



Policy Audit on Legal and Regulatory Frameworks for Business Enabling Environment, Employment Promotion and MSMEs Development in Edo State

FINAL REPORT

Published by

giz Deutsche Gesellschaft
für Internationale
Zusammenarbeit (GIZ) GmbH

In cooperation with

VP
VISTERN
PARTNERS

Published by:

Deutsche Gesellschaft für
Internationale Zusammenarbeit (GIZ) GmbH

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Disclaimer

This Mapping focuses on the policy and regulatory issues that impact the business enabling environment and promotion of employment in Edo State, with the view to proposing interventions that could support and promote SEDIN’s scope of support interventions in Edo State.

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List of Abbreviations and Acronyms

ADP	Agricultural Development Programme
BOI	Bank of Industry
BEE	Business Enabling Environment
CAC	Corporate Affairs Commission
CACS	Commercial Agriculture Credit Scheme
CBN	Central Bank of Nigeria
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (<i>refers to GIZ Nigeria</i>)
EDBS	Edo State Ease of Doing Business Secretariat
EDOIRS	Edo State Board Internal Revenue Service
EDOGIS	Edo State Lands Administration and Geographic Information Service
EdoJobs	Edo Skills Development Agency
EDSG	Edo State Government
EoDB	Ease of Doing Business
ESJ	Edo State Judiciary
EPPA	Edo State Public Procurement Agency
ESIPO	Edo State Investment Promotion Office
ESOPP	Edo State Oil Palm Program
FMITI	Federal Ministry of Industry, Trade and Investment
FMLP	Federal Ministry of Labour and Employment
FMoF	Federal Ministry of Finance
ICT	Information and Communication Technology
IPP	Independent Power Plant
MANR	Edo State Ministry of Agriculture and Natural Resources
MBPED	Edo State Ministry of Budget, Planning & Economic Development
MDA	Ministries, Departments and Agencies
MPPUD	Edo State Ministry of Physical Planning & Urban Development
MSME	Micro, Small, and Medium Enterprises
MSDGI	Edo State Ministry of Social Development and Gender Issues
MWCCE	Edo State Ministry of Wealth Creation, Cooperatives & Employment
NASME	Nigerian Association of Small and Medium Enterprises
NIPC	Nigerian Investment Promotion Council
N-Power	A Nigerian National Skills Acquisition and Development Scheme
PEBEC	Presidential Enabling Business Environment Council
PPA	Power Purchase Agreement
QHSE	Quality, Health, Safety and Environment
SEDIN	Pro-Poor Growth and Promotion of Employment in Nigeria (A GIZ Programme)
SIP	Social Investment Programme
SMEDAN	Small and Medium Enterprise Development Agency of Nigeria
sqm	Square Miles
ToR	Terms of Reference
WB	World Bank

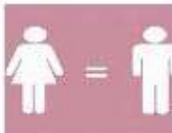
1. Executive Summary

1.1 Outline

This is the final report of the project assignment to conduct a policy audit to ascertain the level of progress made on business enabling environment policies and reforms in Edo State. The objective of the audit in evaluating the present landscape, is targeted at providing proposals to guide stakeholder's intending scope of support interventions in Edo State towards improving the business enabling environment, promotion of employment, and income situation of Micro, Small and Medium-sized Enterprises (MSMEs). The significance of MSMEs for growth, productivity, and competitiveness of the economies of developing countries is universally recognised.

This report is important as it is coming at a time Edo State is experiencing radical reforms and monumental strides towards development, transparency, boosting the economy and opening up the state to investment opportunities.

The World Bank's Ease in Doing Business assessment framework provided guidance in going about selecting essential areas to be covered for the assignment. In line with the Policy Audit's objectives, the following 17 areas were reviewed in Edo State:

 Registering a Business	 Tax Administration	 Contract Enforcement & Dispute Resolution	 Land Administration & Registering Property	 Getting Electricity & Power Generation
 Dealing with Construction Permit	 Investment Promotion	 EoDB Institutionalization	 Job Creation & Employment Promotion	 Public Procurement
 Access to Finance	 Agriculture	 Private Sector Participation	 Gender Mainstreaming & Women Entrepreneurship	 Irregular Migration
 EoDB from a World Bank outlook				 E-Government

EoDB = Ease of Doing Business

The impact of COVID-19 on the state’s economy and MSMEs was also considered in this project assignment.

1.2 Summary of Findings and Recommendations

1. Registering a Business

Corporate Affairs Commission (CAC) has recently made several reforms which generally have been hailed within the public sector as initiatives promoting the ease of doing business environment in Nigeria. Notable of mention here include (a). The migration from a previous manual system to a fully automated online registration platform, and thus discontinuing manual registration processes at its various state offices, resulting in a significant reduction of processing time from 10 days downwards to 1 day and (b). The introduction of single-member shareholder companies. The recently amended Companies and Allied Matters Act (CAMA) 2020 has been signed by the President and is soon expected to be gazetted to go into effect. Although the process has been made easy, on the state level, challenges are usually faced from the end of small business owners and relate to apathy and level of awareness.

Recommendations: It is necessary for the Ministry of Wealth Creation, Cooperatives, and Employment to create a standard digital database of MSMEs in the state (as this will support towards policy formulation and proper intervention programmes implementation); and for embarkment of an awareness campaign via mainstream media to encourage more informal businesses to get registered. From a recent online publication¹, Edo State Government (EDSG) in collaboration with the Federal Government has commenced the registration of free business names for Micro, Small and Medium Enterprises (MSMEs) in the state.

More on Registering a Business can be found in Section 7.1, page [31](#).

2. Tax Administration

The Edo State Internal Revenue Service as part of reforms, fully automated its administration process for both formal and informal sectors; harmonized levies, rates and charges; revamped its revenue collection methods; reduced tax rates in some sectors, introduced electronic receipting and MDAs’ certificate approval, introduced electronic tax clearance certificate (e-TCC) and a unique identifier system to track and collate data on tax payers; created a single repository of data; and made the tax administration in Edo State more transparent. These reforms and more resulted in an ~300% growth in tax net and ~65% increase in IGR for the state over a 2-year period.

Recommendations: (a). A review and amendment of the Consolidated Revenue Codes and Rules Law 2019 to clarify some ambiguities highlighted in the main report and (b). EIRS should explore inclusion of the USSD platform as part of its Revenue Collection Medium, as this would

¹ Edo Govt, FG begin free business registration for MSMEs < <https://nigerianobservernews.com/2020/10/edo-govt-fg-begin-free-business-registration-for-msmes/> >

provide a stronger base to better cover the informal sector, resulting in a further increase in tax net and IGR, and contribute to GDP growth.

More on Tax Administration can be found in Section 7.2, page [34](#).

3. Contract Enforcement and Dispute Resolution

The state inaugurated its Small Claims Court in February 2020, which now provides an enhancement of the process for settlement of commercial disputes for small claims not exceeding the sum of N5 million. This will facilitate resolving disputes involving small businesses, thus preventing otherwise lengthy litigation in the regular courts. A Multi-Door Court House system was earlier introduced in 2018 as an avenue for disputing parties to resolve their disputes using either of Mediation, Conciliation or Arbitration methods, in a non-adversarial manner to amicably reach a settlement. These reforms impact positively on the state’s Ease of Doing Business status.

Recommendations: (a). The Edo State Judiciary needs to be encouraged and supported to automate its document filing and processing regimen to eliminate the need for cumbersome paper filings and accidental tampering and/or loss of information, and this would enable for easier report generation. (b) Build capacity and institute the Multi-Door Court House for handling Land and Development related matters OR explore the potential of utilizing EDOGIS and MPPUD as Clearing Houses before such cases can be filed in a court of law. This would lessen burden on the civil courts, and save time and costs otherwise associated with litigation. (c) There should be some deliberate targeting of MSMEs in the state through partnering with business associations to sensitize their members and possibly even print some hard copies to share with these associations. (d) Publish “Practice Directions on Small Claims Court” online for public access.

More on Contract Enforcement and Dispute Resolution can be found in Section 7.3, page [41](#).

4. Land Administration and Registering Property

Obviously one of the major reforms of this present administration, is the replacement of the former Ministry of Lands and Survey with a more robust and dynamic Edo State Geographic Information System Agency (EDOGIS) to oversee land administration in the state. The state also enacted the Edo State Private Property Protection Law to also improve land administration. EDOGIS which has been well set up and is efficiently run, has established relevant land management systems; digitized and catalogued a land registry; reduced land dispute clashes; consolidated and reduced rates; automated and improved transaction processes and turnaround service delivery times regarding land administration. The agency has generated revenue of over N1.4 billion since its inauguration in 2017.

Recommendations: (a). Edo State Government should establish a Task Force Unit for enforcement of the Edo State Private Property Protection Law as stipulated in the law, as this

would improve on the business enabling environment. (b) EDOGIS should make amendments to the Land Use Charge 2012 to clarify on some ambiguities highlighted in the main report, including clarification on property valuations and land use charge rates.

More on Land Administration and Registering Property can be found in Section 7.4, page [43](#).

5. Getting Electricity and Power Generation

Power remains a critical factor for economic and industrial development and has been highlighted as one of the top critical challenges for local MSMEs in the state (refer Appendix 1). EDSG has facilitated the establishment of two major power plants in the state, the 55MW CCETC-Ossiamo Independent Power Plant (IPP) and the 461MW Azura-Edo Independent Power Project, towards improving the power supply regime in the state. Whilst the Azura-Edo project feeds into the National Grid, the Ossiamo IPP is schemed to stabilize electricity across the Benin City Industrial zone. The Ossiamo project is yet to commence distribution due to some yet-to-be resolved bottlenecks. Establishment of the Edo Production Center is a model that has provided stable power supply in this regard for SMEs utilizing the facility. The Edo State Electric Power Sector Reform Bill is pending to be passed by the House of Assembly. Passing the bill into law will enable establishment of an Embedded Power Scheme and the Edo State Embedded Power Commission, both of which will provide for mechanisms and coordination to foster development of electric power generation and distribution in the state.

Recommendations: (a). EDSG's intervention is recommended, to resolve present bottlenecks for Ossiamo IPP to commence electricity distribution. (b). Ministry of Electricity and Energy should expand on authorized bodies to carry out inspections for new connections and improve transparency via publishing online its policies, regulations, fees schedule, etc. for easy public access. (c). The Ministry should explore and develop targeted initiatives to promote off-grid solutions to provide power supply to remote underserved areas.

More on Getting Electricity and Power Generation can be found in Section 7.5, page [48](#).

6. Dealing with Construction Permits

The Edo State Ministry of Physical Planning and Urban Development (MPPUD) established in 2017, manages aspects of physical planning and development in conjunction with some other MDAs. MPPUD is currently undergoing reforms, which includes restructuring, capacity building, training, and automation of some processes towards improving its services and deliverables. It has hired a 3rd party firm to establish a Physical Development Management Agency which is still in the works. A major deficiency brought to light is the absence of Urban Master Plans in the state which plays a critical role in planning and environmental management, which has the potential to greatly positively impact on turn-around times for issuing relevant development permits for establishment of businesses which in turn impacts on promotion of employment. The present costs and turn-around times of application and issuance of development permits can be reduced when compared to some other states, a 25% reduction had earlier been

proposed by the Ease of Doing Business Secretariat towards improving its business environment. MPPUD can improve its transparency factor by availing relevant information associated with development permits for easy public access, and thereby also improve application processes turnaround times.

Recommendations: (a) Edo State needs to develop Urban Master Plans, firstly for the cities of Benin, Ekpoma, Uromi, and Auchi. (b) Downwards review of current cost of development permit and processing time for granting approvals by at least 25%. (c) Amend to introduce “Mandatory Liability on Structural Defects in Construction Process” into the Edo State Physical Planning, Urban Development, Urban Renewal and Building Control Law 2019; as this will increase responsibility of architects and building contractors to adhere to guidelines and reduce instances of poor structural edifices (or building collapse) in the state, which can have adverse negative effects on businesses and employment. (d) MPPUD should publish online its policies, regulations, fees schedule, turnaround times, etc. for easy public access.

More on Dealing with Construction Permits can be found in Section 7.6, page [51](#).

7. Investment Promotion and Facilitation

The establishment of the Edo State Investment Promotion Office (ESIPO) in 2018, was borne out of the commitment of the current administration to attract local, national, and foreign investors to the state with a mandate to facilitate investments and stakeholder engagements so as to improve the business environment in the state. The agency has thus far made progress in this regard, attracting the likes of DUFIL, Uber, Bolt, and Market Square and facilitated investment expansion of the likes of Okumo Oil Palm Company. ESIPO can play a pivotal role in providing required support towards local MSMEs growth and development across various areas, these are highlighted in the main report and recommendations.

Recommendations: (a) Facilitation of the pending ESIPO Bill to be passed into law by the House of Assembly. (b) Establishment of a Business Development Support Unit, to be a shared resource with the Ease of Doing Business team. (c) Build a Local Compendium of Business Incentives. (d) Facilitate access to market for exporters (MSMEs) in the State through the creation of an Export Policy and an Edo Export Program. (e) Modify its Investor's Guide to capture the present realities of a Post COVID-19 economy. (f) Develop an Investment and MSME growth tracker. (g) Modification of the ESIPO website to web portal to capture all information needed by both Investors and SMEs.

More on Investment Promotion and Facilitation can be found in Section 7.7, page [56](#).

8. Ease of Doing Business Institutionalization

The State’s Ease of Doing Business (EoDB) Secretariat formalizes and sustains the process of implementing and evaluating reforms across MDAs and state-wide via engagement with relevant stakeholders. The agency is headed by the EoDB Focal Champion. A highlighted gap

is that the EoDB currently does not have any regulatory framework guiding its establishment, mandates, and operations.

Recommendation: is for the agency to develop its policy framework to provide an institutionalized legalisation to better deliver on its mandate, have this reviewed and passed into law.

More on Ease of Doing Business Institutionalization can be found in Section 7.8, page [58](#).

9. Job Creation and Promotion of Employment

The creation of the Edo State Skills Development Agency (ESSDA) and its arms have been a huge success geared towards job creation and placement, skills acquisition, and entrepreneurship programs. Since inception till date, over 80% of jobs have been created in line with the present administration's commitment to create 200,000 jobs in its first tenure. The state has witnessed a 6% drop in its unemployment rates over the past 2 years (25% → 19%). Setting up of the Edo Production Centre (EPC) has addressed critical challenges being experienced by SMEs in operating, sustaining, and growing businesses in the state.² The EPC currently operates without any regulatory safety guidelines or standards, and this could pose potential risks associated with carrying.

Recommendations: (a). EDSG should draw on support from relevant stakeholders and implementation partners to facilitate its projected expansion plan to replicate the EPC across four other locations within the state. (b). ESSDA should develop generic standard Quality, Health, Safety and Environment (QHSE) policy framework for the EPC, as this can help improve on quality, service delivery, business growth and positively prevent accidents and potential losses. Resident businesses in the EPC should be supported and encouraged to carry out risk assessments of their associated business activities.

More on Job Creation and Promotion of Employment can be found in Section 7.9, page [59](#).

10. Public Procurement

Edo State's Public Procurement Agency (EPPA) has recently undergone some reforms towards improving service delivery and transparency. EDSG towards supporting local SMEs growth and development, has via the agency recently trained some local SMEs on the use of the State's Specific Standard Bidding Documents as well as the newly deployed guideline by the Agency on increasing SMEs' participation in the State's Contract Awards³. However, findings highlight a gap in that the state's Public Procurement Law lacks definitive coverage throwing support to MSMEs regarding participation in public procurement opportunities. More can be done in this regard in strengthening and legalizing MSMEs' participation in the state's public procurement opportunities.

² Edo State Job Creation Overview Report (2016-2020)

³ <http://procurement.edostate.gov.ng/edo-state-public-procurement-clinic-2020-training-on-the-guideline-to-increase-participation-of-smes-in-states-contract-awards-held-on-the-15th-and-22nd-sept-2020/>

Recommendations: (a). EDSG should introduce and implement an annual percentage allocation for MSMEs (recommendation is 25%) of annual procurement, taking into consideration gender equity. This should be drafted into the Public Procurement Law. (b) The Law should also be amended to include and mandate that data on allocations to MSMEs through the fiscal year be included (have a section dedicated to it) in the Annual State Procurement Assessment Report. If implemented, Edo State would be a pioneer in this sphere in Nigeria.

More on Public Procurement can be found in Section 7.11, page [67](#).

11. Access to Finance

Lack of access to finance is a key constraint to doing business in Nigeria, affecting businesses of all sizes. MSMEs mainly rely on movable assets to access finance. MSMEs in Edo State have partaken in several loan schemes through N-power, Agripreneur Scheme, Independent Farmers Initiative, the SDG office, Ministry of Women Affairs, Ministry of Youth, SMEDAN, CBN, BOI, and various Donor Partners. Over 12,000 local MSMEs are currently benefitting from a revolving low-interest Micro, Small, Medium Enterprises Development Fund (MSMEDF) in the state. Finding alternatives to traditional collateral-based lending and using collateral registries to promote adequate legal and institutional protections, will help enable more SMEs access resources required to launch, operate, and grow their businesses.

Recommendations: (a) EDSG should adopt the Model Mortgage Foreclosure Law, an initiative of the Nigeria Mortgage Refinance Company which calls for the creation of a State Mortgage Board as a single window to facilitate access to affordable mortgages to citizens. (b) Improve collateral capability for qualified MSMEs via encouragement for registration in the National Collateral Registry. (c) Facilitate long-tenor low-interest-rate loan facilities. (d) Improve financial inclusion for rural dwellers via introduction of mobile banking facilities. (e) Crowdfunding is gaining momentum as a practice to support access to finance. This is an area that should be explored, bearing in mind the relevant policies and regulatory framework to ensure protection of funders and proper utilization of funds. (f) Explore other Non-Bank Financial Instruments Asset-based ‘Leasing’ or ‘Factoring’ tools can provide access to finance for MSMEs where they struggle to meet banks’ collateral or credit history requirements. Both types of financial instruments require a supporting legal framework, either incorporated into the general legal framework or supported through dedicated factoring and leasing laws. (g) Support regulators to strengthen basic legal and regulatory environment for leasing and factoring; promote awareness campaigns to create knowledge and understanding of these non-bank financing instruments.

More on Access to Finance can be found in Section 7.12, page [70](#).

12. Private Sector Participation in Edo State's Policy Making Process

Through carrying out the project assignment, there unfortunately was not any provision of a strong convincing proof to show active contribution from the private sector - or that they are carried along - in the state's policy making processes.

Recommendations: (a) EDSG should throw in support to; reform Benin Chamber of Commerce (BENCCIMA) in improving its institution and relevance to the state's business environment; increase private sector groups' (including women's associations) capacity, advocacy, and participation in the state's policy making processes in promoting a business enabling environment. (b) EDSG should outline and legitimate the policy formulation process in the state to include private sector participation.

More on Private Sector Participation can be found in Section 7.13, page [74](#).

13. Agriculture

Agriculture is a mainstay of the internal economy of Edo State, providing food and employment for majority of people and contributing over a quarter of GDP to the state. The state government has embarked on various initiatives and programs aimed towards boosting agriculture and providing jobs and entrepreneurship for the local populace in the state. Some of the programmes have been implemented in conjunction with the Nigeria Incentive-Based Risk Sharing System for Agricultural Lending Plc (NIRSAL), and the CBN. Others have been driven by private sector investors such as Elephant Group, Agrotek Pemo Farms Limited, Dufil Prima and Asanita. Mechanized farming is being encouraged within the state, and there is a need for capitalization and improvement in this area towards fully developing and opening up the sector. Agriculture/Agribusiness have been highlighted as one of the major focus areas for aggressive investment, development, and attraction for Foreign Direct Investments (FDIs) and post-COVID economic recovery.

Recommendations: EDSG should consider (a) Increasing its budgetary allocations towards rapid development of its agricultural sector. (b) Offering more palliatives to farmers in the form of improved seedlings, basic farm implements at highly subsidised rates, and free/more affordable farm extension services. (c) Explore improving on its processing and storage infrastructures on a large scale, as these are the core of the distribution system for perishable foods and the agricultural value chain, to mitigate losses and maximize output. (d) One of the challenges to mechanization in Nigeria's agricultural process is the large number of smallholder farmers who, individually, lack the financial resources to acquire heavy-duty agricultural machines like tractors, ploughs, harvesters, etc. This could be surmounted by encouraging farming clusters to co-acquire and co-own farming machinery. (e) Promoting the use of cooperatives and extension delivery services in local farming projects. (f) Build measurable metrics adequate to track progress of initiatives and programs, carry out appraisal evaluations against set targets, and thus assess effectiveness and impact of initiated policies.

More on Agriculture can be found in Section 7.10, page [63](#).

14. Impact of COVID-19 and Post-COVID recovery

The COVID-19 pandemic has caused disruptions and had negative impacts across all economies across the globe. The story is not any different for Edo State which has experienced an estimated 40% - 80% drop in initial Target IGR according to data gathered from the state's Ministry of Finance. We assessed the impact of COVID-19 on MSMEs based on data provided by ESIPO and ESSDA respectively and proffered some recommendations on way forward (details contained in main body of report). EDSG has shown pro-activeness in this regard, with focus beamed on sectors having strong contribution to GDP growth as drivers to pull the economy through a recovery phase. Additionally, to help ease burden and financial distress impacted by the pandemic, EDSG in collaboration with the Edo Internal Revenue Service offered 'Tax Waivers for the Structured Tax Relief Programme of Edo State' and extension deadlines for filing of individual tax returns.

Recommendations: For EDSG to (a) Implement short-term sectoral policies which can include immediate financial support for investments in sectors that have been hit particularly hard by the crisis. Such targeted support may take the form of financial relief, tax waivers, bailouts, bridging loans or grants. (b) Invest in Health and Social Care sectors to limit the number of probable casualties but also to improve employment conditions. (c) Introduce Strong Active Labour Market Policies taking into consideration potential sectors that may experience rapid expansion as a result of the pandemic. (d) Encourage more PPP schemes thus reducing reliance on government for infrastructural funding. A more private sector-driven approach should be considered, and frameworks for Public-Private-Partnerships strengthened. (e) Consider policies to support the migration of businesses unto digital platforms and an e-commerce ecosystem generally. As we know, a lot of offline businesses were majorly hit due to movement restrictions, which meant that there were no channels to make their services available so their [potential] customers could access them.

More on Impact of COVID-19 can be found in Section 10, page [86](#).

15. Gender Mainstreaming and Women Entrepreneurship

Gender mainstreaming is an approach to integrating women's and men's concerns and experiences into the design, implementation, monitoring and evaluation of policies and programmes in all political, economic and societal spheres. The ultimate goal is to ensure that both genders benefit equally, and inequality is not perpetuated. Mainstreaming is not about adding a "woman's component" or even a "gender equality component" into an existing activity. It goes beyond increasing women's participation; it means bringing the experience, knowledge, and interests of women and men to bear on the development agenda.

Mainstreaming ensures that the needs of both men and women are accommodated and this includes women's productive capacity to alleviate poverty and maximise economic input. Mainstreaming can increase women's access to and influence on decision-makers and their

ability to take full advantage of available resources. The goal of mainstreaming gender equality is thus the transformation of unequal social and institutional structures into equal and just structures for both men and women.

Ensuring gender equality and women empowerment opens window of opportunities for women to contribute optimally to development processes at both the micro and macro levels.

EDSG is throwing support behind a lot of women focused empowerment initiatives in the state, including the “Nigeria For Women Project” which aims at empowering 54,000 women over a 5-year project period in the first phase. Women are also represented in governance and local politics, though these could be improved on. Recently the Violence Against Persons Law was signed into law in the state.

Recommendations: is for the long pending Gender and Equal Opportunities Bill to also be passed by the Edo State House of Assembly and put into effect.

More on Gender Mainstreaming and Women Entrepreneurship can be found in Section 8, page [76](#).

16. E-Government

E-government (electronic government) is a general term describing the use of technologies to facilitate the operation of government and the disbursement of government information and services, usually over the internet. E-Government is a global trend with far-reaching benefits if implemented in the optimal way. All nations and states, irrespective of whether they are considered developed or developing economies, should invest in the development of strategies furthering their e-government agenda. Unfortunately, research has indicated that this is an aspect that is highly undervalued and underutilised within Sub-Sahara Africa. E-Government holds a strong potential to greatly influence and impact on citizens’ trust and support of a government and investor attraction.

A brief assessment was done with some recommendations. Edo State spends billions in carrying out reforms to improve the business enabling environment and projects to develop and industrialize the state, it can and should look towards investing a fraction of this to build a world-class standard interlinked web portal for the state government, MDAs, and LGAs. It is a project the consultant dubs “The Edo Visibility Project” (TEVIP).

Research findings show that the financial position of a state or nation and its e-readiness level, as well as the infrastructure facilities and technological innovations for effective knowledge management and communication, political and legal frameworks, are key factors that influence the level of e-government adoption.

More on E-Government and The Edo Visibility Project (TEVIP) can be found in Section 12, page [94](#).



In conclusion, Edo State can truly position itself as a top-tier investment haven, but it requires a sustained strong political will and commitment to the cause from all sectors and stakeholders.