REPORT OF THE STUDY ON THE INFORMAL SECTOR AND ECONOMIC DEVELOPMENT IN THE FOUR SEEFOR STATES OF BAYELSA, DELTA, EDO AND RIVERS

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Presentation at Stakeholders' Validation Workshop on the Informal Sector of the SEEFOR States, Abuja, July 28, 2015

Outline

1. Introduction
2. Approach to the Study and Deliverables
3. Conceptual Issues
4. Highlights of Key Findings
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   - ii) Size of the Informal Sector and Employment Generation in the Sector
   - iii) Interdependencies Within and Between Informal and Formal Sectors
   - iv) Stakeholders' Perceptions and Challenges
   - v) State Informal Sector Profile
5. A Model of the Informal Sector
6. Recommendations

1. Introduction

Motivation

- The SEEFOR Project aims to strengthen the linkage between governance and development in selected States in Nigeria that are rich in natural resources.
- Specifically, it intends to enhance opportunities for employment and access to socio-economic services, while improving public financial management (PFM) systems in the participating states (Bayelsa, Delta, Edo and Rivers).
- SEEFOR has three major components:
  - Youth Employment and Access to Socio-economic services;
    - Small public works and institutional strengthening;
    - Technical, vocational and agricultural training;
    - Community development subprojects.

1. Introduction

Motivation

  - Public Financial Management Reforms; and
  - Project Implementation Support and Coordination
- This study was inspired by the observation that the informal sector in the SEEFOR states plays an important role in employment generation, poverty reduction and economic development.
- The informal sector is therefore important for the attainment of the objectives of the SEEFOR project and its components, particularly the first one, i.e. Youth Employment and Access to Socio-economic services.
- Analytic work on the informal sector will help identify the modalities for achieving a robust and efficient informal sector and, therefore, attaining the objectives of the SEEFOR project and more robust economies of the SEEFOR States.

1. Introduction

Motivation

- The estimated population of the Niger Delta geopolitical zone is about 40 million.
- The zone is rich in crude oil and gas
- However, agriculture is the highest employer of labour
- Poverty and unemployment, particularly youth unemployment, are high relative to the rest of the country.
- For instance, in 2011, unemployment rate for the South-South was 24.7 per cent, compared with the national average of 23.9 per cent
- The zone is also confronted with the challenges of environmental pollution.

1. Introduction

Coverage

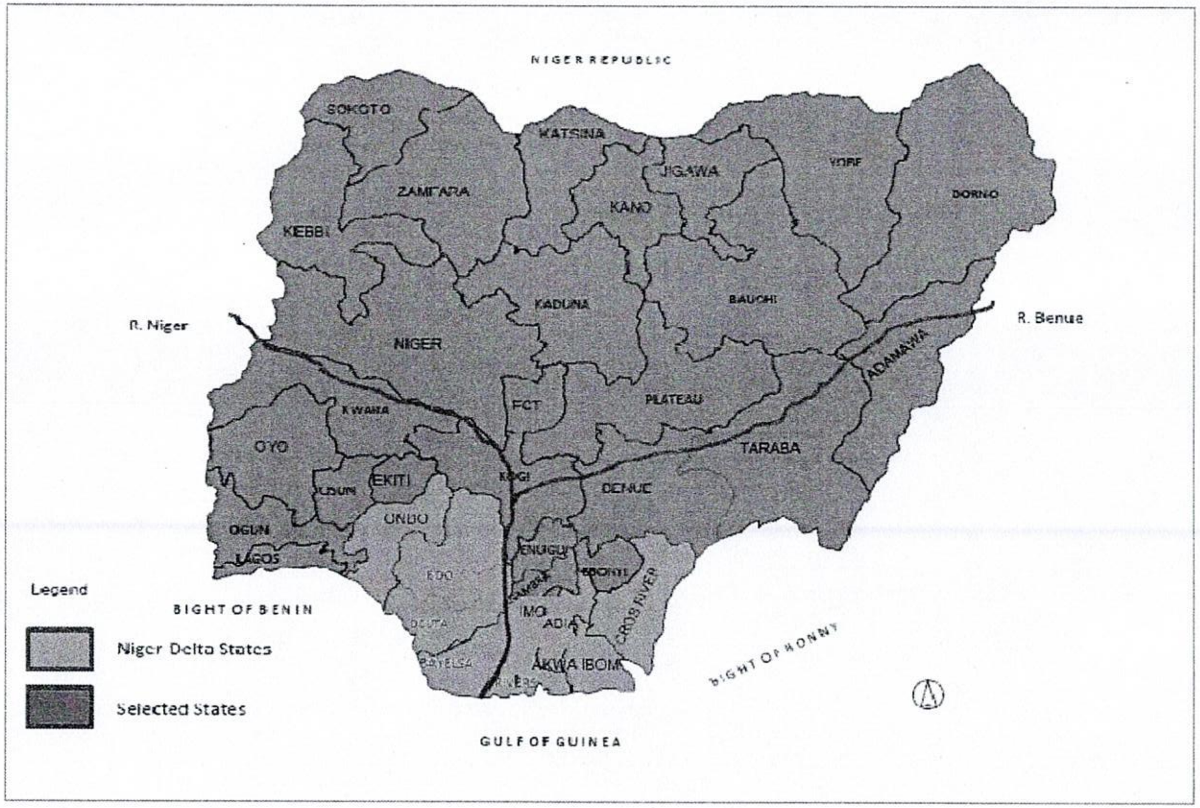
- The SEEFOR study covers four States in the Niger-Delta (Table 1 and Chart 1):

Table 1: Selected States

S/N	State
1	Bayelsa
2	Delta
3	Edo
4	Rivers

1. Introduction

Chart 1: Map of Nigeria Showing Selected States in the Niger-Delta



1. Introduction

Objectives/Terms of Reference: The broad objective of the study is to characterize the informal sector of the SEEFOR States and assess the contribution of the sector to economic development in the country

TOR 1	Identify the composition, ownership and size of informal sector activities in the SEEFOR project states of Bayelsa, Delta, Edo and Rivers;
TOR 2	Review studies on informal sector in the SEEFOR project states;
TOR 3	Generate a compendium of informal sector statistics in the SEEFOR project states;
TOR 4	Examine interdependencies within the informal sector and with the formal sector in these states in terms of intermediate input requirements and sale of output;

1. Introduction

TOR 5	Evaluate the employment and income generating capacities of the informal sector in these states;
TOR 6	Integrate and mainstream the informal sector into the future development plans of the SEEFOR project states;
TOR 7	Examine the roles and activities of local institutions and international agencies in the growth and development of the informal sector in the SEEFOR project states;
TOR 8	Identify the limiting factors to growth and development of the informal sector in these states;

1. Introduction

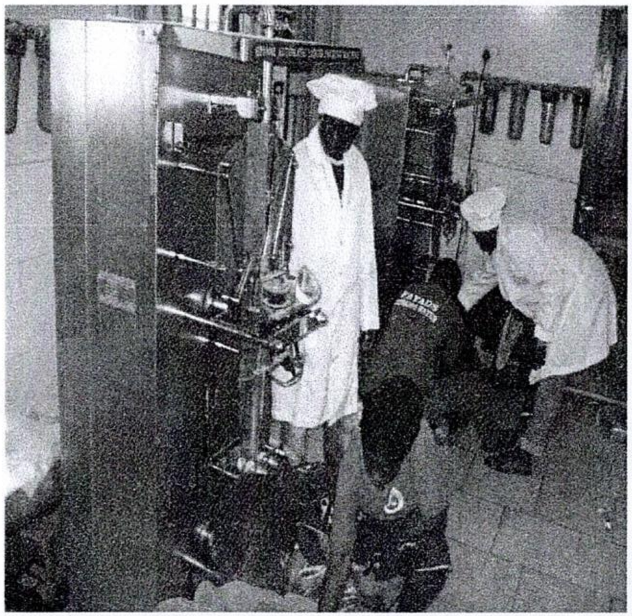
TOR 9	Examine the impact of the informal sector on employment generation in the SEEFOR project states;
TOR 10	Carry out a field assessment of the magnitude, contributions, prospects and implications of the informal sector to the growth of the SEEFOR project states;
TOR 11	Identify relevant policy interventions that will ensure that more informal sector activities are integrated into the tax bracket in these states.
TOR 12	Provide information for planning the project, including information on the socio-economic and public financial/expenditure management indicators in the four participating states.

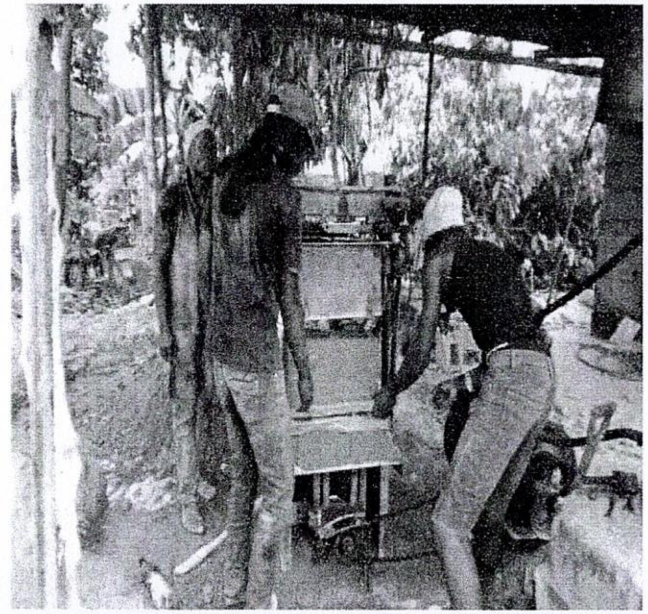
1. Introduction

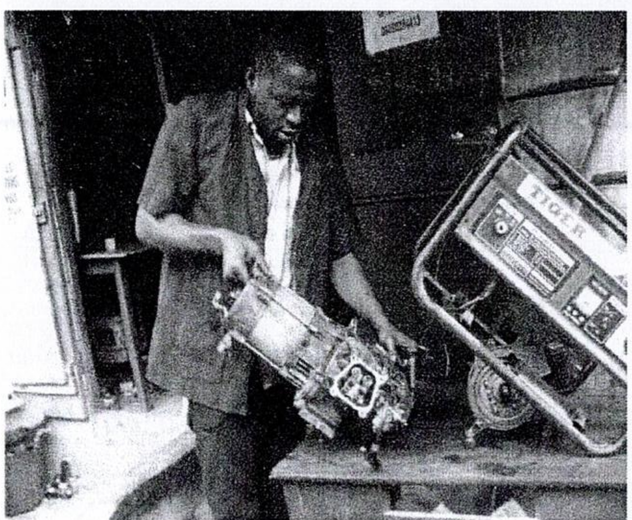
Rationale for the Study

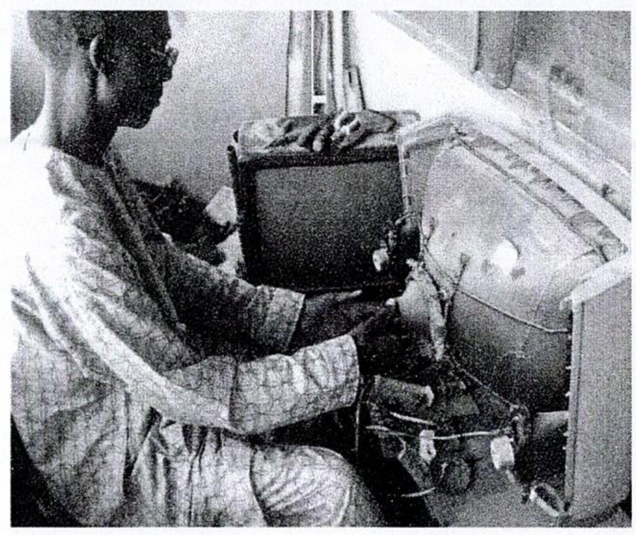
- This study is motivated by the need for a more systematic and coherent body of knowledge on the informal sector in the four SEEFOR states.
- In the past four decades, the problems confronting the Niger Delta region have caused increased national concern.
- The region is experiencing pervasive unemployment, especially among the youths and women and aggravated poverty levels.
- This study explored the potentials of the informal sector to provide incomes and livelihoods for the SEEFOR states.
- The study also provides vital information on the opportunities for advancing economic development in the SEEFOR states.

Plates 1: Diverse Informal Sector Activities in SEEFOR States









2. Approach to the Study and Deliverables

Process of the Study

- The Nigerian Institute of Social and Economic Research (NISER), Ibadan, won the bid to conduct this study.
- The National Project Coordinating Unit (NPCU) SEEFOR Project, headed by Director (Macro), National Planning Commission (NPC), Mr. Tunde Lawal, anchored this project.
- NPCU and NISER agreed on a Work Plan and designed survey tools for the study.
- The World Bank Country Office participated in the review of survey instruments.

2. Approach to the Study and Deliverables

Specific Responsibilities of NISER as the Consulting Firm

- Develop a detailed implementation plan;
- Design survey tools for the informal sector study;
- Analyze the SEEFOR project data needs and review relevant literature (national, regional and community level reports);
- Develop a detailed budget for the task;
- Hire and train field officers that will carry out the study; and
- Manage the implementation of the field survey.

2. Approach to the Study and Deliverables

Survey Design

- The study covered four states – Bayelsa, Delta, Edo and Rivers
- In each state, one Urban LGA and one Rural LGA
- A sample of 400 operators per state distributed as follows (Table 2):
  - Urban LGA – 280
  - Rural LGA – 120
- This makes a total of 1,600 sampled operators for four states
- Secondary data were collected from:
  - Relevant MDAs
  - Unions/Associations
  - Other Stakeholders

2. Approach to the Study and Deliverables

Table 2: Sample Distribution

Survey Instruments/Respondents	State			
	Bayelsa	Delta	Edo	Rivers
Questionnaire Administration	**400**	**400**	**400**	**400**
Rural	120	120	120	120
Urban	280	280	280	280
In-Depth Interviews (IDIs)	**31**	**35**	**31**	**25**
Relevant MDAs/Opinion Leaders	6	6	5	3
Operators	14	15	14	14
Unions	11	14	12	8

2. Approach to the Study and Deliverables

Survey Instruments

- Questionnaire
  - Structured questionnaire
  - To obtain information on about 70 items, including ownership, mode of entry, employment and income
  - The sectors covered:
    - Distributive Trade – 22 activities
    - Manufacturing – 19 activities
    - Technical Services – 19 activities
- In-Depth Interviews (IDIs)
  - With MDAs, Unions and Operators
  - A total of 122 interviews (Table 2)
- Manual of Instructions for coordinators and field officers

2. Approach to the Study and Deliverables

Fieldwork

- The research team was drawn from NISER who served as field coordinators
- 4 Coordinators – one per state
- 40 Field Assistants – 10 per state
- A working knowledge of the local language was one of the requirements for hiring of Field Assistants
- Two Levels of Training
  - Training the Trainers
  - Training of Field Assistants
- Fieldwork was conducted in December 2014

2. Approach to the Study and Deliverables

Data Management

- Descriptive statistics such as averages and ratios, and tables and charts.
- The Statistical Package for Social Sciences (SPSS) was the main statistical software employed in the analysis of quantitative data
- QSR Nvivo (www.qsrinternational.com) was used for the analysis of qualitative data

2. Approach to the Study and Deliverables

Deliverables

- A compendium of informal sector statistics for the SEEFOR states, their magnitude and overall contribution to growth and development in Nigeria.
- A policy memorandum on factors that hinder the growth and development of the informal sector in the selected states.
- A policy memorandum on strategies for integrating the informal sector into the formal sector of the economy of the SEEFOR states.

3. Conceptual Issues

- Several definitions of the Informal Sector, depending on the features of interest (Table 3)
  - Legal and administrative regulations
  - Scale of operations
  - Level of technical skills
- NBS Definition:
  - Micro enterprises (Informal Enterprises) having less than 10 employees with assets of not more than ₦5 million
- Definition adopted for this study:
  - Micro enterprises that are operated outside the purview of government regulations and employ less than 10 persons

3. Conceptual Issues

Table 3: Distinction Between Formal and Informal Sectors

S/N	Characteristics	Informal	Formal
1.	Legal and administrative regulations		√
2.	Employment of no more than 10 persons	√	
3.	Employment of family members	√	
4.	Fixed working hours or days		√
5.	Institutional loans		√
6.	Production intended for final consumer	√	√
7.	Less than six years of school for workers, and for certain activities	√	

3. Conceptual Issues

Table 3 (Cont'd): Distinction Between Formal and Informal Sectors

S/N	Characteristics	Informal	Formal
8.	Use of mechanical and administrative energy		√
9.	Peripatetic or semi-peripatetic nature of the activity	√	
10.	Typically owned by one-man	√	
11.	Employ family labour as apprentices	√	
12.	Do not report or make returns to government agencies	√	
13.	Ease of entry	√	

3. Conceptual Issues

Table 3 (Cont'd): Distinction Between Formal and Informal Sectors

S/N	Characteristics	Informal	Formal
14.	Unregulated and competitive markets	√	
15.	Reliance on indigenous resources	√	
16.	Family ownership of enterprises	√	
17.	Small-scale operation	√	
18,	labour intensive	√	
19.	Adapted technology skills acquired outside the formal school system	√	
	Source: NPC-NISER Informal Sector Study, 2013		

4. Highlights of Key Findings

I. **Key Characteristics** (Tables 4-5 and Charts 3-13):

Majority of the operators are male:	66.1%
A slight majority operate are in urban areas:	51.5%
Majority of the actors own their businesses	86.5%
Most common educational qualification is SSS	44.4%
A slight majority of the operators established their business during 2011-2014	54.8%
The most common motivating factor for establishing a business is survival strategy	28.6%
A vast majority of operators started their business with N50,000 and above	72.8%
Similarly, the current capital base of majority of the operators is N50,000 and above	79.8%

4. Highlights of Key Findings

I. **Key Characteristics:**

- Personal saving was the predominant mode of raising capital 57.3%
- Majority of operators keep financial records of daily transactions 55%
- However, majority of operators do not submit their financial records to any government agency 63.3%
- The most common type of workplace is lock-up store/container 39.0%
- Majority of the operators have access to electricity, pipe borne water, feeder roads and refuse disposal, but not water drainage system

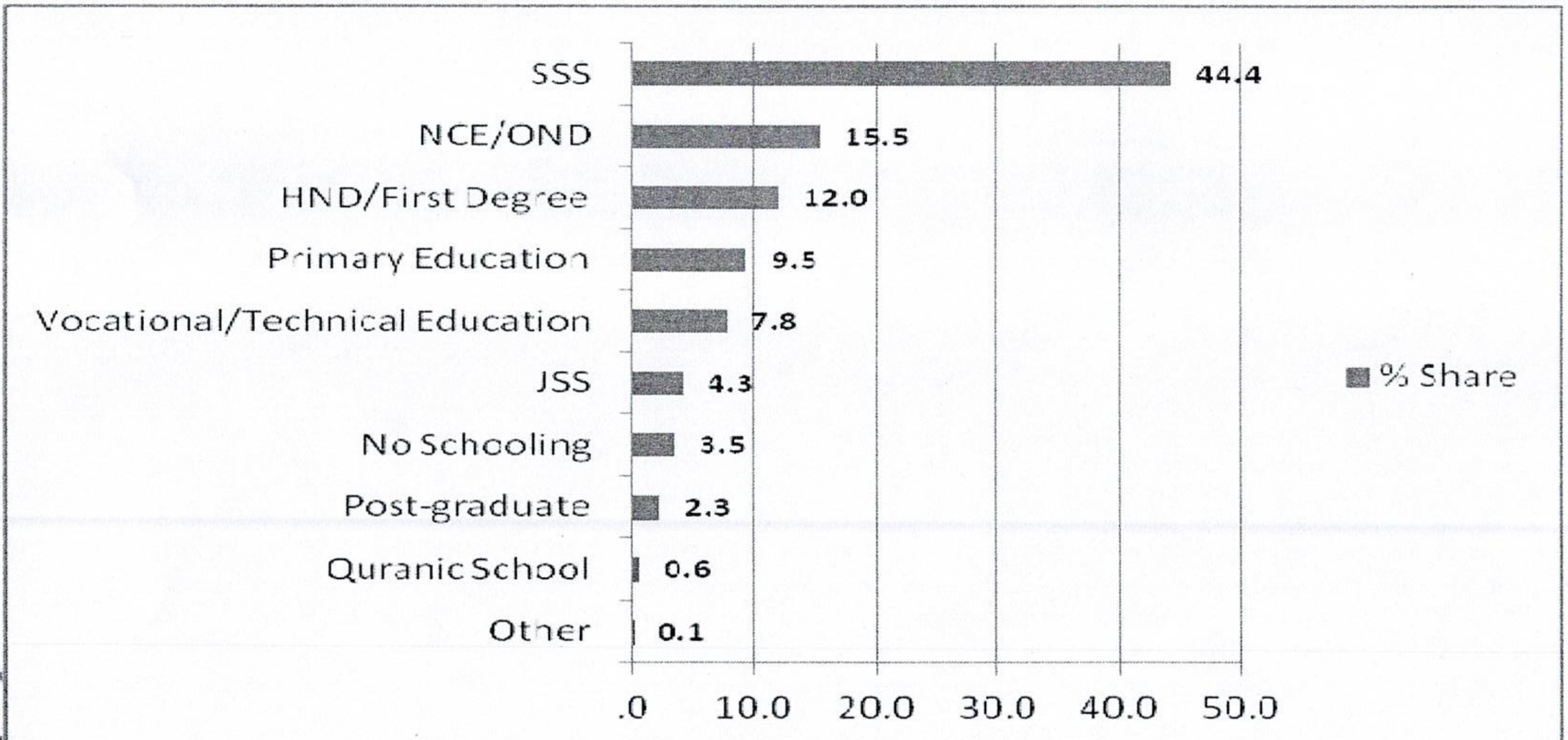
4. Highlights of Key Findings

I. **Key Characteristics:**

- However, only 0.4 per cent of the respondents consider the infrastructural facilities provided adequate at over 80.0%
- Majority of the unions have weak relationship with the government 59.0%
- Distribution of operators by type of activity:
  - Distributive trade sector 34.9%
  - Manufacturing sector 23.4%
  - Technical services sector 41.8%

4. Highlights of Key Findings

Chart 3: Distribution of informal Sector Actors by Highest Educational Qualification



4. Highlights of Key Findings

Table 4: **Distribution of Respondents by the Amount used to Start the Business (N) 2014**

Category	No.	% Share
Less/equal N1,000	12	0.8
Btw N1,001-N9,999	66	4.5
Btw N10,000-N49,999	324	21.9
N50,000 & Above	1,078	72.8
Total	1,480	100.0

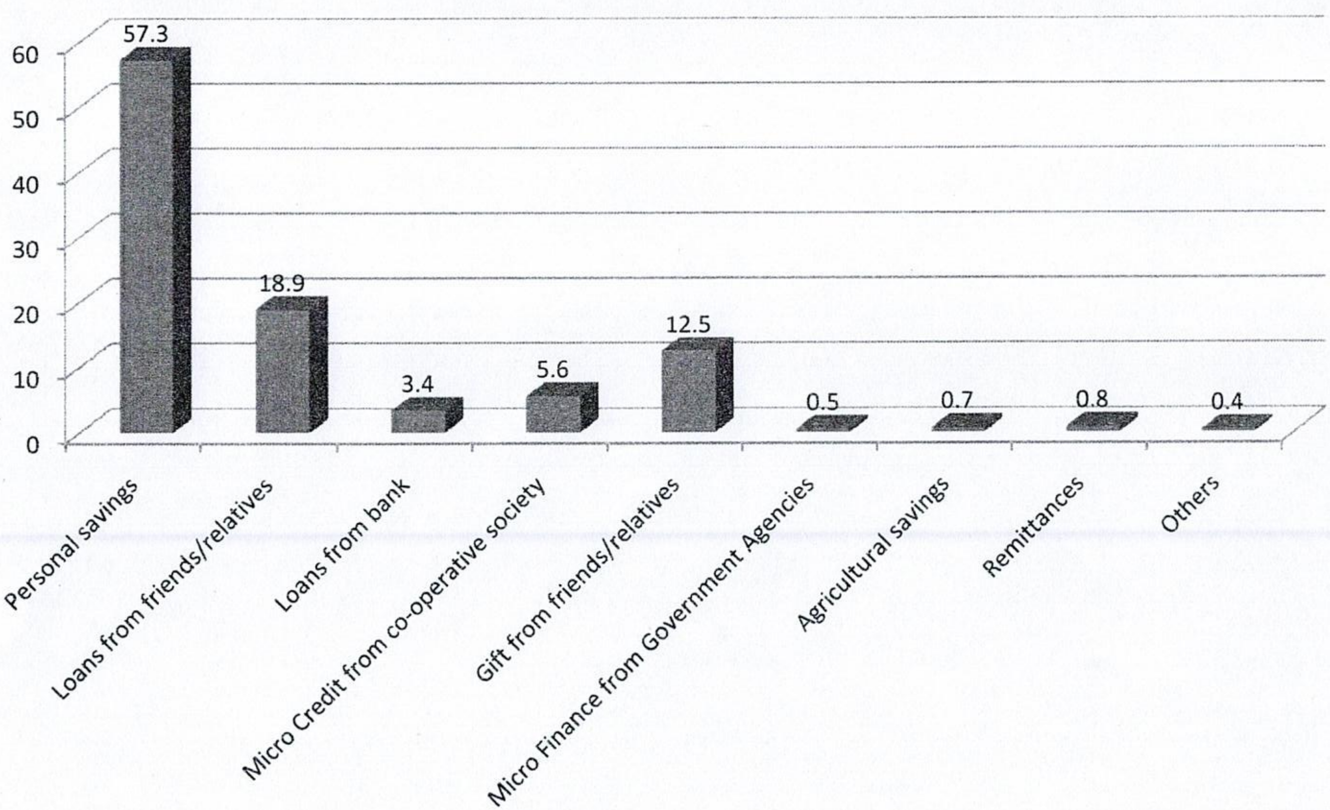
4. Highlights of Key Findings

Table 5: Distribution of Respondents by their Current Capital Base (N)

Category	No.	% Share
Less/equal N1,000	22	2.0
Btw N1,001-N9999	55	5.0
Btw N10,000-N49,999	145	13.2
Btw N50,000 & Above	877	79.8
Total	1,099	100.0

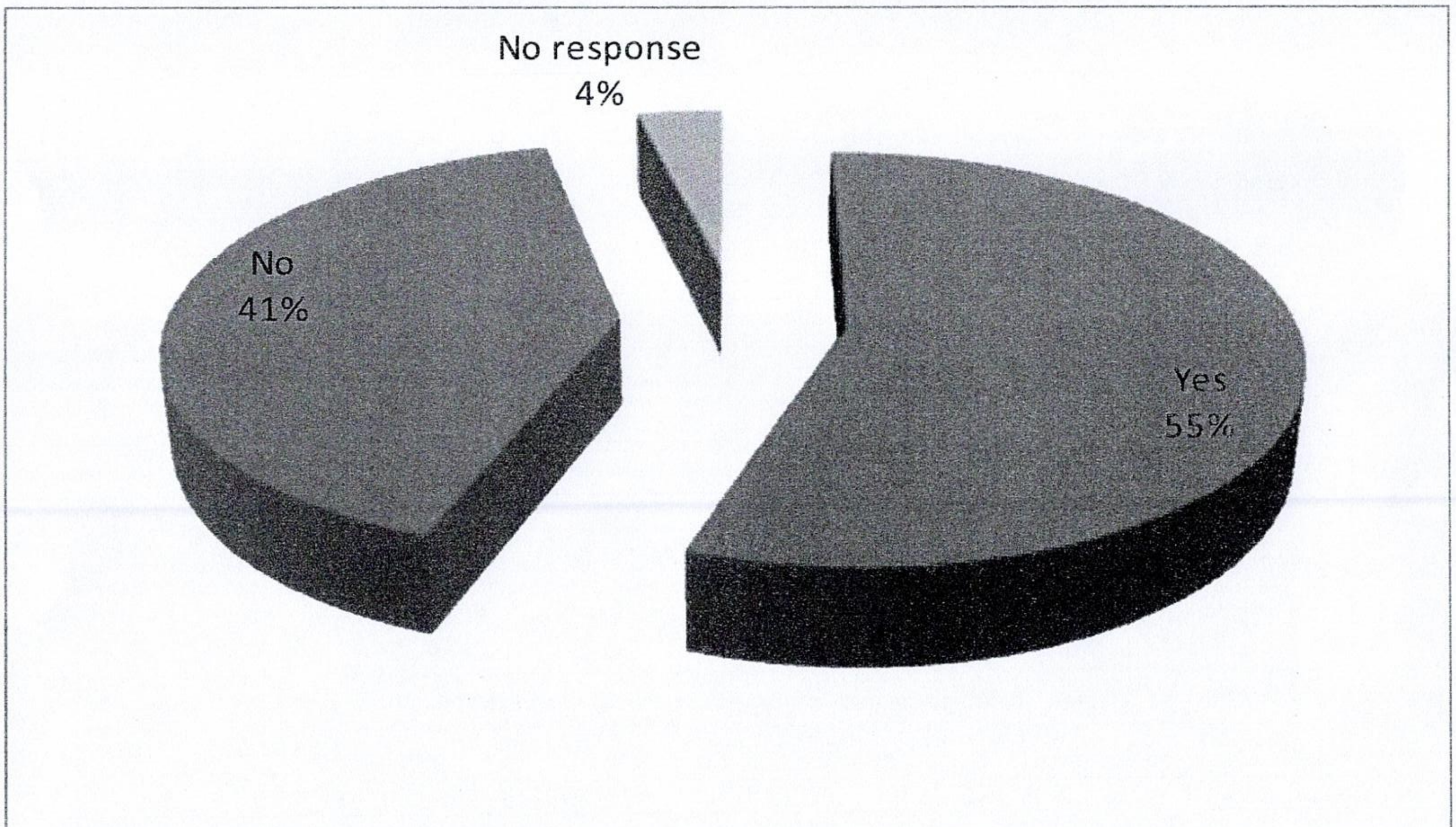
4. Highlights of Key Findings

Chart 5: Distribution of Respondents by Mode of Raising Initial Capital



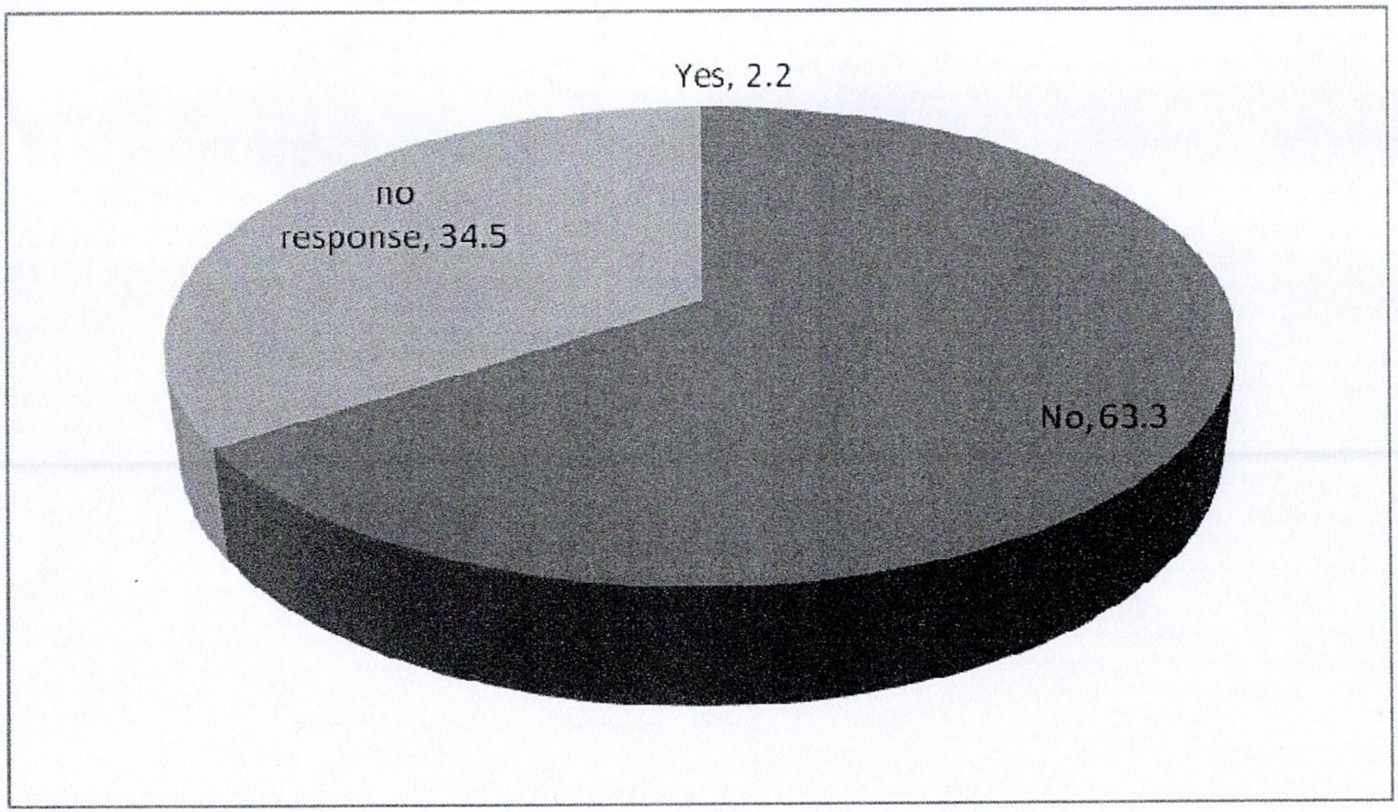
4. Highlights of Key Findings

Chart 6: Distribution of Respondents Based on Keeping of Financial Records of Daily Transactions



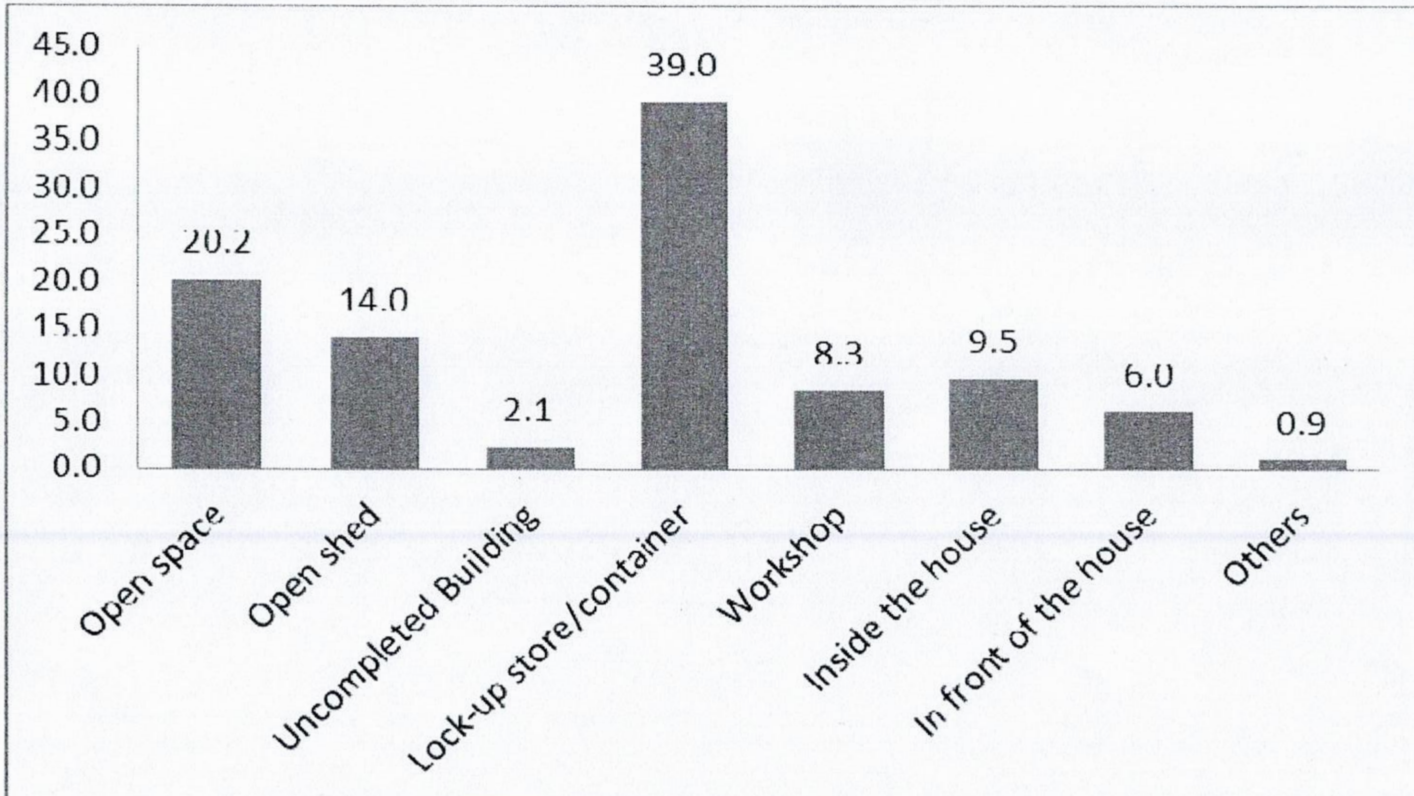
4. Highlights of Key Findings

Chart 7: Distribution of Respondents Based on Submission of their Financial Records to any Government Agency



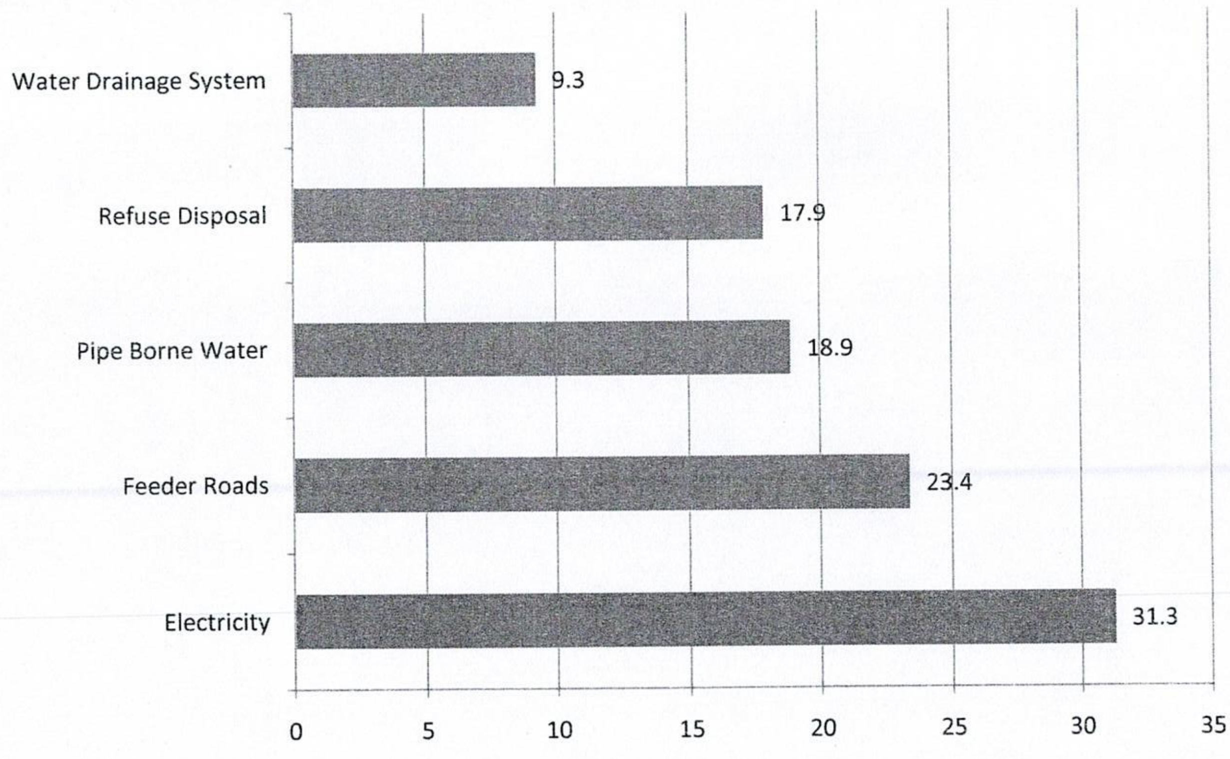
4. Highlights of Key Findings

Chart 8: Distribution of Actors by Type of Workplace



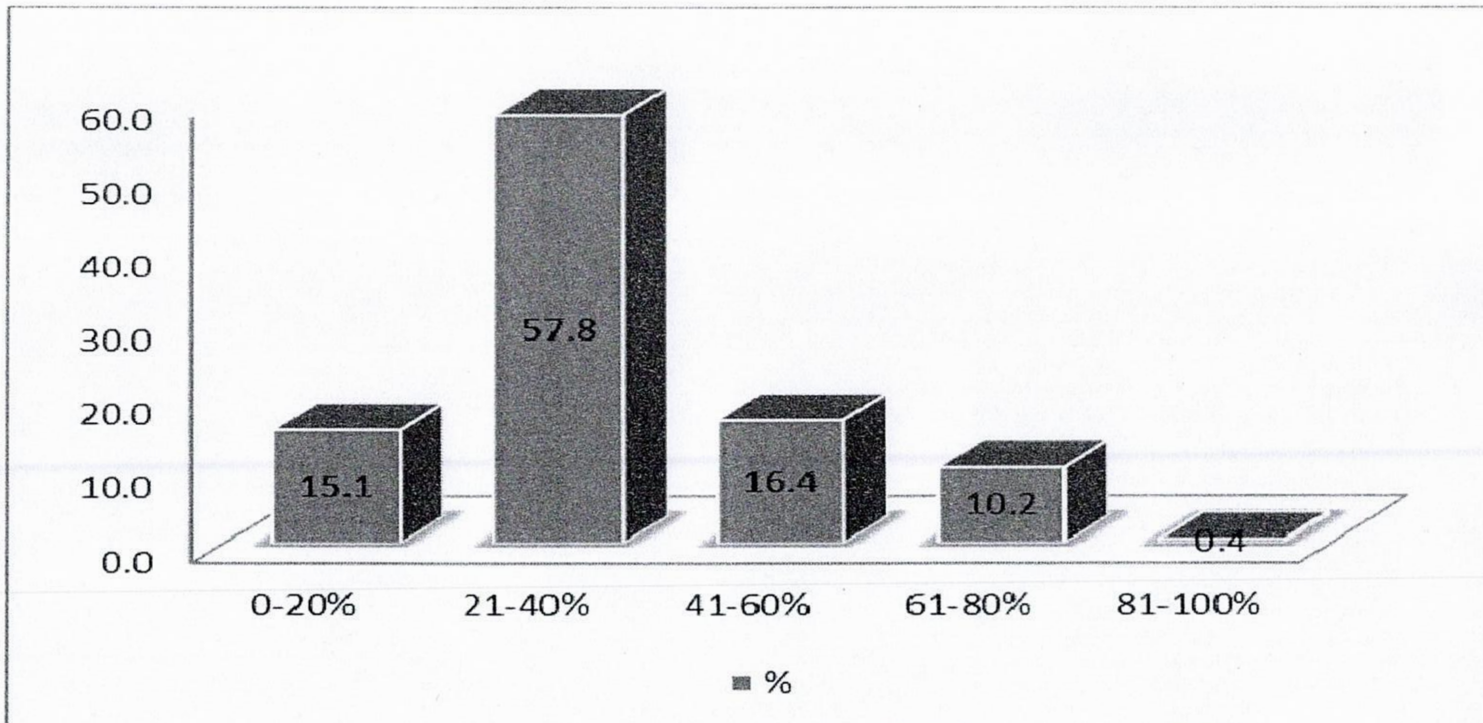
4. Highlights of Key Findings

Chart 9: Distribution of Actors by Access to Infrastructural Facilities, 2014



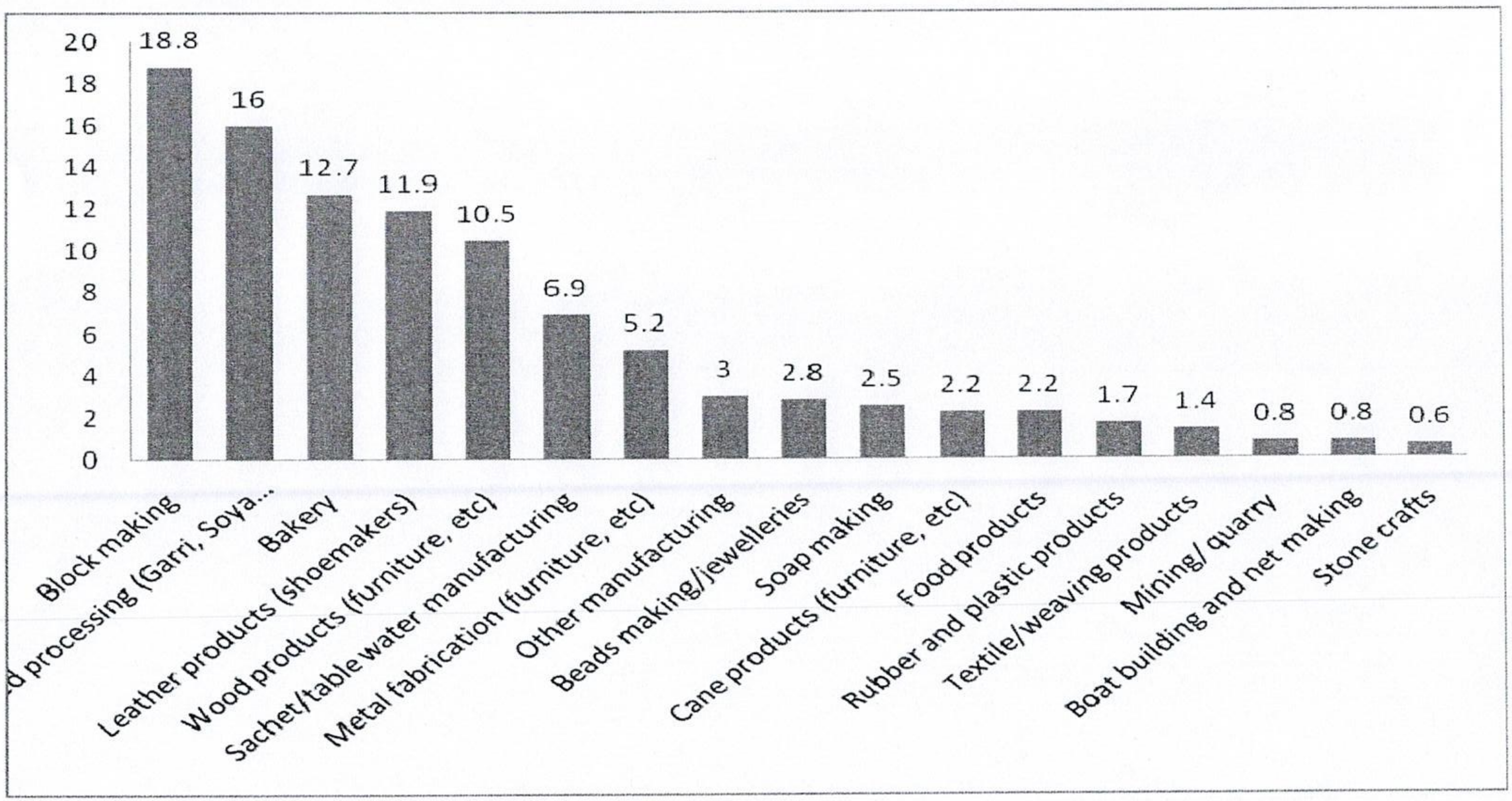
4. Highlights of Key Findings

Chart 10: Distribution of Respondents by Adequacy of the Facilities at the Workplace



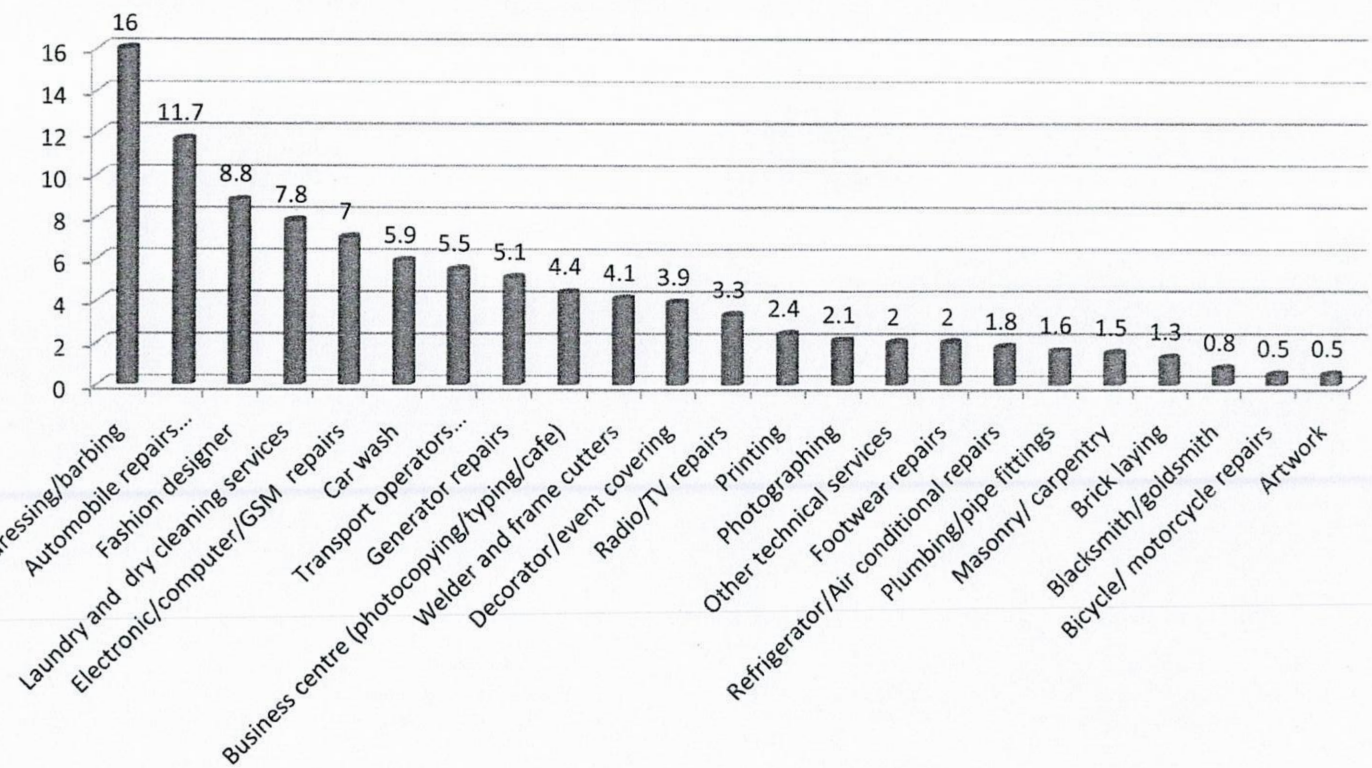
4. Highlights of Key Findings

Chart 11: Distribution of Informal Sector Actors by Nature of Business (Manufacturing), 2014



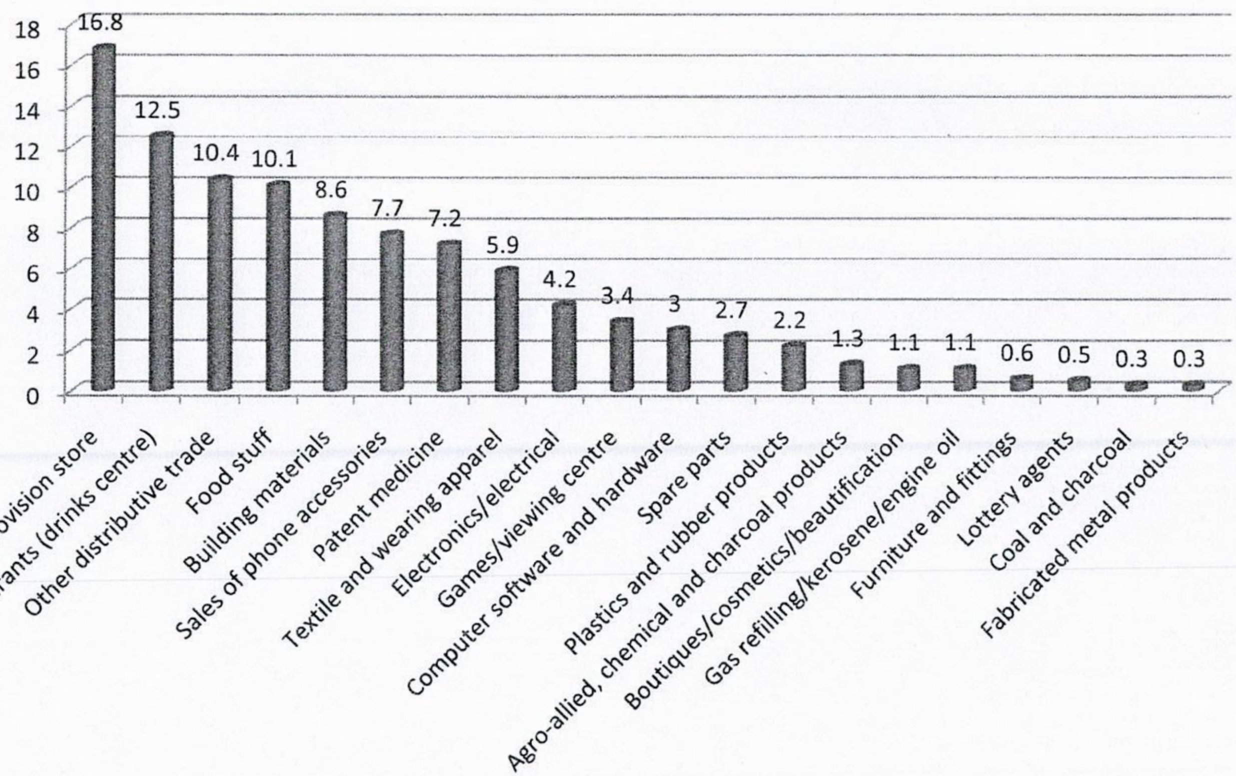
4. Highlights of Key Findings

Chart 12: Distribution of Informal Sector Actors by Nature of Business (Technical services), 2014



4. Highlights of Key Findings

Chart 13: Distribution of Informal Sector Actors by Nature of Business (Distributive Trade), 2014



Plates 2: Distributive Trade in the SEEFOR States

4. Highlights of Key Findings

II. Size of the Informal Sector and Employment Generation in the Sector

- In 2014, the value-added of informal sector operators in the four SEEFOR States amounted to N4,762.06 billion.
- The value-added of the informal sector ranged from N775.96 billion in Edo State to N2,105.34 billion in Rivers State (Table 6).
- The size of the informal sector, in terms of contribution to the GDP, in the SEEFOR states averaged 34.9 per cent.
- The estimated share of the sector in GDP ranged between 20.35 per cent in Delta State and 64.65 per cent in Bayelsa State (Table 6).
- **Attempt to conduct international comparisons.**

4. Highlights of Key Findings

II. Size of the Informal Sector and Employment Generation in the Sector

- The objective should be to reduce the size of the informal sector relative to the GDP through formalization.
- This will give the government the opportunity to regulate the economy more effectively and efficiently
- The FIRS will also be able to collect more taxes from subsisting informal sector operators
- Informal sector operators themselves will be better able to access to institutional support and address their challenges.

4. Highlights of Key Findings

Table 6: Performance in Selected Indicators By State

S/N	Indicator	Bayelsa	Delta	Edo	Rivers
1	Estimated Rebased State GDP (N 'billion)	1,313.02	5,070.73	3,599.07	6,379.81
2	Value-Added of the Informal Sector (N'b)	848.87	1,031.89	775.96	2,105.34
3	Share of the Informal Sector in GDP (%)	64.65	20.35	21.56	33.0
4	Estimated employment in the Informal Sector	847,490.60	1,868,328	1,944,600.00	1,587,000
5	Mean yearly income of operators (N)	2,361,487.59	2,123,284.41	1,847,827.65	3, 512,275.00

4. Highlights of Key Findings

Table 7: Estimated Distribution of Total Informal Sector Employment by State

State	No. of Operators Sampled	No. Employed by Sampled Operators	No. Employed per Sampled Operator (2/1)	Total No. of Operators	Estimated Employment (3*4)
Delta	400	1536	3.84	486,023	1,866,328
Edo	400	1852	4.63	420,000	1,944,600
Bayelsa	400	943	2.36	359,487	847,491
Rivers	400	1058	2.65	600,000	1,587,000
All States	1,600	5389	3.37	1,865,510	6,245,419

4. Highlights of Key Findings

III. Interdependencies between Informal and formal Sectors

- This study observes significant interdependencies between the formal and informal sectors and within the informal sectors of the Nigerian economy
- The linkages are evident for each of the following items in the SEEFOR States (Tables 8-11):
    - Raw materials;
    - Intermediate inputs;
    - Capital inputs; and
    - Finished products.

4. Highlights of Key Findings

Table 8: Distribution of Informal Sector Actors by the Average Value of Purchases from the Formal Sector

Category	Raw Materials	Intermediate Inputs	Machinery & Equipment	Finished Goods
Less than N1,000	9.8	14.7	66.7	3.2
Btw N1,000-N9,999	14.1	23.5	0	4.2
Btw N10,000-N49,999	33.7	8.8	0	40.5
N50,000 & Above	42.4	52.9	33.3	52.1
Total	100	100	100	100

4. Highlights of Key Findings

Table 9: Distribution of Informal Sector Actors by the Average Value of Sales to the Formal Sector

Category	Raw Materials	Intermediate Inputs	Machinery & Equipment	Finished Goods (%)
Less than N1,000	15.4	25.0	20.0	0
Btw N1,000 & N9,999	38.5	0	30.0	10.4
Btw N10,000 & N49,999	30.8	25.0	10.0	16.7
N50,000 & Above	15.4	50.0	40.0	72.9
Total	100	100	100	100

4. Highlights of Key Findings

Table 10: Distribution of Informal Sector Actors by the Average Value of Purchases within the Sector

Category	Raw Materials	Intermediate Inputs	Machinery & Equipment	Finished Goods (%)
Less than N1,000	16.7	34.9	22.0	5.2
Btw N1,000 & N9,999	43.9	43.6	33.1	15.7
Btw N10,000 & N49,999	24.8	14.5	33.9	38.8
N50,000 & Above	14.6	7.0	11.0	40.3
Total	100	100	100	100

4. Highlights of Key Findings

Table 11: Distribution of Informal Sector Actors by the Average Value of Sales to Other Informal Sector Operators

Category	Raw Materials	Intermediate Inputs	Machinery & Equipment	Finished Goods
Less than N1,000	8.5	29.4	0.0	7.7
Btw N1,000 & N9,999	23.7	35.3	22.2	23.4
Btw N10,000 & 49,999	30.5	29.4	66.7	19.9
N50,000 & Above	37.3	5.9	11.1	49.0
Total	100	100	100	100

4. Highlights of Key Findings

IV. Stakeholders' Perception and Challenges

- Catering to the interests of members, forging a common front and solving problem(s) are considered the dominant goals of informal sector unions.
- Union leaders contended that support in the form of social engagement, welfare- oriented activities and financial help are regularly accorded their members
- The union leaders identified challenges facing their businesses to include inadequate electricity supply, bad roads, low/poor turnover, multiple taxation, use of force for tax collection, lack of modern equipment/facilities and inadequate security .
- Many of the union leaders (38.5%) contended that there was no direct relationship between the unions and government agencies in the SEEFOR states.

4. Highlights of Key Findings

- MDAs play little or no role in the registration procedure of the informal sector operators while the Ministry of Commerce and Trade plays a pivotal role in registration of unions.
- Most of the MDAs have no specific legal framework for informal sector operators.
- Provision of credit facilities, training and enabling environment for informal sector operations are the main kinds of support given to informal sector operators.
- MDAs identified the challenges facing informal sector operators to include poor record keeping, poor organisational skills, inadequate access to credit and illiteracy and poor access to infrastructural facilities.
- Informal sector operators identified the challenges facing them to include shortage of apprentices/journeymen, poor infrastructure and lack of capital.

4. Highlights of Key Findings

- On Funding and Financial Services:
  - Big banks sparingly grant credit to the informal sector
  - BOI gives less than than N10 million to informal enterprises such as gari processing and fish packaging
  - Informal enterprises are characterized by lack of record keeping, inadequate capacity, lack of corporate governance. They are also subject to high credit risk (BOI Zonal Office, Delta State)
  - Banks prefer to deal with legal entities, they impose high cost of borrowing and generally require collateral .

4. Highlights of Key Findings

V. State Informal Sector Profile

Balyesa State

- Population: 1,703,358 (2006)
- Poverty incidence: 47.0% (2010)
- Unemployment rate: 20.7% (2010)
- Literacy rate: 77.3% (2010)
- Contribution of the informal sector to GDP: 64.65%
- Estimated employment by the informal sector: 847,491
- Mean yearly income of informal operators: N2.36 Million

4. Highlights of Key Findings

V. **State Informal Sector Profile**

Balyesa State

- Key policies and programmes:
  - The National Directorate of Employment (NDE) is involved in training and empowerment programmmes.
  - The Bayelsa State Ministry of Women Affairs trains youths in technical and vocational skills
  - State Ministry of Trade and Commerce is responsible for the registration of space and informal sector businesses.

4. Highlights of Key Findings

V. State Informal Sector Profile

Balyesa State

- Challenges:
  - Lack of access to credit/financial support;
  - Multiple taxation and harassment by tax authorities
  - Inadequate infrastructural facilities
  - Flooding during the raining season
  - Insecurity

4. Highlights of Key Findings

V. State Informal Sector Profile

Delta State

- Population: 4,098,391 (2006)
- Poverty incidence: 63.3% (2010)
- Unemployment rate: 27.2% (2010)
- Literacy rate: 71.2% (2010)
- Contribution of the informal sector to GDP: 20.35%
- Estimated employment by the informal sector: 1,868,328
- Mean yearly income of informal operators: N2.12 Million

4. Highlights of Key Findings

V. State Informal Sector Profile

Delta State

- Key policies and programmes:
  - Delta State Ministry of Commerce and Industry: provision of grants to informal sector operators;
  - Delta State Agency for Poverty Alleviation empowerment programmes in various crafts such as gari processing
  - Delta State ministry of Women Affairs Community Development programme

4. Highlights of Key Findings

V. State Informal Sector Profile

Delta State

- Challenges:
  - Absence of reliable register of informal sector enterprises;
  - Inadequate infrastructure
  - Inadequate access to finance
  - Lack of unionisation
  - Multiple taxation

4. Highlights of Key Findings

V. State Informal Sector Profile

Edo State

- Population: 3,218,332 (2006)
- Poverty incidence: 50.2% (2010)
- Unemployment rate: 11.2% (2010)
- Literacy rate: 78.2% (2010)
- Contribution of the informal sector to GDP: 21.6%
- Estimated employment by the informal sector: 1,944,600
- Mean yearly income of informal operators: N1.85 Million

4. Highlights of Key Findings

V. State Informal Sector Profile

Edo State

- Key policies and programmes:
  - Edo State Ministry of Commerce and Industry
    - Incentive to cassava farmers
    - A pilot programme at Uromi to reduce post-harvest losses

4. Highlights of Key Findings

V. State Informal Sector Profile

Edo State

- Challenges:
  - Lack of access to credit;
  - Insecurity;
  - Fuel scarcity;
  - Inadequate electricity supply;
  - Multiple taxation.

4. Highlights of Key Findings

V. State Informal Sector Profile

Rivers State

- Population: 5,185,400 (2006)
- Poverty incidence: 47.2% (2010)
- Unemployment rate: 26.0% (2011)
- Literacy rate: 75.2% (2010)
- Contribution of the informal sector to GDP: 33.0%
- Estimated employment by the informal sector: 1,587,000
- Mean yearly income of informal operators: N3.51 Million

4. Highlights of Key Findings

V. State Informal Sector Profile

Rivers State

- Key policies and programmes:
  - Rivers State Ministry of Women Affairs technical and vocational training programme for youths.
  - Rivers State Ministry of Local Government, Chieftaincy and Community Development technical and vocational training programme for youths
  - Establishment of the Songhai Rivers Initiative Farms skill acquisition programme

4. Highlights of Key Findings

V. State Informal Sector Profile

Rivers State

- Challenges:
  - Inadequate access to credit facilities;
  - Multiple taxation and incessant harassment by local govt officials;
  - Inadequate infrastructural facilities;
  - Lack of modern equipment.

5. A Model of the Informal Sector

V. MODIFIED NATIONAL SYSTEM OF INNOVATION MODEL FOR FORMALIZING THE INFORMAL SECTOR IN NIGERIA

Challenges Addressed (Chart 14):

- Infrastructure constraints;
- Institutional support;
- Education and skills;
- Technological adaptation and innovation; and
- Funding and financial services.

5. A Model of the Informal Sector

Main Actors in the Model:

- Government;
- The private sector;
- Knowledge and innovation generation actors (universities, polytechnics, vocational schools etc.);
- Micro Enterprise Advisory Centre (MEAC);
  - Akin to Agricultural Extension Services
- Formal and Informal sectors

5. A Model of the Informal Sector

Role of Actors

- Government is expected to provide informal sector-friendly policy framework, infrastructure and funding.
- The private sector actors are expected to perform funding and infrastructure roles in collaboration with government.
- The knowledge and innovation generation actors will provide innovation solutions for actors in the informal sector economy Think-tanks & Institutions. (Universities)
- MEAC would play the role of extension agents to the informal sector actors on education and training, technological knowhow and financial services, etc. Micro Enterprise Advisory Centres (SMEDAN) & State M[illegible]
- Formal and informal actors are expected to make adequate use of MEAC services while paying their taxes to the government.

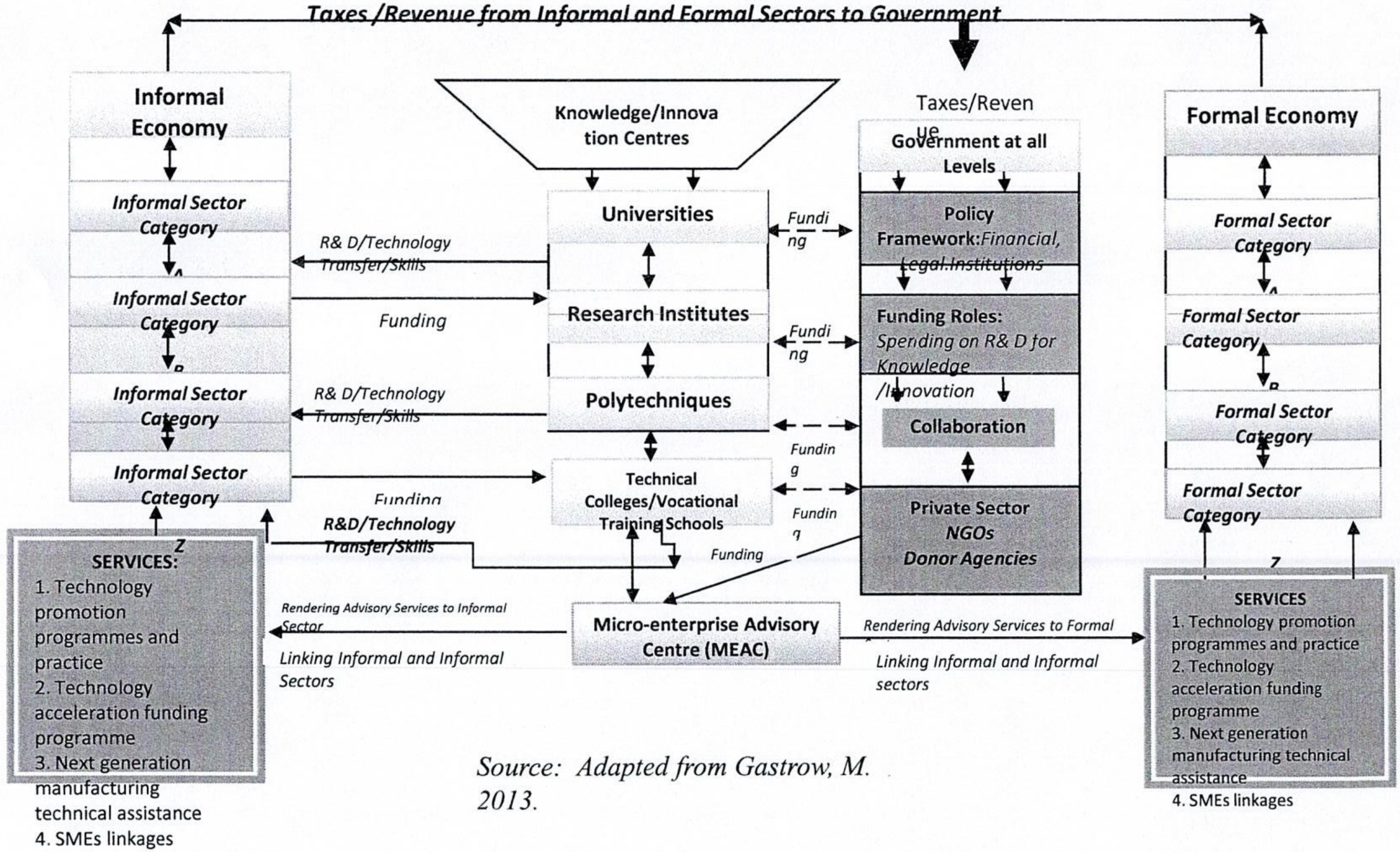
5. A Model of the Informal Sector

Adapting the Framework to the SEEFOR Context

- The starting point is the establishment of MEAC
- SMEDAN can be strengthened to perform this role
- MEAC/SMEDAN provides a link between the informal sector and the other three main actors in the form of an innovation platform
- The platform appraises the challenges facing informal sector operators.
- Solution proffered by platform members.

5. A Model of the Informal Sector

Chart 14: Linkages among the Actors in the Model Framework



Source: Adapted from Gastrow, M. 2013.

6. Recommendations

Immediate/Short-Term:

- SMEDAN should be designated as the national coordinating agency for informal sector activities.
- The Inspectorate and Enterprise Extension Services Department of SMEDAN should be renamed as Micro Enterprise Advisory Centre (MEAC) and strengthened to provide advisory services for the informal sector.
- State ministries of commerce and industry in the SEEFOR states should be designated as a coordinating agency for informal sector operations at the state level.
- SMEDAN, together with state ministries of commerce and industry, in the SEEFOR states should identify and access relevant sources of soft credit for informal sector operators through their unions/associations.

7. Recommendations

Immediate/Short-Term:

- SMEDAN, together with Office of the Head of the State Civil Service in the SEEFOR states should identify relevant knowledge centres to upgrade the skills of informal sector operators.
- SMEDAN and state Ministries of Commerce and Industry in the SEEFOR states should routinely collect information/data on the informal sector for policy formulation as well as monitoring and evaluation (M&E).
- State Ministries of Commerce and Industry in liaison with relevant associations in the SEEFOR states should carry out a comprehensive registration of informal sector operators in their respective states.
- The Federal Ministry of Finance (FMoF), in collaboration with FIRS and SMEDAN in the SEEFOR states should review and reform the administration of the personal income tax system and value-added tax for the informal sector.

7. Recommendations

Medium- and Long-Term:

- The Ministry of Industry, Trade and Investment in the SEEFOR states should in collaboration with relevant MDAs and state governments, pursue formalisation of the informal sector as a decisive policy thrust of the government.
- The size of informal sector, in terms of the number of operators and relative to the GDP in the SEEFOR states, should be reduced by 30 per cent by the terminal date of second NIP (2014-2017), and by 50 per cent by end of NV20:2020.
- SMEDAN, in collaboration with NPC, NBS, NISER and state governments in the SEEFOR states should monitor the progress in the formalisation of the informal sector on an annual basis
- SMEDAN, in liaison with the Corporate Affairs Commission (CAC) in the SEEFOR states, should review the conditions for registration of informal sector actors with a view to making it less cumbersome and affordable

7. Recommendations

Medium- and Long-Term:

- SMEDAN, together with Office of the Head of the State Civil Service in the SEEFOR states, should identify relevant knowledge centres to ensure standardization and certification of informal sector operators.
- Government at all levels in the SEEFOR states should address the challenge of infrastructure deficit, particularly electricity and water, to facilitate the operations of the informal sector.
- SMEDAN should provide a link with key stakeholders, including the private sector, innovation centres and informal actors to appraise the challenges facing the informal sector and proffer solutions.
- The Organised Private Sector (OPS) should liberalise conditions for entry and training of informal sector operators.
- NPC, in collaboration with NISER, should conduct periodic study of the informal sector, at least once every five years in the SEEFOR states

Thank You