framework. These come in the form of targeted interventions to address specific industry or sector challenges.

In addressing the challenges, policymakers must understand, identity, and address policy and regulatory constraints encountered by inclusive businesses.

Policy-Level Initiatives:

To address cross-sectoral or other fundamental constraints to private investment that affect inclusive business, the government can engage directly with private sector partners through joint programme implementation. With such programmes, the private sector advisory firm will work with the government in designing new regulatory and policy frameworks.

Approaches starting at the level of markets and sectors[11]:

Market systems development and other sectoral programmes are particularly suited to address policy and regulatory constraints for inclusive business models that are not usually covered in national reform packages or outside their scope due to the innovative approach of the business. Based on a thorough analysis of sectoral constraints to inclusive growth, the bottom-up approach of market development programmes lends itself to identifying sector-and innovation-specific business environment barriers. Another comparative advantage of these programmes is that they pursue a variety of interventions at the same time (e.g., also including supply chain development etc.), which is critical for inclusive business development.

REVIEW OF REFORM OPTIONS AND FURTHER CONSIDERATIONS NEEDED TOWARDS AN ENABLING BUSINESS ENVIRONMENT:

A. FUNCTIONAL AREAS:

- **Business registration and licensing rules and procedures**

a. Changing obstructive regulations to enable the formalisation of existing informal, inclusive business models that can grow and achieve a large-scale impact on the poor.

b. Removing or relaxing restrictive regulatory requirements which prevent business from engaging with informal suppliers or clients.

c. Changing sectoral licensing regimes or removing single licensing requirements preventing the market entry of innovative, inclusive business models (e.g., telecommunication industry)

- **Tax regulations and administration**

a. Reducing excessive taxes and duties for inclusive technologies to reduce cost for inclusive business and facilitate their growth.

b. Removing tax exemptions targeting incumbent businesses, products, or technologies that inclusive business competes with.

- **Access to finance regulations**

a. Enabling inclusive business to access finance:

i. Creating a conducive regulatory environment for impact investment (and other newer forms of finance) that are of particular relevance to high-risk investments with pro-poor impact.

[11]Adapted from the Report of Business Environment Working Group (BEWG) of the Donor Committee for Enterprise Development (DCED) – October 2016.

ii. Facilitating access to inclusive businesses and relevant target sectors to (a) raise awareness in government of their role as regulator and investment facilitator and (b) to increase bank and impact investor interest in inclusive business.

c. Enabling inclusive business to act as providers of finance:

i. Creating regulatory frameworks to enable agent banking in rural areas to reach poor customers.

ii. Creating regulatory frameworks to enable mobile banking services by non-bank providers to reach rural and poor customers.

- **Land titles, registers, and administration**

a. Removing binding constraints for inclusive core business activities involving land (e.g., leasing small plots to farmers).

b. To attract agricultural investors, some governments may sideline land access implications for the poor. Introducing safeguards to land or investment law may help to mitigate such risks.

- **Public-private dialogue**

a. Forming new national dialogue for inclusive business only, especially where existing platforms do not seem appropriate, and a substantial number of inclusive business share concerns within or across sectors.

b. For highly innovative pioneer business, direct interaction with the government through public-private dialogue will be more effective.

- **Quality Standards**

a. Removing or relaxing existing standards that prevent market entry or formalisation of an inclusive business model.

b. Developing new quality standards to help innovative and inclusive market entrants reach scale by shielding them from the cheaper but low-quality competition.

- **Overarching regulatory governance and frameworks: Regulation and de-regulation**

a. Removing binding constraints to the market entry of inclusive business through a dissolution of government monopolies sector-wide de-regulation; and

b. Promoting and regulating inclusive business growth through new regulations, such as relating to price, quality, and safety standards

- **New statutory forms for inclusive business in corporate law/voluntary accreditation**

a. Exploring unique legal forms or voluntary accreditation schemes for inclusive business.

B. WIDER GOVERNMENT POLICIES AND STRATEGIES

- **Targeted government support to particular businesses, sectors, or industries**

a. Targeted government interventions that are least prone to failure and proven successful in promoting inclusive growth in many countries can be summarised as 'horizontal industrial policy interventions'. These include:

i. tax incentives, direct financial support, technical assistance targeted at sub-sectors, activities, or technologies rather than at individual firms; and

ii. Time-bound targeted support for individual pioneer business is based on a clear economic rationale and activities to encourage sectoral development beyond the individual business partner.

- **Focusing on criteria of social impact in allocating and managing targeted support**

a. Rather than focusing on social criteria in allocating and managing industrial support, effective 'inclusive industrial policies' are likely to involve:

i. A focus on labour-intensive high-growth industries and productivity-enhancing practices in agriculture;

ii. Promoting appropriate labour standards in these industries; and

iii. Strengthening backward linkages of larger firms with intermediaries or suppliers involving the poor

- **Introducing a market-based approach in public or private sector operations that**

lead to benefits for the poor

a. Market-based solutions, such as facilitating access to information about local suppliers, providing rewards for inclusion, or improving supplier training and quality infrastructure, are more effective than adopting a mandatory inclusion strategy.

CONCLUSION

An enabling environment for inclusive business and impact investment in Nigeria is multifaceted; hence likely models require bespoke government responses based on an assessment of the target sector and the needs of individual businesses. Consequently, improved exchange of lessons learnt between the inclusive business community and government agencies globally and locally, such as the business environment reform team, could inform the most effective government response.

APPENDIX

1. Institutionalising IB and II support in Nigeria

2. Promoting IB and II Awareness in Nigeria

3. Creating a Financing Structure for IB and II

a. Restructuring the "Survival Fund" programme of the government to target IBs and IIs.
b. Creating an IB Risk Reduction Facility Fund as a co-financing mechanism by the government.
c. Deploying the unclaimed Dividend Fund as a co-financing mechanism by the government.
d. Creating investment instrument for sustainable finance.

4. Putting in place a Coordinated Stimulus Implementation Strategy.

5. The ASEAN Guidelines for the Promotion of IB

6. The ASEAN IB Framework

7. Broad Overview of Inclusive Business – Adapted from the work of Dr. Armin Bauer in the ASEAN region.

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Appendix 1

INSTITUTIONALISING INCLUSIVE BUSINESS AND IMPACT INVESTMENT IN NIGERIA

Purpose

This policy memorandum provides recommendations on institutionalising the Inclusive Business model as part of the Nigerian government's plan to promote an enabling environment.

Background

By definition, Inclusive business (IB) provides goods, services, and livelihood on a commercially viable basis either at scale or scalable to people living at the base of the pyramid (BoP) by making them part of the value chain of companies' core business as suppliers, distributors, retailers, or customers.

Though not new in the country, the IB ideology is yet to receive the attention it deserves to gain traction. For effectiveness, the policy to drive participation and commitment from the private sector could be led by the government. The government could implement customised programs in partnership with other stakeholders to create an enabling environment for IBs, thereby incorporating them into the government's development plans.

A dedicated government agency could provide a platform for meaningful progress to be made to pursue the IB initiative. This has been demonstrated in creating the Nigeria Investment Promotion Commission, which ensures that both local and foreign investment initiates are adequately harnessed. Similarly, to mainstream IB initiatives, given its multi-sectoral character, strategies that will foster top-level multi-agency collaboration both in the government and business community could be deployed.

Consequently, the government could identify the appropriate ministry or agency within the existing structure at the forefront of IB promotion in Nigeria.

Recommendations

1. Create an IB Implementation Unit with the following responsibilities:

- Identify an appropriate ministry or agency that will operationalise the initiative.
- Create a coordinating unit comprised of persons knowledgeable in MSME development with an above-average understanding of inclusive business.
- Appoint and work with IB ambassadors in crucial ministries and business associations.
- Create a broad IB steering committee to be responsible for monitoring the implementation of the IB action plan incorporating other stakeholders, namely; a representative from the National Economic Summit Group of the federal government, IB ambassadors from respective ministries, team lead at the IB agency, and a representative from the private sector (impact investors, business facilitators), and development partners.

2. Design And Implement IB Accreditation Policy:

- Justification: IB is a thematic concept that emphasises impact and not company size or sector priorities as in other industry promotion programs of the government. To endorse any financial support to the private sector, the government needs a sound rationale and a good targeting system. IB accreditation allows both by emphasising that companies need to be viable, needing limited government support, achieve large-scale social impact, and provide systemic and innovative contributions to development, thereby justifying the government's targeted support programs for such companies. IB as a relatively new concept is often confused with general trickle-down or traditional Corporate Social Responsibility (CSR) work of mainstream companies or as NGO-driven social enterprise initiatives with small and non-systemic social impact. Since many companies may self-proclaim their business as an IB, especially when recognition and incentives linked to such naming, an objective system, and independent

rating are required to identify such companies more transparently, without IB accreditation, IB incentives cannot be targeted, and companies may not receive them.

- Procedure: Develop an operational guide in conjunction with all stakeholders. Operational Guide (OG) is complemented by an Excel tool used to identify eligible IBs. The tool reflects all assumptions made within the OG and can be customised to meet specific objectives. For example, some additional (sector-specific) metrics are used; however, this is not interpreted as a preference in metrics but rather as a non-exhaustive list. The IB accreditation tool was developed as part of the work done in various ASEAN countries during landscape studies and strategic IB promotion work. More than 120 companies in Asia already used the tool; hence they can form the basis for the team, especially related to carrying out a landscape study for IB in Nigeria.

Following various landscape studies done by ADB, DFID, ESCAP, and IBAN in various Asian economies, eleven basic principles to accredit IB were proposed.

i. Companies can apply voluntarily, and IB accreditation shall be different from IB registration.
ii. The IB accreditation system assesses IB business lines (not the whole company) based on 39 more detailed criteria against sector benchmarks for small and medium and larger companies.
iii. The assessment is being done on past performance and the practical application of a forward-looking (3 years) business plan.
iv. Furthermore, the IB accreditation is not given once but needs to be confirmed for all three years.
v. A composite rating tool With a set of transparent criteria, sector benchmarks reflecting different company sizes and country realities, and a standard weighting and scoring principle are used to assess all business lines on their IB potential.
vi. A company needs to pass some minimum scoring to be qualified as IB. Companies with environmental, social, and governance (ESG) safeguard and responsible business standards below three will be disqualified.
vii. Companies with good IB strategic intent and ratings close to the minimum thresholds can be classified as potential IB, while others exceeding the minimum scoring are classified as actual IB. Potential IB would have access to some incentives (e.g., business coaching) but would get financial incentives only if they have implemented the IB business.
viii. Smaller and larger companies, IB and Social Enterprises, are rated based on the same criteria, but rating benchmarks consider the two different company sizes.
ix. The accreditation is based on a detailed assessment of the IB business through independent inputs. Representatives from government and business associations jointly do the final rating to enhance ownership among the business community.
x. The accreditation results are published, and IB awards are presented to enhance such companies' branding.
xi. IB rating is linked to getting IB incentives.

Figure 1 below summarises the critical aspects for assessing IB features; the weights are just guides and can be adjusted based on the preferences. The details and the 40 criteria are in

Appendix 1.

Encouraging the transformation of potential IB: Mainstream businesses, CSR work, social enterprises, and NGOs are all making significant contributions to development. IB is only one more facet of a mainstream business; however, it is imperative to achieve a significant social impact. IB accreditation could therefore not used to punish companies that do not engage in IB models. To this end, (a) applying a dynamic understanding and theory of change for reporting scale, depth, and transformative character of the social impact, and (b) encouraging potential IB companies to make the transition towards IB are more important than reporting the number of actual IB firms. The accreditation system allows for identifying potential IB, and such companies can get specific support like business coaching. For the government and many other actors in the ecosystem, transforming potential IB also can be more meaningful and rewarding.

Conclusion

Strategic IB promotion by the government in partnership with other stakeholders will serve to unleash private sector capabilities. When policymakers and other stakeholders actively engage in inclusive business policy development at the federal and state levels, businesses will be more disposed to adopting the model. Consequently, governments at all levels could seek ways of incorporating IB policies into existing MSME policies.

Summary of the IB accreditation system								
company name	*company size (S-M-L) by revenue in country context*		*IB type (IB-M, IB-I, IB-A)*	*BoP engagement (supplier, distribu-tor, laborer, share-holder, consumer)*		*impact channel (income, living standard)*		*IB strategic intent (H-M-L)*
	weight	***sector benchmarks (different by country)***	***the company's actual achievement***	***the compa-ny's self-assessment (H-M-L)***	***rating***		***scoring***	**date of the assessment**
sector					***high-medium-low***	***1-6***	***weigt x rate***	
commercial viability	**40%**							is the company really a business?
the company (ESG standards, bankability)	15%							
the IB business line (revenue, growth, profitability, risk reduction features)	25%							
social impact	**46%**							does the comany promote systemic social impact solutions in scale?
reach (number, targeting, women empowerment)	16%							
depth of social impact	18%							
for income models (earnings before after, with and without, compared to other firms, sustainability of income)	18%							
for service models (relevance of goods and services, afordability, delivery mode,)	18%							
systemic change (geographic, sector, for poverty	12%							
innovation for the B40	**14%**							is the company innovative in ap-plying sustain-able business solutions for the B40?
business innovations	5%							
technological innovation	3%							
social innovation	3%							
environmental innovation (if relevant)	3%							
Total: Companies above a certain IB score will qualify as IB, while companies slightly below but with strong IB strategic intent may qualify as potential IB. Real and potential IB companies may have access to gvernment incentives. Companies can use the IB accreditation for their own branding and for attracting impact investors, as well as for assessing key areas where their business can be made a better IB.							total score between 1 and 6	total of 40 criteria (see detailed list)
Conclusion of the IB assessment: is the company's IB business line a real or potential IB, or a mainstream business or NGO driven social enterprise or tranditional CSR.								

Proposed IB accreditation criteria, and their relative importance					
no	criteria	weight	rate		score
			low	medium	high	(weight
			0-2	3-4	5-6	x rate)
			see country-, sector- and company size - specific benchmarks			
The commercial return		**41%**				**0,00**
	The company	**11%**				**0,00**
1	size	4%				0,00
2	profitability	3%				0,00
3	bankability	4%				0,00
	The IB model	**20%**				**0,00**
4	revenue (today)	6%				0,00
	growth (3 years)	4%				0,00
5	last 3 years	2%				0,00
6	coming 3 years	2%				0,00
7	addressing business risks	5%				0,00
	profitability	5%				0,00
8	gross margin	3%				0,00
9	net margin	2%				0,00
	Goodgovernance in the company and the IB model	**5%**				**0,00**
10	Transparency	1%				0,00
11	Management structure	1%				0,00
12	Management practices	1%				0,00
13	Proper tax payment etc.	2%				0,00
	ES safeguard standards (do no harm) in the IB model (65%) and the company (35%)	**5%**				**0,00**
14	Adherence to the 5 labor standards	2%				0,00
15	Other social standards	1%				0,00
16	Adherence to environmental standards	2%				0,00
The social impact of IB model		**44%**				**0,00**
	reach	**17%**				**0,00**
17	number of beneficiaries	7%				0,00
	Targeting	7%				0,00
18	income group - very poor	1%				0,00
19	income group - poor	2%				0,00
20	income group - low income	3%				0,00
21	income group better off	0%				0,00
22	special exluded groups	2%				0,00
	women empowerment	3%				0,00
23	percent of women	2%				0,00
24	percent of poor and low income women	1%				0,00
	depth and relevance	**16%**				**0,00**
	for supplier (labor, distributor) models: income increase	16%				0,00
25	before - after	5%				0,00
26	compared to the market rate	3%				0,00
27	compared to the competitor	3%				0,00
28	sustainability, addressing risks	5%				0,00
	for consumer models	16%				0,00
29	relevance of product for the BoP	6%				0,00
30	affordability of product	4%				0,00
31	delivery mode	3%				0,00
32	sustainability, addressing risks	3%				0,00
	contribution to systemic change for poverty reduction and inclusion	**11%**				**0,00**
33	sector impact	4%				0,00
34	geographical impact	4%				0,00
35	gender	3%				0,00
36	relevance and transformation for poverty reduction	4%				0,00
Innovation		**15%**				**0,00**
37	business innovations	5%				0,00
38	technological	3%				0,00
39	social (CSR, …)	4%				0,00
40	environmental innovations	3%				0,00
Total		**100%**				**0,00**
To qualify as an IB business lines, companies must achieve at the same, a) an overall rating > 3.2, a business rating > 1.4, a social impact rating > 1.5, and an innovation rating > 0.4. Their governance and safegauard ratings must be minimum 3 each.						
	business rating = commercial return + business and technology innovations					0,00
	social rating = social impact rating + social innovation rating					0,00
	innovation rating = sum of the 4 innovations					0,00
	governance rating					0,00
	ES safeguardsrating					0,00

chose either of the two main impact channels

Notes: (1) While the criteria are the same for all sectors, and countries, the wright may be slightly adjusted by country, and the benchmarks are different depending on the company size. (2) A similar system is applied in various ASEAN economies, and is proposed by the ASEAN Secretariat as one of 12 policies to promote IB.

Appendix 2

PROMOTING INCLUSIVE BUSINESS AND IMPACT INVESTMENT IN NIGERIA

Purpose

This policy memorandum (PM) provides recommendations on why and how The government can create inclusive Business awareness through public advocacy and specialised funding instrument for financial market acceptance.

Background

Inclusive business (IB) is defined by the G20 on Inclusive Business, as any business that provides goods, services, and livelihoods on a commercially viable basis, either at scale or scalable, to people living at the base of the pyramid, making them part of the value chain of companies as suppliers, distributors, retailers, or customers. By this definition, there are businesses in Nigeria already carrying out these activities. Still, their presence and impact are not visible to the general public and potential investors, hence the financial and social challenges.

The Brookings Institute in 2018 adjudged that Nigeria has overtaken India as the country with the most significant number of people living in extreme poverty. In an attempt to lift many low-income people from multidimensional poverty, IBs and other social enterprises are doing their best to channel economic activities to the rural areas by integrating the BoPs in their value chain in response to the last mile penetration strategy.

Given policy challenges and other social, political, and economic factors, it is evident that government alone cannot lift many from the multidimensional poverty line; hence, there is a need for a consensus that every organisation has a role to play in this regard.

The upsurge in conversations around inclusive businesses and impact investment in Nigeria holds excellent opportunities for all ecosystem actors. Some private-sector investors are leading by injecting capital to support MSMEs to scale, notwithstanding the absence of targeted policy support for inclusive businesses and impact investment in Nigeria.

Existing Legal Framework For Investing In Nigeria

There are a plethora of laws and regulations governing investments in Nigeria. They include:

- The Companies and Allied Matters Act,
- Finance Act.
- The Nigerian Investment Promotion Act,
- The Investments and Securities Act
- Consolidated Rules and Regulations of the Securities and Exchange Commission,
- The Foreign Exchange (Monitoring and Miscellaneous Provisions) Act
- The Industrial Inspectorate Act
- National Office for Technology Acquisition and Promotion Act
- The Rulebook of The Nigerian Stock Exchange 2015 etc.

None of these laws is inclusive business and impact investment targeted; hence they continue to find it difficult to operate effectively and efficiently. This memo offers ideas that could assist in making inclusive business and impact investment more visible and attractive to the ecosystem actors:

Creating Awareness And Visibility

Regulatory and social awareness is essential to drive the acceptance of inclusive and impact enterprises' concepts in the country. With over 190 million people, the second-largest and fastest-growing economic market in Africa, Nigeria is an ideal place for inclusive business and impact investment. The socio-economic and environmental challenges in Nigeria create an opportunity for such.

Efforts to strengthen the identity of inclusive and impact investors by establishing principles and standards and articulating a shared purpose with different risk-return profiles and impact objectives are imperative. This step could lead to mainstreaming the IB model for widespread adoption.

Justification: Inclusive Business and Impact Investing as a new asset class follows typically long-term business return goals. There are only a few (although growing in number and success) entrepreneurs that engage in IB business lines. For these companies to be successful, they require innovation, good business sense, and strong social commitment. Suppose the government wants the private sector to want to make a profit, pay taxes, and deliver jobs, goods, and services and produce in scale and specifically for the benefit of low-income and poor people. In that case, they need to actively encourage business owners to transform into or start IB business lines. Such encouragement could have various forms, as described below. Still, it is always related to identifying companies with clear strategic IB intent and reward them for doing good for society while doing well.

IB Promotion Programs And Strategies: Various governments have set up IB promotion policies and programs; these include typically;

- Dedicated strategies and action plans (See institutionalising Social Investment in Nigeria Policy Recommendation Paper)
- Creating an institutionalised mechanism for IB awareness-raising in business associations
- Offering IB business coaching to companies that want to improve their existing IB business line and – more importantly – to companies that want to transition towards IB or establish new IB business lines.
- Creating IB investment incentives or including IB in existing investment incentives. IB can also help to rationalise existing incentives by better targeting them to social outcomes.
- Reducing impact investment risks by government adopting a co-financing system (risk reduction facility fund) for impact investors. (See the creation of inclusive business risk reduction facility fund recommendation)
- Prioritising IB in public procurement by introducing targets (quota) for buying from IB and social enterprise companies.
- Targeting IB in the existing private sector and other development programs, especially for poverty reduction and small and medium enterprise (SME) development.
- Monitoring and reporting on IB results by setting up a regular reporting system and data sharing platform across federal and state boundaries (See Institutionalizing Social Investment in Nigeria).

Policy Recommendations

- Creating Awareness: The government could Implement a broad-based IB Promotion program as detailed above with the following agencies assisting as follows:

a. Corporate Affairs Commission (CAC): A unique registration process could be put in place for inclusive businesses and impact investments. This registration process could ensure that the company's object clause seeking to adopt the IB model as sole purpose, or a business line includes "INCLUSIVE OR IMPACT" depending on the registration sort. This could provide a guide during the accreditation process.

b. Federal Inland Revenue Service (FIRS): A new tax-head could be created for inclusive and impact businesses to give tax concessions and rebates to the companies and investors in financial instruments issued by these companies.

c. Nigeria Investment Promotion Council (NIPC): A separate unit/desk could be created to process and support foreign and local investors wishing to adopt an inclusive business model on the One-Stop Investment Centre (OSIC).

d. Ministry of Labor and Productivity: For every business with an inclusive object clause, an impact assessment Report (Monthly/Quarterly/Bi-Annually/Annually) could form part of the requirements for obtaining tax clearance and benefiting from any financial support initiative of the government for MSMEs. An independent verification process could be put in place using information technology to ensure objectivity.

Conclusion

Despite the difficulties faced by inclusive and impact businesses due to the challenging business environment, they could be encouraged if the government put in place policies that could guarantee access to finance and other incentives.

Appendix 3A

SURVIVAL FUND – IMPLEMENTATION REVIEW

Purpose

The purpose of this memorandum is to recommend implementation adjustment regarding the Federal government's Survival Fund currently being implemented by a working committee chaired by the Honorable Minister for State - Federal Ministry of Industry, Trade, and Investment.

The proposed adjustment to the implementation methodology will bring about the evidence-based outcome, thereby ensuring transparency and predictability in line with the Nigeria Economic Sustainability Plan of the federal government.

The Problem

The current implementation structure is skewed towards employees without any control from the supposedly supported employers. (See Appendix -1).

The main objective of the government is to support medium, small, and micro enterprises (MSMEs) to ensure business continuity during and after the COVID-19 pandemic by supporting their payroll bills. This support directly affects the bottom-line of the affected MSMEs by boosting their revenue. However, this objective is not currently being met in some instances. Given the nature of the support system, employees are paid directly by the government.

The following implementation challenges were identified upon review:

1. Some employees paid already left the employment of the MSME supported; hence the payment is more of an unemployment subsidy paid by the MSME since the support is in their name.

2. Some of the employees have secured another job with another MSME but still receiving support from their previous organisation where they were onboarded, amounting to a double payment.

3. The target audience for the intervention based on the intervention amount is the BoP employers whose payroll will be significantly affected by the payment of N50,000.00 or N30,000.00 as the case may be. However, the onboarding process might have disenfranchised some of these SMEs as they may not be ICT savvy to understand the online registration process. (See Appendix – 1)

Our Recommendations:

- Review the fund's structure by making a targeted allocation to Inclusive Businesses and Impact Investments.

1. Allocate a percentage of the funds to businesses with impact ideology.

2. Allocate funds towards the establishment of a co-financing structure for Inclusive Business (Risk Reduction Facility Fund).

- The Implementation team should review to assess the current impact. The outcome of the review will show, among other things, that most of the money expended in support of the MSMEs are not supporting them; hence they should consider the following:

1. Create a feedback mechanism between the project implementation unit (PIU) and the employers.

2. Consider the payment of the monies to the employer verified account for onward payment to the qualifying employee and 3rd party proof of payment (report) forwarded to the PIU by the employer.

3. Provision should be made whereby employers can transfer payment to another employee should the initial beneficial employee resign.

Appendix- 1

Applied via the website to register for the FG N75bn for MSMEs Survival fund
https://www.survivalfund.ng or http://www.survivalfundapplication.com

Each applicant would click on one of the following three categories:

1. MSME Payroll Support: Business owners cannot pay their staff salary for the past three months. The salary is supposed to be between N30,000 and N50,000. This category is targeting an average of 35,000 individuals per state

2. MSME Grant - To support the manufacturing sector with money to increase production capacity.

3. Guaranteed Offtake – to support medium, micro, and small business enterprises.

PROCESSES ON EACH CATEGORY

Process stage 1: REGISTRATION

Register to be part of this Federal Government Survival Fund Program with your business and(or) personal information.
N/B: Registration for MSME payroll support is currently closed. Registration for Payroll Support started with educational institutions on Monday, September 21, 2020. It was followed by businesses in the hospitality industry on Friday, September 25, beginning from noon. Other categories of small businesses started from noon on Monday, September 28, 2020".
Registration for the MSME grant has not kicked off.
Registration for Guaranteed Offtake has not kicked off
But on going is the Formalisation Support which entails the registration of 250,000 New Business Names with CAC for free. Courtesy "The Federal Government"
Once you click this, it navigates you to the CAC website

Process stage 2: ONBOARDING

Once fully registered on the platform, complete the onboarding process by adding Organisation, Bank, and Employees details.
Once you have registered, you get an activation code sent to your phone number and email. Please enter the code in a dialogue box provide and activate it to proceed to onboard.
A dashboard would be created, and here you would be required to provide the following:

1. A tabulated simple payment voucher/schedule of, e.g., names of workers, positions, amount being paid, the month of payment, signed by workers. Note that FG would call the staff a week later for verification. Each staff must answer correctly to qualify. Beneficiaries observed that FG only pays the employees and not the employer.

2. Company CAC Documents. This is verified on the portal/dashboard once uploaded.

3. Staffs Account Number. This is verified on the portal/dashboard once uploaded.

4. BVN. This is verified on the portal/dashboard once uploaded

5. BN. That is the correct CAC registration number

Process Stage 3: GETTING PAID

Once your application has been successfully verified, you are then paid. Each staff gets as much as N50,000 or as low as N30,000 for the next three months to relieve the employer of staff cost.

Appendix 3B

CREATING A RISK REDUCTION FACILITY FUND (CO-FINANCING FOR INCLUSIVE BUSINESS)

Purpose

Access to finance by medium, small, and micro enterprises (MSMEs) in Nigeria has remained a challenge. The government, over the years, has adopted many support mechanisms to solve this problem. But the challenge remains and has now been exacerbated by the COVID-19 pandemic. The people living in the rural areas are the most affected by the pandemic's economic hardship. Consequently, to solve the problem, adopt a model that incorporates them into the economic value chain, thereby improving their livelihood.

Inclusive business (IB) and impact investing (II) models have been identified as most appropriate to solve the base of the pyramid (BoP) challenge. To facilitate scale in the IB ecosystem, the financing structure needs to cognizance the risk inherent in dealing with the BoPs. For the private sector to have confidence in allocating resources to this ecosystem, the government's involvement is imperative to the initiative and provide the initial seed capital to encourage the private sector to deploy resources.

Therefore, this document advocates establishing a risk reduction facility with impact investors, IB companies, and the government as critical stakeholders. This document summarizes details of the Fund and its operation.

Rationale For a Fund That Reduces The Investment Risks Of IB Investors

Impact investors find it difficult to close some deals due to the following: 1) the proposed project is not investment ready or does not have sufficient social impact, and 2) investors perceive risks – real or assumed – and prefer to wait and see the company's further performance potential, before investing in a new business model. While experts will address business readiness through business coaching services, investors' readiness can be encouraged by establishing a risk reduction financing facility. Often, impact investors are close to making a deal, but a few perceived or actual risks hinder them to a final agreement with the company. In such a case, a modality that helps to reduce the risk for the investor would come in handy. Such an IB risk reduction facility or fund (IB-RRF) would thus unleash investments that are nearly investment-ready but do not materialize for various reasons.

Operational Guide

The IB-RRF would be a convertible debt fund, where the IB risk reduction fund would co-invest equity and other forms of patient capital as seed funding in the initial growth stage (not a start-up) of a company (say 10%-15% of costs) to kickstart the investment, while the impact investor would finance the remaining. If the investment is a financial success, the investment from the government would be converted into a loan, had to be returned to the government, and would then be re-invested in other companies (revolving fund mechanism). If the total investment does not meet the agreed financial results criteria, the IB-RRF share will serve as a grant. An investment that qualifies as IB has sufficient social impact, so that impact for the public is guaranteed. Hence, in any case, the joint fund investment is successful, as it would yield social results, even if the financial performance may not fully meet the initial expectation. There are many business models where such a risk reduction facility would help unleash funding and investments, otherwise not mature.

Procedure

Through the proposed IB-RRF, the government (or development institution) would co-invests (15 to 20 percent of the total investment value) in the first phase of an IB model (e.g., the first one or two years). The investor(s) provide(s) the remaining 80 to 85 percent. The IB model will be upscaled by the investor(s) alone in phase 2. The government's co-investment is designed for the entire investment (the two phases), but the government's money is in the first phase. The investor(s) cover(s) most of the investment and the risk. The government financing is used to reduce the investment risk and unleash actual financing from impact investors in accredited IB companies.

The government investment is in the form of equity (or quasi loan), and if the investment achieves the planned social outcomes but does not meet the agreed financial returns, the government will convert the investment to a grant. Otherwise, it is repaid (without interest) starting from year 2 of the project implementation and completing the repayment by year 5.

Features of Such Fund

The fund will not be a credit line, a guarantee, equity investment, or a subsidy. Instead, the government will co-invest in the first phase of an IB business which the investor in phase 2 will then upscale. While the risk financing is for phases 1 and 2, already in phase 1, the investor faces most of the investment risks. The investor will use the financing to reduce the investment risk and unleash actual financing from impact investors in accredited IB companies.

International experience and successful examples are using such investment tools. For example, they are used in Latin America by the Inter-American Development Bank for IB and other financings, and they are also emerging in Asia. The IB-RRF is different from a traditional guarantee instrument as it does not assure an investor that its investment risks are covered but provides an opportunity for the government to share risks with the private sector in exchange for actual results on social value subsidizing that investment.

The investment would be given on quasi-commercial terms and is repayable when the investment is profitable, while they would be given as a grant when the investment has a social impact but less agreed commercial return. The terms are such that the fund from the government is equity (or quasi loan) to the investor; if the investment achieves the planned social outcomes but does not meet the agreed financial returns, it converts to a grant. Otherwise, it will be paid back (without interest) starting year 2 of project implementation and complete repayment by year five at the latest.

The risk reduction facility could include financial instruments such as risk guarantees, early growth phase co-investment, result-based financing tools, collateral reducing instruments, special conditions for utility businesses with longer loans, and diversified risk spread through additional equity encouragement. Total government investment share would not be more than 15-20% of the total investment sum. Hence, the public investment (and the risk for the government) is much lower than in a traditional debt fund. Nevertheless, the due diligence responsibility remains with the investor and not the government or any agency.

Various potential investors would be allowed to draw from such funds. The IB-RRF would therefore is not given to a fund manager. Instead, eligible investors will be pre-screened, and an IB Investment Board will decide on the IB deals to be supported. The IB-RRF will be a public sector tool and does not need a fund manager. It could be established within a government agency (e.g., Ministry of Finance, a development bank, Ministry responsible for SME promotion) or a dedicated MSME bank.

Collaboration With the Proposed National Advisory Board (NAB)

To avoid misuse and ensure that the (public) funding goes only to those companies that create the expected social results, co-investments from the IB-RR-Fund would only be for prior accredited IB firms. To ensure transparency and social results, an IB Steering Board comprising representatives from the government (Ministry of Finance), representatives from business associations (Chamber of Commerce), and select development partners could be set up. Also, given the inclusive nature of the proposed NAB comprising government, private, social, and philanthropy sectors, they collaborate with an IB Steering Board to govern the accreditation process for approving private sector organizations as IB companies.

An investment board serving as a standing committee of the advisory board be set up to decide on the IB deals to be supported, as it will be the impact investors doing the actual due diligence on the company. While setting up the fund, the development partners as the leading investor may do the initial due diligence of eligible impact investors and banks to access the fund. The investment board's decisions on deal financing will be made by the government, business associations, and financing agencies.

International Case Studies VIET NAM AND CAMBODIA

In the case of Viet Nam, it was recommended to establish the IB-RRF under MPI-AED, in the case of Cambodia under the Ministry of Economy and Finance. For example, the decision-making body would comprise Viet Nam, five representatives from the IB steering board (3 government, two business associations), one extra representative from the Ministry of Finance and a development bank, and a representative from the development bank financing the IB risk reduction fund.

Table 1: Estimated Cost Of The Proposed Reduction Facility For Viet Nam

Risk Reduction Facility for Inclusive Business Investments in Viet Nam									
	number of deals	average deal size (million)	initial government share			initial impact investors's share			total investment
			%	USD per deal (million)	total costs for risk reduction fund	%	USD per deal (million)	repayment of government loan (assuming 10% default and 5% interest for 5 years)	
very small IB and SE deals ($0.2-1.5 million	15	1	20%	0,20	3,00	80%	12,00	3,45	15,00
small IB deals ($1-5 million)	10	3	15%	0,45	4,50	85%	25,50	5,18	30,00
medium sized IB deals ($3-10 million)	8	5	15%	0,75	6,00	85%	34,00	6,90	40,00
larger deals ($8-30+ million)	8	10	10%	1,00	8,00	90%	72,00	9,20	80,00
subtotal	41				21,50		143,50	24,73	165,00
contingencies					3,50				3,50
total					25,00		143,50		168,50

Costs for establishing the risk reduction facility are typically 25-50 million. In the case of Viet Nam, for the first phase, fund costs of $25 million were estimated, covering co-investing into 18 smaller deals (with a total investment from the fund and the investor of $0.2-$1 million), 24 medium-sized deals ($1-3 million), and 15 more significant deals (above $3 million). For financing the IB-RRF, the government approached various development partners and the Ministry of Finance for its endorsement. Table 1 above summarises the expected portfolio for the IB risk reduction facility in Viet Nam.

An Example From Cambodia:

Below is an example from Cambodia, where such IB-RRF would have unleased immediately a potential investment by a local impact investor:

- An impact investor was in a two-year discussion with a company providing low-cost housing. The company is profitable, and the business case is in line with the impact investors' objective. The company has successful experience in building a small number of houses (200 units) and wanted to scale up to 1,000 houses. The investment would have been used for buying the land and carry out the initial land development for the 1,000 housing project, while the actual cost for the building would be financed through the company's funding and the houses built and sold in a staggered way. Housing for the poor is an essential social good in that country, and the highest cost share is buying land.

- The company wanted to buy a large plot at once because the land price would be lower, the housing would then be more affordable for the poor, and the business achieves a higher return. While trusting the company's ability to build 200 houses, the impact investor was reluctant to invest in a 1,000 housing project because of the company's lack of experience in handling such a more significant project. The impact investor, finding that the deal with the company was 90-95% ready, suggested the government co-invest 15% of the total land costs through the risk reduction facility. Total investment costs for purchasing the 5 hectares land (housing for 1,000 families) and making some initial investments for land development was USD 2 million, of which the government shoulder $0.3 million as an initial equity investment (patient capital to be repaid within five years) through the risk reduction facility.

- The agreed rate of return for the risk reduction deal was 20%, while actual calculations between company and investor gave profitability of over 30%. The proposed agreement between the investor and the government would be that if the houses in phase 1 of the total investment (200 houses) sell at a profit margin of less than 15%, the government financing would be transformed into a grant. However, if the houses sell at a profit rate higher than 15%, the government share would be repaid by the investor as a loan. The likelihood that the return would be lower than initially calculated was estimated by the two partners at less than 5%. Even if the investment were not financially successful in the first two, it would be successful from a social perspective as it would allow building 200 houses in the first year and 250 more houses in the next year, more than double than the initial project.

Conclusion

A wholesale approach to MSME support will accelerate economic growth in the nation, and an inclusive business model offers an excellent opportunity to achieve that. A coordinated finance mechanism through an all-encompassing stakeholder spectrum will provide scale and last-mile impact. The government as a co-investor through the IB-RRF will galvanize the private sector to embrace the initiative.

Appendix 3C

DEPLOYMENT OF UNCLAIMED DIVIDEND TOWARDS INCLUSIVE BUSINESS SUPPORT

Purpose

The purpose of this memorandum is to recommend an alternative solution to the current impasse between the shareholders' Association of Nigeria, the Securities and Exchange Commission (SEC), and the federal government regarding unclaimed dividends and dormant accounts as contained in the Finance Act 2020.

Background (Excerpt from the Finance Act 2020)

"Any unclaimed dividend of a public limited liability company quoted on the Nigerian Stock Exchange and any unutilised amounts in a dormant bank account maintained in or by a deposit money bank which has remained unclaimed or unutilised for a period of not less than six years from the date of declaring the dividend or domiciling the funds in a bank account shall be transferred immediately to the trust fund" Finance Act 2020

Governing Council:

- The trust fund shall be supervised by the Debt Management Office (DMO) but governed by a governing council chaired by the Minister for Finance, with the co-chairperson from the private sector that the president appoints.

- Such a person from the private sector shall be recommended by the Minister for Finance and duly confirmed by the Senate and be of irreproachable integrity to serve in such capacity.

- Other members of the Governing council include the CBN Governor, DG of Securities Exchange Commission, MD of NDIC, a representative of the Registrars of Companies, two representatives of the Shareholders Association, a representative of the Bankers Committee and DG of Debt management Office as the Secretary of the Trust Fund.

It is expected that the government would use these funds for infrastructural developments that would directly impact Nigerians' well beings.

The Problem
As a result of the trust deficit, there are fears that these monies will not be judiciously utilised when borrowed by the government.

RECOMMENDATIONS:

- Deploy The Funds As Seed Capital for the Set-Up of the Inclusive Business Risk Reduction Facility Fund.

The Creation of Inclusive Business Risk Reduction Facility Fund will serve as the government's support of inclusive and impact investors. (See details - Inclusive Business Risk Reduction Facility Fund policy Memo)

The Honorable Minister may wish to consider and present this alternative proposal to the Federal Executive Council on the use of the unclaimed dividends and dormant accounts.

- Proposed Fund Structure:

The Fund will be a separate legal entity devoid of political interferences and Immune from government volatility managed under the Ministry of Finance Incorporated (MoFI). A Director in MoFI be a member representing the federal government on the Fund's governing board. Other stakeholders include:

a. A representative of the Ministry of Finance Incorporated (MoFI)
b. CBN Governor
c. DG of Securities Exchange Commission
d. MD of NDIC
e. A representative of the Registrars of Companies
f. Two representatives of the Shareholders Association
g. A representative of the Bankers Committee and
h. DG of Debt Management Office
i. A representative from the office of the Vice President under the Nigeria Economic Summit Group (NESG).

Appendix 3D

CREATING INVESTMENT GRADE INSTRUMENTS FOR SUSTAINABLE FINANCE OF IBS (ESTABLISHMENT OF IMPACT BONDS AND FUNDS)

The International Finance Corporation (IFC), World Bank Group, recently launched some operating principles for Impact Management. The nine (9) principles identify the critical characteristics of investment fund management to contribute to measurable socio-economic or environmental impact positively.

The goal behind the principles is to ensure that investment decisions are made with consideration to socio-economic impact. The principles include:

i. Definition of strategic impact objective(s) consistent with the investment strategy.

ii. Management of strategic impact on a portfolio basis.

iii. Establishment of the Manager's contribution to the achievement of impact.

iv. Assessment of the expected impact of each investment, based on a systematic approach.

v. Assess, address, monitor, and manage potential negative impacts of each investment.

vi. Monitoring of the progress of each investment in achieving impact against expectations and respond appropriately.

vii. Conducting exits considering the effect on sustained impact.

viii. Reviewing, documenting, and improving decisions and processes based on the achievement of impact and lessons learned.

ix. Publicly disclosing alignment with the Principles and provision of regular independent verification of the alignment.

RECOMMENDATION

To broaden the funding and investment opportunity for inclusive and impact businesses, in line with the principles as mentioned above and other non-financial parameters, government agencies in charge of the financial and capital market devise means of making patient capital available for inclusive and impact businesses through creating financial instruments specifically to fund inclusive and impact operations.

• CREATING FINANCIAL INSTRUMENTS:

a) Capital Market Regulators: Private sector lead financial and investment institutions be authorised by the Securities & Exchange Commission, Nigeria Stock Exchange, and other relevant investment regulatory bodies to float and manage publicly quoted or privately managed investment Funds specifically for inclusive and impact businesses.

b) Federal Inland Revenue Service (FIRS): Returns on inclusive and impact instruments investments be nontaxable. Also, the investment amount is deductible before company tax computation.

c) Central Bank of Nigeria: Investment Notes/Certificates in inclusive or impact instruments could be approved as adequate collateral for credit facilities from all deposit money banks and other financial institutions in Nigeria.

Appendix 4

COORDINATED STIMULUS IMPLEMENTATION STRATEGY

Purpose

This policy memorandum aims to suggest to the government how to make the various stimulus packages more impactful. These funds were disbursed to alleviate the impact of the COVID-19 pandemic on small and medium enterprises. A coordinated implementation approach will ensure a triple-win and have the required effect on the small businesses.

Background

The far-reaching impact of the COVID-19 pandemic on global economics has necessitated concerted efforts from the government through policy adjustments to direct financial support to households and MSMEs to support the recovery process of their respective countries.

In response to the pandemic, the federal government of Nigeria, through the Central Bank of Nigeria (CBN), deployed various measures as listed below to tackle the opposing economic challenges brought about by the COVID-19 pandemic.

- Regulatory forbearance.
- Targeted household support interventions.
- Targeted MSME support interventions.
- Monetary Policies.
- Fiscal Policies.
- Other Economic Measures.

As in many countries, the COVID-19 pandemic stimulus funding in Nigeria may not be benefiting all those it is intended to help. The fast-track financing packages and bailouts initiated by the government and other multilateral and philanthropy organisations during this crisis meant to buoy small businesses, critical industries, and those suddenly unemployed are sometimes misallocated.

The reason for this is not farfetched: bureaucracy in government has been and will continue to be a problem if there is no rethink of its approaches to stimulus funding of all types. There has to be a sustainable way of implementing stimulus packages to ensure the expected outcome is achieved.

Current Implementation Framework

The self-organising nature of all stimulus interventions by government agencies and departments has made impact assessment exceedingly challenging to carry out. The outcome of various stimulus packages during and after the COVID-19 pandemic lockdown is yet to be ascertained. Though there has been a slight improvement in project implementation in some government ministries, the fact remains that the bureaucratic bottleneck continues to hinder efficiency and effectiveness.

Given the fragmented nature of most interventions, it has been not easy to achieve scale. Various interventions have been much duplication of effort resulting in poor resource allocation and failure to achieve the expected outcome.
Justification
Adopting a coordinated action plan can create positive spillover effects as it results in a more significant overall output effect than if implemented in silos. The sustainability of measures to support businesses be a key consideration to ensure a long-term positive outcome. A funnel approach Managing stimulus packages will bring about greater accountability and measurable impact. Silo Implementation models come with inherent inefficiencies and wastage as a result of duplication of duties.

International Case Study REPUBLIC OF RWANDA - Development Partners Coordination Group (DPCG)

The Development Partners Coordination Group (DPCG) of Rwanda is composed of Government of Rwanda (GoR) Permanent Secretaries, Heads of bilateral and multilateral donor agencies, and representatives of civil society and the private sector. The meetings of the Group are co-chaired by the Permanent Secretary and Secretary to the Treasury. The primary objectives of the

Group are to:

- Serve as a forum for dialogue in the coordination of development aid to Rwanda.

- Monitor the implementation of developmental projects in Rwanda.

- Harmonise the Development Partners' programs, projects, and budget support with the GoR.

- Review progress made in the fulfilment of commitments undertaken by Development Partners in the 2003 Rome Declaration on Harmonization, the 2005 Paris Declaration on Aid Effectiveness, the 2008 Accra Agenda for Action, and the 2011 Busan Outcome Document.

- Convene meetings in synchronisation with IMF missions to facilitate macro-economic dialogue. The meetings provide an avenue for a high-level strategic forum for dialogue between the Government of Rwanda and its Development Partners.

The main objectives of such meetings are to provide:

- A forum for policy dialogue between the GoR and its Development Partners. The government openly engages in dialogue with donors on significant policy issues and the strategic orientation of their partnerships.

- A forum for government to showcase its significant achievements and constraints in implementing its development programs.

- A forum for government to present its policies and strategic priorities for the development of the country.

- An environment for open discussion about the management of external aid.

- With this type of engagement, the government can channel resources to the most critically hit sector of the economy, thereby avoiding duplication of effort by the development partners.

Our Recommendation

To bring about a coordinated stimulus intervention for maximum impact, the government considers and adopts the funnel approach. Consequently, to overcome the challenges of bureaucracy in stimulus implementation, the Consortium seeks to work with the government and private sector organisations to put in place a system that will ensure a coordinated implementation strategy for the optimal outcome. We recommend as follows:

A. The Structure: A Project Implementation Unit (PIU) within the Federal Ministry of Industry, Trade, and Investment (FMITI) could act as the clearinghouse for all stimulus and donor agency interventions under the leadership of a Director (Grade-level 15 and above) knowledgeable in MSME development with a cross-sector professional team drawn from MSME related agencies like Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), Development Bank of Nigeria (DBN), and Bank of Industry (BoI). They will serve as a watchdog to all interventions with representative offices in the 36 States of the federation.

B. Stakeholders: Constitute a steering committee to have an oversight function. This committee shall include representatives from:

- Central Bank of Nigeria (CBN)
- Small and Medium Enterprises Development Agency of Nigeria (SMEDAN)
- Bank of Industry (BoI)
- Federal Ministry of Industry, Trade & Investment
- Federal Ministry of Humanitarian Affairs & Disaster Management
- Federal Ministry of Agriculture
- Federal Ministry of Finance
- Federal Ministry of Finance Incorporated (MoFI)
- Budget and National Planning Office
- Office of the Vice President (Nigeria Economic Sustainability Group)
- A representative from a trade association
- Select members from the organised private sector

C. Functions: The PIU shall function as follows:

a. Serve as the coordinating Unit for all stimulus-related interventions. They shall manage in a portfolio manner intervention targeted at MSME development. They will receive documentation submitted by all government agencies relating to the planning, design, and implementation framework of all interventions submitted to the agency. They will review submissions and approve or amend after determining the portfolio effect visa viz

other interventions taking into cognisance sector and target group, amount, expected outcome, and duration. This process will ensure that there is no duplication of effort.

b. Independent monitoring and evaluation of the implementation process to ensure integrity and outcome.

c. Maintain a robust database of stimulus interventions and make the same available to all stakeholders for study or planning purposes.

d. Serve as a liaison between the government, organised private sector, and the multilateral/donor agencies.

e. Recommend areas of corporation amongst implementing Agencies for scale.

Conclusion

Lack of supervision and accountability can derail any project. This funnel approach will ensure effective coordination and implementation integrity, making it possible to achieve scale while guaranteeing outcomes.

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