



1. Project Data

Project ID P103499	Project Name NG:Growth & Employment	
Country Nigeria	Practice Area(Lead) Finance, Competitiveness and Innovation	
L/C/TF Number(s) IDA-48820	Closing Date (Original) 30-Dec-2016	Total Project Cost (USD) 66,853,193.22
Bank Approval Date 17-Mar-2011	Closing Date (Actual) 29-Mar-2019	
	IBRD/IDA (USD)	Grants (USD)
Original Commitment	160,000,000.00	0.00
Revised Commitment	83,568,552.48	0.00
Actual	66,853,193.22	0.00

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2. Project Objectives and Components

a. Objectives

The original objective of the project approved in 2011 was "to increase growth and employment in participating states". However, the original project never became effective, because of the advent of a new Government with different priorities. The project title and the PDO were revised through a level-1 restructuring in June 2013. Pursuant to the Financing Agreement on p. 5, the revised project objective was "to increase firm growth and employment in participating firms in Nigeria". Although there was a parallel financing, the project



was conceived as a joint project between the World Bank and DFID (ICR p. 7). This review will assess the project's outcome of the co-financed project against only the revised objective.

The assessment will undertake a parsing of the PDO in two sub-objectives as follows:

- (i) to increase firm growth in Nigeria, and
- (ii) to increase employment in participating firms in Nigeria.

Under each sub-objective, we will assess (i) the outcome achieved during the period 2013-2019 using the TA instrument, with predominant funding from the DFID and some IDA disbursements, and (ii) the outcome achieved during the period of June 2013-19, using the TA and grant instruments, with funding from both the DFID and IDA resources.

b. Were the project objectives/key associated outcome targets revised during implementation?

Yes

Did the Board approve the revised objectives/key associated outcome targets?

Yes

Date of Board Approval

04-Jun-2013

c. Will a split evaluation be undertaken?

No

d. Components

Since the project only became effective in July 2013 following the June 2013 Level 1 restructuring, there was no expenditure of resources before that date. There were two Level-2 restructurings in August 2017 and June 2019, which affected the project components and resources allocation.

Component A: Improved Investment Climate (Original funding by DFID in the amount of US\$75 million and US\$5 million IDA; Actual US\$5.0 million by IDA, and US\$72.73 million by DFID).

This component became effective in June 2017 as part of the level 2 restructuring. The US\$5 million IDA amount was allocated to this component in June 2017 to support the improvement of the investment climate, as a complement to the DFID parallel financing which covered the period 2010-2015. The key activities under this component aimed to support land and tax administration reforms, Investment promotion and facilitation, and other investment climate reforms and peer learning activities.

Component B: Increased Competitiveness of Strategic Clusters (Total Funding: US\$172 million, of which US\$142 million by IDA and US\$30 million by DFID; Actual of US\$51.85 million by IDA, and US\$48.18 million by DFID)

The component provided support at the firm-level, in order to identify high-potential entrepreneurs and modernize their business practices. Key features of the June 2013 Restructuring Paper (para 23-30) and summarized in the ICR on Table 2 were as follows: (i) for the ICT, Entertainment, Wholesale and



Retail, Light Manufacturing clusters, support was provided through TA and grants, to eligible firms or institutions and enterprises; (ii) TA and financial assistance aiming to support the development of the local catering industry, promote local culture, and strengthen the hospitality industry; (iii) TA and financial assistance intended to improve skill development and access to finance, incentivize innovation and support policy advocacy and reform in the construction industry; and (iv) the project aimed to improve the meat and leather industry and food safety, as well as the investment climate and public sector capacity within the sector.

Revised component in the June 2013 level-1 restructuring (Total Funding: US\$172 million, of which US\$142 million by IDA and US\$30 million by DFID): The revised component shifted focus to provide support at the firm-level, by identifying high-potential entrepreneurs and modernizing their business practices. Key changes adopted in the June 2013 Restructuring Paper (para 23-30) and summarized in the ICR on Table 2 were as follows: (i) for the ICT, Entertainment, Wholesale and Retail, Light Manufacturing clusters, there was a shift in focus from TA to TA and grants, and from institutional strengthening to providing grants to eligible firms or institutions and enterprises, and (ii) there were no changes to activities listed under the hospitality, construction, and meat and leather clusters.

In the June 2017 level-2 restructuring, funding was revised to US\$167.00 million, of which US\$137 million by IDA, and US\$30 million by DFID). In this restructuring, the number of project activities were reduced to 18. Several activities were dropped in the ICT, Entertainment, Light Manufacturing clusters, as well as in the Hospitality, Construction and Real Estate Clusters. A new SME Investment Fund was proposed to provide longer-term mezzanine funding to SMEs, and to expand third-party funding instruments. However, in the June 2019 level-2 restructuring, the SME investment fund proposal was withdrawn and US\$76 million of undisbursed IDA funds were cancelled.

Component C: Project Implementation, M&E, and Communications (Total Funding: US\$20.37 million, of which US\$18 million by IDA, and US\$2.37 million by DFID: Actual US\$10 million by IDA and US\$5.67 by DFID)

Key activities aimed to support project management, monitoring and evaluation, project coordination, environmental and social management, and strengthening government institutions. The Federal Project Implementation Unit (FPIU) and the Project Management Unit (PMU) were merged, and the Minister of Trade and Investment was to chair the Steering Committee, and the project management unit merged with the FPIU. Actual disbursements for the DFID project increased, because while the DFID project closed in 2015, a DFID expert continued to support the IDA project implementation until 2019. Actual disbursements for the IDA project were scaled down following the reduction of the project's scope and associated implementation costs.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost: The actual disbursement amount totaled US\$157.56 million, composed of US\$41.78 million equivalent from IDA, and US\$115.74 million equivalent from DFID.

Project Financing: The total project cost was estimated at US\$269.37 million equivalent at appraisal, composed of US\$160.0 million from IDA and US\$109.37 million equivalent from DFID. Because of implementation challenges (ICR, para 90), there was a 2019 partial cancellation of undisbursed IDA funds



amounting to US\$76 million. Actual disbursements stood at 58.7 percent of the total project commitments. The project was designed as a parallel-financed project with DFID.

Borrower Contribution: There was no financing from the borrower.

Dates. The project was approved by the World Bank's Board on March 17, 2011, and became effective on July 29, 2013. Its initial closing date was December 31, 2016. The project had four restructurings, one of which never came into effect. In June 2013, there was a level-one restructuring, which occurred before project effectiveness. It included changes to the project title and the PDO and a closing date extension to September 7, 2018. A level-two restructuring occurred on August 01, 2017, but the Ministry of Finance did not sign the Amended Financing Agreement, so the restructuring was never official. A further restructuring occurred in October 2018, which included an extension of the closing date to March 29, 2019. A final restructuring occurred on December 07, 2018 and included changes in components and costs, the cancellation of US\$76 million in financing, and reallocation between disbursement categories.

3. Relevance of Objectives

Rationale

Consistency with the Borrower's priorities: Growth and employment were at the core of the Nigeria's 7-point policy agenda of the country's poverty reduction strategy, which explicitly recognized the importance of employment, diversification, and wealth creation. The project appraisal coincided with a changing environment in the Nigerian political landscape. Even as the project drew on extensive studies establishing the rationale for the project, the ICR reports (para 89) that the World Bank was unsuccessful in securing sufficient buy-in from the states and did not reach firm agreements with the key beneficiaries on project design. The Federal Ministry of Finance (FMF) requested that the project support the 'Agricultural Transformation Agenda', and the 'YouWin' business plan competition. The absence of these new developments in the original project design led to delays in project effectiveness, and triggered the June 2013 level-1 restructuring, which revised both the title and the PDO of the project, and integrated the borrower's new priorities. The revised PDO was "to increase firm growth and employment in participating firms in Nigeria". The new PDO was consistent with the Nigeria's 2020 strategy, which aimed to qualify Nigeria as one of the world's top 20 economies by 2020. This project intended to support the second CPS pillar focusing at boosting the role of private sector and non-oil growth.

Consistency with the Bank's strategies: The revised PDO was consistent with the country's priorities and the World Bank's strategies until the project closing date. As detailed hereafter, the revised PDO was in line with the recent World Bank's Country Partnership Framework (CPF) and the Systematic Country Diagnostic (SCD). The revised PDO was in line with the 2014–2017 CPF, in its goal of promoting diversified growth and job creation, and supported the first strategic cluster aimed to increase financing for SMEs and create more jobs. Finally, the 2019 SCD identified four pathways for Nigeria's development goals, including the third pathway whose goal was to "promoting a private sector-led growth," which was underpinned the project's objectives and design.

The revised PDO was implemented over a period of six years (2013-2019). The scope of the project was revised twice in 2017 and in 2019 to adjust to on the ground developments. On balance, the relevance of the revised PDO is rated as Substantial, because at closure, while the PDO was congruent with the



Government's priorities and the Bank's strategy, the program of activities was overambitious and could not be fully implemented, as illustrated by the cancelation of about 48 percent of the IDA originally allocated resources.

Rating

Substantial

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

To increase firm growth in Nigeria.

Rationale

(A) Efficacy achieved using the TA instrument

IDA and DFID disbursements supported the above PDO in respective amounts of US\$6.06 million and US\$115.74 million using the TA instrument. The goal was to provide TA that would create a conducive business environment for the private firms' growth and employment.

Causal chain and outcome attribution

There was no causal chain developed either in the PAD or in the subsequent restructuring papers. The ICR constructed a result chain (ICR-Figure 1) whose key features are developed hereafter. The project results chain was underpinned by financial resources provided by the DFID and IDA, and which were the main inputs for the project. Financial resources were to fund a host of TA activities, reforms and studies aimed at improving the country's investment climate and the competitiveness of strategic clusters. Key expected outputs could include the number of reforms adopted (tax, land, ease of business) and skilled workers, and the creation of new firms; expected outcomes could include the number of jobs created, the efficiency in the management of new firms and business clusters. Expected long term outcomes and impacts could be the ease of doing business, increased foreign and domestic investment, which would spur higher economic growth. Finally, the gist of achieved outcome under this PDO is mostly attributable to the DFID, based on the amount of disbursed funds in support to this objective.

Project resources were to fund TA aimed to improve the investment climate. Completed reforms and studies would allow the adoption of new laws and regulations, which in their turn would result in reduced time and cost of registering property, and reduced time taken to obtain approvals and licenses to operate. The above would reduce the cost and risk of doing business and provide a greater incentive to invest, triggering increased foreign and domestic investment, job creation in the key sectors, and eventually strengthening country's participating firms.



Key assumptions underpinning the above result chain was to include (i) the ownership and technical capacity of participating states and national government to implement reforms, (ii) the sustainable partnership of donors and continuous alignment of country priorities, and (iii) the conduciveness of the global and national economic and political situation for private sector growth. Missed outcomes resulted from some of the key assumptions being incorrect, in particular technical capacity was weak, a lack of buy-in from the states and changing country priorities.

As reported in the ICR (paras 31-37), key outputs and outcomes generated toward the PDO at the project's closure are presented below:

Outputs

- A tax harmonization bill was passed and a proven toolkit to guide internal revenue generation was developed, and both improved the investment climate in participating states;
- A Systematic Land Title Registration (SLTR) process at the local government level was completed in the states of Kano and Kaduna to facilitate business development in those states;
- Investment Promotion Agencies in the states of Kaduna, Kano, Lagos, and Jigawa were established;
- Four hundred (400) artisans were trained in video and sound editing, and six hundred (600) youths were trained to promote quality of service and affordable housing development in the Kaduna State;
- A Collateral Registry was established at the Central Bank therefore improving access to finance for entrepreneurs and firms; and
- Market systems were strengthened for the sectors of meat & leather, construction & real estate, and wholesale & retail through the “Making Markets Work for the Poor (M4P) Approach”.

Outcomes

- The SLTR provided residents with title to their property and increased property security. Land title holding increased the property value by approximately 40 percent, and improved land titling expanded investment in the productivity of land, and this was a positive step for private firms in general;
- The project brought in systemic change in the meat and leather industries, as income-related targets were exceeded ;
- There was a large registration pickup in the Collateral Registry, with registered assets reaching US\$102 billion as of 2017;
- Tax compliance has increased and generated revenue reached the equivalent of US\$1.37 billion in Kaduna, Kano, and Jigawa;
- In Kaduna, mobilized investments reached a total value of US\$350 million by 2017, and firms that worked with the local investment promotion agencies reported positive feedback on their collaboration;
- Strong performance of the DFID-funded Whole and Retail Market Systems with 15 of the 16 indicators targeted fully achieved. Key areas of intervention include mobile money, skin salting, and micro retailing, and rice and tomato agro-service provision;
- Results for the beneficiaries of improved access to services supported by the project reached over 3.9 million individuals in May 2017 against a target of 4.2 million;
- The sustainability—measured through the percentage of new or improved services sustained in the market a year after project end—was fully achieved and reached the target of 90 percent.



(B) Efficacy achieved using the TA and grant instruments

DFID disbursements were used to fund TA benefitting private firms in key clusters, while IDA resources funded TA and grants to step up potential firms' growth and employment. The project's efficacy toward the revised PDO reflects the changes brought in by both the June 2013 level-1 and the 2107 and 2019 level-2 restructuring operations.

Causal chain and outcome attribution

The elements of the causal chain and the critical assumptions presented while using the TA instrument alone apply here. The project focus was on TA and grants in supporting firms, by identifying high-potential entrepreneurs and modernizing their business practices.

The main inputs were TA from DFID and IDA as well as IDA grants. Financial resources were to fund TA activities and provide grants to firms with high potential. Reforms and studies aimed at improving the country's investment climate and the competitiveness of strategic clusters would take place, and high-potential firms were to receive grants to step up their performance. Key expected outputs would include the number of reforms adopted to improve the business environment, the number of firms receiving grants, and the number of new firms created; expected outcomes would include the number of jobs created, the efficiency in the management of new or existing firms and business clusters. Expected long term outcomes and impacts would include the performance of supported firms, higher jobs creation, increased foreign and domestic investment, which would spur the growth of private firms.

Achieved outcome under this PDO is attributable to both the World Bank and DFID. Their resources were used to fund activities supporting the new objective, until project's closure for both DFID and IDA. Generated outputs and achieved outcomes reported in the ICR (paras 38-55) are summarized below:

Outputs

- The target for the number of micro, small and medium enterprises (MSMEs) registered in the Business Innovation and Growth (BIG) Platform was exceeded, reaching the number of 107,910 against a target of 100,000;
- The target for the number of MSMEs benefiting from capacity enhancement was partially achieved, reaching the number of 2,111 against a target of 8,974;
- Results include a total of 109,000 SMEs which were registered on the platform; 5,474 out of them received access to services, including online training, business development services (BDS), and insourcing/outsourcing;
- Staff from twenty-seven consulting firms were trained in the provision of BDS to SMEs, which led to their growth and job creation;
- Sixty-two BDS providers were trained, with achieved performance assessed based on a paper-based test and an observation of a consulting service provided to a MSME; and
- The capacity of SMEs was strengthened through outsourcing by building firm-level competencies and was piloted in Lagos and Abuja.

Outcomes



- The target for percentage growth in sales of participating firms was exceeded, reaching 258 percent against a target of 20 percent;
- The target for percentage growth in sales of female-headed participating firms exceeded reaching 99 percent against a target of 20 percent;
- An online platform contributed to improved transparency of beneficiaries' selection, provided a high level of control at different steps of the process and enhanced cost effectiveness of the implementation;
- A large impact evaluation was embedded in the project to measure impact from various capacity building approaches on firm's business practices. Impact evaluation results illustrated that the insourcing, outsourcing and consulting interventions all improved business practices in participating firms, although training had a negligible impact;
- The ICR conducted beneficiary surveys at completion to mitigate for weak results measurement, and these surveys provided a positive feedback on growth and job creation, although they did not measure growth and employment effects specifically;
- During the ICR phase, there was a collection of firm-level data in the context of a survey and virtual focus groups. The surveyed firms reported higher levels of growth of sales. This underscores that the project contributed toward the revised PDO to increase firm growth in Nigeria, but the significance of those improvements could not be established. The feedback was mixed on the quality and efficacy of different capacity building services provided to the firms. The results presented in the ICR (Table 3) reflect the perceptions of survey respondents on the impact of the project on the strength of beneficiary firms. Overall, in-person training was ranked first, closely followed by the services provided from inhouse consultants.

Rating

Substantial

OBJECTIVE 2

Objective

To increase employment in participating firms in Nigeria.

Rationale

(A) Efficacy achieved using the TA instrument

Causal chain and outcome attribution

The causal chain and outcome attribution outlined under the first sub-objective apply here when pursuing the second sub-objective using the TA instrument. Expected long term outcomes and impacts could be the ease of doing business, increased foreign and domestic investment, which would spur higher rates of employment in participating firms in Nigeria. Finally, the gist of achieved outcome under this sub-objective is mostly attributable to the DFID, based on the amount of disbursed funds in support to this instrument.

Outputs



Outputs generated by the project and presented under the first sub-objective using the TA instrument are all relevant toward the achievement of the second sub-objective. They were all instrumental, directly or indirectly, in achieving the outcomes toward increased employment in participating firms in Nigeria.

Outcomes

Achieved outcomes reported in the ICR (paras 31-37) are delineated below:

- The employment target was achieved at 92 percent, with 4,076 achieved by the end of June 2015 against a target of 4,400 full-time employees equivalent;
- Achievements in the increase in the average number of male and female full-time employment generated by participating MSMEs were exceeded by 14% and 30%, respectively; and
- Impact results were exceeded by 27.3 percent for the number of jobs, with actual of 12,737 against a target of 10,003, and by 5.6 percent for the absolute number of people recording a positive change in income (actual of 528,210 against of a target of 500,023).

B. Efficacy achieved using the TA and grant instruments

Causal chain and outcome attribution:

- The causal chain and outcome attribution outlined under the first sub-objective apply here when pursuing the second sub-objective using the TA and grant instruments. The main inputs were TA from DFID and IDA, as well as IDA grants. Key expected outputs were to include the number of reforms adopted to improve the business environment, the number of firms receiving grants; and the key expected outcome was the expansion of employment in the participating firms in Nigeria. Finally, the achieved outcome under this sub-objective relying on the two instruments is attributable to both DFID and IDA.

Outputs

- The outputs generated by the project and presented under the first sub-objective using both the DFID and IDA TA as well as the IDA grants are all relevant toward the achievement of the second sub-objective. They were all instrumental in achieving the outcome achieved toward increasing employment in participating firms in Nigeria as presented hereunder.

Outcomes

Achieved outcomes reported in the ICR (para 31-37) are delineated below:

- The target for percentage increase in average number of workers in participating firms was exceeded, reaching 30 percent against a target of 20 percent;
- The target for percentage increase in average number of workers in female-headed participating firms was missed, reaching nil percent against a target of 20 percent;
- During the ICR phase, a survey reported higher levels of workers hired. This underscores that the project contributed toward the revised PDO to increase firm employment in participating firms in Nigeria, but the significance of those improvements could not be established.



Rating
 Modest

OVERALL EFFICACY

Rationale

Efficacy toward increased firm growth in Nigeria

The project's reform program supported firms in a wide range of sectors. Some areas of intervention included mobile money, skin salting, and micro-retailing, and rice and tomato agro-service provision, and results were achieved in 28 states. The project's performance for growth in sales of participating firms (services and industry) was exceeded, including female-headed participating firms. Evidence from the impact evaluation results shows that the insourcing, outsourcing and consulting interventions all improved business practices in participating firms, while training had a negligible impact. During the ICR phase, a survey reported that some increase in firm growth in Nigeria occurred, but improvement significance could not be established. Most importantly, a large portion of resources earmarked to fund the achievement of outcome were not used and were canceled.

Efficacy toward increased employment in participating firms in Nigeria

As regards to employment progress, the expected levels of male and female full-time employment created by participating MSMEs and the increase in average number of workers in participating firms were exceeded. However, the percentage increase in average number of workers in female-headed participating firms was missed. Finally, an ICR survey reported that while there was an increase in employment in participating firms in Nigeria, improvement significance could not be established.

On balance, the overall project's efficacy under the revised objective is rated as modest.

Overall Efficacy Rating
 Modest

Primary Reason
 Low achievement

5. Efficiency

Economic and financial analysis

At appraisal, an efficiency analysis provided estimates of the project's contribution to GDP growth in the originally selected states that would arise from addressing prevailing market failures, and improving the business environment, competitiveness and returns to investment. A full-fledged economic analysis was conducted at the occasion of the 2013 level-1 restructuring, which concluded that the revised project would lead to an estimated Net Present Value (NPV) of US\$31.4 million, and an Economic Rate of Return (ERR) of 31%. In the context of the 2017 level-2 restructuring, which dropped several activities and created a SME fund,



no NPV or ERR were calculated, although the financial model derived an equity investor net IRR of 18.9 percent.

The ICR did not quantify the benefits of the limited part of the project that was implemented or conduct a proper NPV or ERR calculation at closure, as relevant data was unavailable. Instead, the ICR undertook specific cost efficiency and effectiveness analyses (ICR, paras 56, 58 and 59) limited to the project support to (i) the MSMEs, (ii) the capacity development activities, and (iii) the DFID components, drawing on the surveys completed during project implementation. While the cost efficiency analysis for the DFID component demonstrated improvements in efficiency and economies of scale, the one related to MSMEs concluded by a modest efficiency, while the one for capacity building was inconclusive. The cost efficiency analyses were limited in time for some of them (2016-2018), and were partial in coverage and in depth and don't reflect the comprehensive economic and financial impact of the achieved outputs and outcome developed under Section 4. This review concludes that the overall project's economic efficiency of the project was modest, while suggesting an updated comprehensive efficiency analysis in the future.

Operational and administrative analysis

Because of the disconnect between the PDO and the evolving priorities of the Borrower, the project's effectiveness was delayed until the completion of the 2013 level-1 restructuring. The intention to build synergies with DFID-funded sectoral activities was thwarted by the limited opportunities for synergy between the World Bank's focus on a grant funding model and the market systems based DFID projects.

The ICR noted (paras 65-66) that institutional arrangements were weak for effective implementation, and that lack of institutional capacity persisted, requiring the recruitment of external expertise to make up for limited skills within the PIU. The delays in effectiveness led to compressed implementation timeline and to PIU accumulated lags in the recruitment of specialists, including FM and procurement staff.

The ICR noted further (paras 70-71) that there was a lack of basic communication from the implementing team. Moreover, when the project started to generate outputs, procurement issues generated negative press, and coordinating shortcomings were experienced among key stakeholders, including DFID and the World Bank. Because of the complex nature of the project, many implementation partners were ineffective, slowing down the entire implementation system. Overall, the complexity of the project, the multiple restructuring operations, and the weak implementation readiness and arrangements led to delays and dropping of activities, and the cancelation of project resources. The above affected significantly the operational and administrative efficiency of the project, which is rated as modest.

Based on the developments above, the overall project efficiency is rated as Modest.

Efficiency Rating

Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

Rate Available?	Point value (%)	*Coverage/Scope (%)
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Appraisal	0	0 <input type="checkbox"/> Not Applicable
ICR Estimate	0	0 <input type="checkbox"/> Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The relevance of objective was substantial. While the PDO was congruent with the Government's priorities and the Bank's strategy, the reform program was overambitious. Efficacy was modest, because the grants program could not be fully utilized, and significance with respect to improved firm growth and employment in participating firms in Nigeria could not be established. Efficiency was also modest, resulting in an overall outcome rating of Moderately Unsatisfactory.

a. Outcome Rating

Moderately Unsatisfactory

7. Risk to Development Outcome

The ICR (para 96) reported that the contribution of BDS services and grant support to firms, which could help to raise revenues and retain jobs created through project financing could well be sustained. Project beneficiary SMEs were willing to pay for BDS even in the absence of project's financial support. While some BDS providers continued to use training materials developed with support from the project, most business training schools continued to provide enterprise training after the project's closure.

On the negative side, the ICR identified (para 97) trends pointing to a weaker sustainability of achieved outcome: (i) the government did not show strong willingness in funding the SME support activities initiated by the project, notably by replacing the external expertise used to implement the project, and (ii) while the project was implemented through the PIU located in a ministerial unit, Government's services did not substitute to the donors after the project's closure. Moreover, the PIU was dissolved upon project completion and all the financing and capacity building facilities related to the project were closed.

On balance, given the disengagement of the World Bank and the DFID from the sector and limited signals of Government's commitment to sustain achieved outcome, the risk to development outcome is rated as high.

8. Assessment of Bank Performance



a. Quality-at-Entry

The design team did not gather sufficient buy in by key stakeholders at appraisal. Even as the project drew on extensive studies establishing the rationale for the project, the ICR reported (para 89) that the World Bank was unsuccessful in securing sufficient buy-in from the states and did not reach firm agreements with the key beneficiaries on project design. The goal to establish a synergy between DFID and other donors' efforts was an innovative design feature, but resulted in a lukewarm cooperation. The co-financing arrangements and the resulting technical design remained disproportionate with the counterpart's implementation technical capacities, and this led to the dropping of several activities and the cancellation of resources.

Limiting the project coverage to selected states was a design flaw which prompted the resistance to approval by the National Assembly and caused a delay in project's effectiveness. There was no clarity regarding the criteria and process for selecting the target states, as well as uncertainty regarding the money allocation to states and sectors, the budget distribution and the implementation setup.

The revised PDO abandoned the focus on four states and targeted specific sectors at the national level. There was no matchup between the original multi-industry cluster program and the country's level of institutional development, because the required industry expertise lacked in the PIU, which was predominantly staffed by civil servants. The project preparation did not create institutional arrangements for effective implementation, and the lack of institutional capacity persisted throughout the span of the project.

The ICR accurately noted (ICR, para 64) that the project risk assessment and mitigation were inadequate at appraisal. Both the complex political environment surrounding the project and the low implementation capacity were underestimated. While several potential risks linked to the complex political system, governance challenges, precarious economic situation dominated the country's context, their assessment and mitigation were inadequate, because the probability of political risks was assessed as low, despite the political transition underway.

Quality-at-Entry Rating

Unsatisfactory

b. Quality of supervision

The World Bank project team displayed (ICR para 90) implementation proactivity and flexibility despite huge implementing challenges on the ground. The project team implemented a large and ambitious project, in a context of a weak PIU and daunting political roadblocks. Implementation support missions and an ongoing impact evaluation were the key tools of project oversight. DFID technical advisors provided expertise and contributed to awareness creation. The World Bank team exerted flexibility by undertaking project restructurings that factored in the needs of counterpart and beneficiaries. Mission aide-mémoires were generally comprehensive, but had gaps in risks assessment. The building of synergies with DFID-funded sectoral activities did not occur due to delays in IDA loan effectiveness and the World Bank's focus on a grant funding model, which limited opportunities for synergy with the market systems based DFID projects.



The high TTL turnover affected project implementation; there were six TTLs between appraisal in 2010 and closure. TTLs turnover thwarted efforts to bring the project back on track and affected the continuity of activities, the quality of supervision, and reduced their ownership of the project complexities. The World Bank team relied on external expertise and consultants to address procurement and FM challenges that cropped up during project implementation, in its efforts to ensure the proper provision of disbursements forecasts and project planning. However, FM and procurement weaknesses continued to affect the project operations until its closure.

Technical skills within the PIU were weak, which the project tried to remedy by recruiting consultants. Lack of readiness for implementation created confusion in the roles and responsibilities of government officials vis-à-vis technical consultants. Project team's efforts to strengthen the PIU, and reverse ownership and partnership issues were not successful. The project had lagged far behind for it to be fully disburse.

Coordination and communication among stakeholders was weak throughout project implementation. The ICR noted (ICR, para 70-71) that there were challenges in coordinating between DFID and the World Bank, the PIU, and the multiple consulting firms and individual consultants. Many implementation partners had performance issues, and this slowed down the entire system of project implementation.

Finally, risk management fell below what was required to boost project implementation. Given that the political and governance challenges started shortly after appraisal, the project team could not figure out immediate mitigation measures. While the PIU staff were trained in World Bank's fiduciary procedures to boost technical capacity, the stakeholder risks persisted during the project. Unfortunately, a mitigation plan was developed by the PIU with the DFID's technical support to head off perceived risks was not adopted.

Quality of Supervision Rating

Moderately Unsatisfactory

Overall Bank Performance Rating

Unsatisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

As detailed in the ICR (para 76-78), indicators to gauge the performance of IDA-funded activities were weak, and were not fully aligned with project activities. M&E expertise in the PIU to oversee progress toward outcome was lacking. While there was a results framework in the PAD, the project lacked measurable and relevant indicators to support the results chain, and a means to regularly conduct effective M&E. To enhance outcomes measurement, the project incorporated a third-party monitoring agent and an impact evaluation to remedy the poor quality of M&E.

For many of the IDA activities indicators, baselines and targets were lacking due to the M&E team's limited expertise, and results were difficult to measure or to attribute to the project. Some PDO-level indicator (the growth rate of selected enterprises for instance) had no clear definition. Overall, M&E arrangements for IDA activities were unclear, with too many actors involved in the process, with no clear focal point assigned to



oversee M&E more broadly at the project level. On the contrary, indicators for DFID-funded activities were well selected and had adequate baselines and targets.

b. M&E Implementation

As reported in the ICR (para 79-80), the M&E framework was revised twice, but the revisions did not fully integrate the changes in the project design. The first M&E review occurred during the June 2013 restructuring to factor in structural changes related to the project's core objective and resource reallocations, and to improve relevance of the indicators. PDO-level indicators were to focus on the firm level, and no longer to the state level. The second set of revisions were incorporated during the 2017 second restructuring to reflect recommendations from the 2016 MTR. The 2017 restructuring overhauled the project M&E framework, as some indicators were dropped, and as targets for those retained were redefined to better reflect the expected project achievements. Despite changes in the M&E system, the dropped SME Investment Fund component was not removed from the results framework, even if it was no longer part of the revised design.

A PIU M&E specialist and an implementation partner were hired with delay (2016). M&E implementation was affected by the initial delays to launch the project and the complexity of third-party monitoring. Key M&E shortcomings remained and included: (i) limited grasp of the project by some stakeholders, (ii) lack of proactivity by the M&E contractor, and (iii) weak expertise of the hired staff. The June 2016 MTR suggested to realign project activities to the objectives, and this led to the August 2017 changes in the M&E system overseen by a new-recruited PIU M&E specialist. However, the political economy challenges on the ground did not allow the accurate collection and reporting of the relevant information that was necessary to provide a strong basis for assessment of the PDO achievement.

c. M&E Utilization

Overall, the project reporting, through the aide-memoires and the ISRs, was comprehensive. However there were key aspects of project implementation that were not sufficiently documented, including the causes for the negative media coverage, the corruption accusations and and the handling of complaint letters sent by NGOs.

Because of delays in setting up the M&E system and establishing the baseline and target indicators, the M&E data were late and were not useful during implementation. On the contrary, the DFID M&E systems captured results of DFID-funded activities, but the absence of a unified results framework for the project led to limitations in having a comprehensive results measurement.

The impact evaluation through surveys came too late and did not improve M&E utilization to better improve the project results. The impact evaluation results presented in the ICR (Annex 8) contributed in the identification of effective ways of improving MSME business practices and capacity. The evaluation results provided insights on the impacts of capacity development on private firms performance, including through skills outsourcing and insourcing, BDS, and training.



M&E Quality Rating

Modest

10. Other Issues

a. Safeguards

The project was classified as a Category B operation, indicating that the potential adverse environmental and social impacts of the project's activities were expected to be small-scale. The project triggered the following World Bank safeguard policies: (i) Environmental Assessment (OP/BP 4.01); (ii) Involuntary Resettlement (OP/BP 4.12), and (iii) Pest Management (OP/BP 4.09), and three safeguards instruments of Environmental and Social Management Framework (ESMF), Resettlement Policy Framework (RPF) and integrated Pest Management Plan (IPMP) were approved and publicly disclosed.

The safeguard policies triggered at project design did not change, and no physical and economic displacements occurred. A grievance redress mechanism (GRM) received numerous complaints that emerged due to operational delays in grant disbursement. About 50 individual complaints out of 109 individual registered were filed under the World Bank's grievance redress services (GRS). The complaints arose from delays in processing the disbursement of approved grants, and the above-mentioned redress mechanism handled conclusively the grievances raised.

Overall, project support to individual MSMEs satisfied all safeguards requirements. The Safeguard Unit of the project provided occupation health and safety support to the beneficiaries during sub-project implementation. Overall compliance to environmental and social safeguards was rated by the ICR as satisfactory throughout the project reporting period.

b. Fiduciary Compliance

Financial management

The World Bank team worked with the PIU staff regularly to share insights on how to locate the right information needed to feed into the system. The World Bank team noted that the PIU had knowledge gaps and this could impact financial management. Because of weak local expertise, financial management worsened overtime, leading to FM rating downgrading from satisfactory to moderately satisfactory. A financial audit unearthed FM irregularities, discrepancies between planned and actual activities, including a cumbersome payment process. Earlier ISRs ratings of FM were satisfactory, but the rating was downgraded to moderately satisfactory after the 2016 MTR. Due to the lack of capacity, the project team was unable to generate financial reports on time, and needed to be rated lower than Moderately Satisfactory, especially that the project team did not provide a copy of the latest external financial audit.

Procurement

The PIU needed additional technical expertise in procurement since the outset. The initial procurement team was strengthened in May 2016, leading to significant improvement in the documents sent to the World Bank. The April 2019 ISR noted that procurement performance had improved including in contract



management. Multiple and repeated mistakes in critical procurement documents contributed to rating being downgraded to Moderately Unsatisfactory.

c. Unintended impacts (Positive or Negative)

Although the female-headed participating firms were not targeted for project grants, there was substantial participation from female business owners. In the context of a survey, 65.7 percent of project beneficiaries identified the principal applicant as male and 34.3 percent identified the principal applicant as female. The ratio of female-headed participating firms improved in comparison to previous data assessing female business participation.

d. Other

The ICR did not identify other unintended impacts.

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Unsatisfactory	Moderately Unsatisfactory	
Bank Performance	Moderately Unsatisfactory	Unsatisfactory	There were major shortcomings in the appraisal of the IDA project, and in proactive identification of opportunities and resolution of threats.
Quality of M&E	Modest	Modest	
Quality of ICR	---	Substantial	

12. Lessons

The ICR identified several lessons and recommendations (ICR, paras 98-116) arising from the experience of the project design and implementation. The most striking lessons are summarized and rephrased below:

- To achieve expected outcomes, the project design needs to match the implementation capacity of the borrower, especially from the technical and governance perspective.** In Nigeria, the activities of this project frequently exceeded the implementation capacity of the PIU, which lacked technical expertise.
- Multi-donor and large projects can be effective in a complex environment, but borrower ownership and commitment need to be in place to ensure coordination.** For



this project, IDA and DFID funding was brought together in support of the increased performance of firms and competitiveness of strategic clusters. However, there was a lack of adequate mechanisms for efficient coordination.

3. **For a large project to succeed, improved stakeholder assessment and transparent communication are central to ensuring the buy in by key stakeholders, building partnerships and maintaining government commitment.** The project team could not bring the new Government on board quickly, so as to carry out the blended DFID/IDA project in a coordinated manner. Under-performance in communicating about the project goals and processes created a confusion in the public that was used to discredit the project's goal and hinder its full implementation.
4. **The Bank team needs to proactively prepare to counter political interference during project implementation.** For this project, incomplete and delayed design and slow implementation provided the opportunity for lobbying that compromised the project.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR is candid and the review analysis is evidence-based with substantive annexes. The ICR constructed an adequate theory of change for the project, which was missing in the Project Appraisal Document and the subsequent Restructuring Papers. The ICR has several thoughtful lessons and recommendations from the project, and all of them reflect the experience of project implementation.

There were several moderate deficiencies in the ICR as follows: (i) the split assessment was unnecessary, because the original PDO was never effective, (ii) the theory of change could have been improved by avoiding the mix-up of outputs and outcomes, (iii) additional information on fiduciary performance (FM and procurement) of the project was requested and not provided, (iv) the content of written lessons and recommendations from a key co-financier (DFID) needed to be fully reflected in the ICR, and finally (v) the project performance assessment needed to parse the PDO.

- a. **Quality of ICR Rating**
Substantial

