Report Number: ICRR0021963

1. Project Data

Project ID P131973	**Project Name** NG-Housing Finance Development (FY14)	
Country Nigeria	**Practice Area(Lead)** Finance, Competitiveness and Innovation	
L/C/TF Number(s) IDA-52920	**Closing Date (Original)** 31-Dec-2018	**Total Project Cost (USD)** 178,980,004.96
Bank Approval Date 26-Sep-2013	**Closing Date (Actual)** 31-Dec-2018	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	300,000,000.00	0.00
Revised Commitment	198,783,487.33	0.00
Actual	178,980,004.96	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Project Objectives and Components

a. Objectives

The Project Development Objective (PDO) as stated in the Financing Agreement (Schedule 1, page 6) and the Project Appraisal Document (PAD, page 7):

"To increase access to housing finance by deepening the primary and secondary mortgage markets in the Federal Republic of Nigeria (hereafter referred to as Nigeria)."

This assessment is based on these three sub-objectives: (i) To deepen primary mortgages: (ii) To deepen secondary mortgages: and (iii) To Increase access to housing finance.

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

No

c. Will a split evaluation be undertaken?

No

d. Components

There were four components (PAD, pages 8-10). According to the information provided by the team, the actual cost of the components was as provided in the ICR (Table One, page 12).

1. Nigeria Mortgage Refinance Company (NMRC). The estimated cost at appraisal was US$250.00 million. The revised estimate after partial cancellation of credit (discussed in section 2e) was US$165.69 million. The actual cost was as per the revised estimate. This component aimed at developing the primary mortgage market, by providing liquidity support to the newly created NMRC for providing long-term funding to Primary Mortgage Lenders (PMLs) including commercial banks and primary mortgage banks. This component also aimed at developing the secondary mortgage market through bonds raised by the NMRC for financing PMLs.

2. Mortgage Guarantee. The estimated cost at appraisal US$25.00 million. The revised estimate US$0.00 million. This activity was cancelled (discussed in section 4). This component aimed at developing a mortgage guarantee product for improving the affordability of housing to low-income lenders.

3. Housing Microfinance. The estimated cost at appraisal was US$15.00 million. The revised estimate was US$7.38 million. The actual cost was as per the revised estimate. This component aimed at supporting the piloting of Housing Microfinance Products targeted at the low-income population. Activities included: (i) Technical Assistance to selected Micro Finance Banks (MFBs) for developing new products: (ii) risk capital provided in the form of soft loans to the MFBs for testing new products: and (iii) a line of credit to the MFBs for rolling out the tested products.

4. Technical Assistance (TA) and Capacity Building. The estimated cost at appraisal was US$15.00 million. The revised estimate was US$1.54 million. The actual cost was as per the revised estimate. This component provided TA for implementing the above-mentioned activities. Specifically the activities included: (i) TA to NMRC for bond issuance, mortgage lender training, mortgage consumer protection, housing market information, impact evaluation of the mortgage market and creating a mortgage guarantee facility: (ii) TA to micro finance institutions for developing housing micro finance products: and (iii) Strengthening the legal and regulatory environment for the housing finance sector and capacity-building of the Federal Ministries of Finance, Land Housing and Urban Development, and Justice.

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

Project cost. The estimated cost at appraisal was US$300.00 million. A third of the credit (US$100.00) was cancelled for reasons discussed below. The revised estimate was US$198.78 million. The actual cost US$178.98 million.

Project financing. The project was financed by an IDA credit of US$300.00 million. The credit was to be disbursed in six tranches based on completion of Disbursement-Linked Indicators (DLIs) in each tranche, for supporting MNRC's refinancing and credit guarantee operations. US$100.00 million of the credit was cancelled. The revised estimate of the credit was US$198.78 million. The amount disbursed was US$178.98 million. The difference between the revised estimate and actual disbursement was due to exchange rate changes during implementation. There was parallel financing for complementary supply-side activities of housing finance from the United Kingdom's Department for International Development (DFID) and the German International Cooperation (GIZ).

Borrower contribution. None was planned at appraisal. There was no counterpart funding during implementation.

Dates. The project approved on September 26, 2013, became effective on March 5, 2014 and closed as scheduled on December 31, 2018.

Other changes. There were two Level 2 restructurings. These changes were made through the first restructuring on April 25, 2018, after the Mid-Term Review on December 2016:

- The targets for DLIs were expressed in Nigerian Naira (N) terms, following the depreciation of the N *vis-à-vis* the US$ during implementation. The DLIs for tranches three to six were adjusted in view of the exchange rate changes (tranches one and two had already been disbursed by then). Finally, as the original credit was committed in Special Drawing Rights (SDR), the DLIs were expressed in SDR terms.
- About US$100.00 million was cancelled through the second restructuring on December 2018, in view of the limited progress on project activities till then.

3. Relevance of Objectives

Rationale

Country context. Nigeria's economic performance before appraisal was oil-driven, with little diversification into sectors with potential for job creation. In the financial sector, there was little financial inclusion within the country. The mortgage market remained underdeveloped as compared to countries at similar levels of economic development, with the ratio of mortgage loans to Gross Domestic Product (GDP) at 0.6% in 2011 (as compared to 2% in Botswana, 6% in India, 13% in China, 31% in China and 31% in South Africa). This was due to a combination of: (I) demand side constraints, such as an illiquid mortgage market, high mortgage rates, short tenor of mortgages and lack of alternative mortgage products to the low-income population: and (2) supply side constraints such as issues associated with land administration, developer capacity and high price of construction materials.

Government strategy. The PDOs were aligned with government's broad development goals outlined in the "*Vision 20: 2020*" issued in 2010, and the medium-strategy for achieving the goals articulated in the "

Transformation Agenda", issued in 2011. The broad goals of the government strategy aimed at: (a) utilizing the country's human and resource potential for achieving rapid economic growth: and (b) translating growth into equitable development. The medium-term strategy for achieving the goals assigned priority to supporting non-oil sectors with potential for job creation, such as housing and construction. The PDOs were also consistent with the *National Economic Recovery and Growth Plan* for 2017-2020. This plan specifically cited the need for accelerating non-oil revenue generation, stimulating construction through building affordable housing, leveraging private capital for housing and creating jobs through the construction of housing units.

Alignment with the Bank strategy. The PDO was well-aligned with the Bank strategy. At appraisal, the Country Partnership Strategy (CPS) for 2010 - 2013, highlighted the need for maintaining non-oil growth through diversifying financial markets and developing new product lines (such as, housing finance, insurance and credit bureaus). The CPS also underscored the need for building affordable housing to meet the needs of the population and the pressure of rural-urban migration. These goals were reiterated through the CPS for 2014-2017. The First Strategic Pillar of the CPS, underscored the need for federally-led structural reforms for accelerating non-oil sector growth and creating employment, through among other things, increasing access to finance, including long-term financing for key sectors, such as the housing sector. According to the information provided by the team, the new CPS for Nigeria is still under preparation to date.

Despite the relevance of the PDO to the Bank and Government strategy, the goal related to NMRC's refinancing targets was too ambitious especially since only four commercial banks and six primary mortgage banks refinanced with the NMRC. This undermined the scheme's impact on the entire mortgage market.

Rating

Substantial

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

To deepen primary mortgages.

Rationale

Theory of change. The causal links between project activities, outputs and outcomes were logical and the outcomes were in principle, measurable. Establishing the NMRC for supporting the primary mortgage market was aimed at providing long-term housing financing at lower mortgage rates and longer tenors. Developing a mortgage guarantee product and piloting micro finance products were aimed at improving the affordability of housing loans to the low-income population. The combination of these activities was likely to contribute to the PDO of deepening the primary mortgage market.

Outputs (ICR, pages 14-15).

- NMRC was established for providing liquidity to PMLs. Twenty five PMLs (five commercial banks and twenty primary mortgage banks) joined NMRC as member banks. At closure, the PMLs generated 4,759 mortgages (representing 51% of the new mortgages generated by the market). 3,043 of the mortgages were below N 5 million, representing 58% of the new mortgages below N 5 million.

Refinancing operations.

- Of the 25 PMLs, ten PMLs (four commercial banks and six primary mortgage banks) refinanced with NMRC. The PMLs generated 1,580 mortgages, representing slightly over a third (35%) of the total new mortgage loans. Of these, 347 (about 2%) were for loans below N 5 million. NMRC's market share of mortgages at closure was about a third (35%) of new mortgages, representing about a fifth (19%) of the Nigerian residential market. Average lending rate of the PMLs was 18% in 2018 (down from 26% in 2015) and average mortgage tenor increased from four and half years in 2015 to twenty years in 2018. The ICR (paragraph 41) notes that based on an analysis of the interest rate, tenor and affordability index, the loans catered to the top of the income pyramid based on the annual household income data.
- Focus group sessions held with four PMLs and ten beneficiaries indicated that the beneficiaries who could get the loans, were satisfied with the lower rates and increased tenors. The beneficiaries also perceived the PMLs to be more transparent and that the process of getting mortgages was simplified.

Mortgage Guarantee Product.

- This product was intended to help otherwise qualified borrowers who either had not accumulated enough cash to meet current down payment requirements or were households with variable or self-employed income. There were delays with the commencement of this activity and subsequently in procuring the consultant to design the product. The ICR (paragraph 46) notes that although some activities had been completed (such a development of the Business and Investment Plan for NMRC and preparation of the draft Regulatory and Supervisory Framework for NMRC by the Central Bank of Nigeria), the product was not implemented when the project closed. The team confirmed that the product is not functional to date.

Housing Micro Finance (HMF) products.

- Employees of seven Micro Finance Banks (MFB) were trained on marketing, technical, risk management and loan monitoring. The ICR (paragraph 47) notes due to the delays in preparation, the first pilot tranche was disbursed to MFBs only in 2018. An assessment of the first tranche conducted as a condition for disbursement of the second tranche, concluded that of the seven MFBs participating in the scheme, only four MFBs had utilized their first tranche loan, two MFBs had not yet fully utilized the first tranche loan, and one MFB had ineligible expenditure. The assessment also identified irregularities in the administration of the first tranche, including inconsistencies in loan agreements and incomplete environmental and social policy for some MFBs. Based on the assessment, the Bank team called for remedial action, as a precondition for the second tranche. This information was not submitted prior to project closure and so this activity was cancelled.

Outcomes.

- 14,978 new mortgage loans were provided by PMLs at closure, 70% short of the target of 50,000. 10,348 of these new loans were below N 5 million, exceeding the target of 7,500. These achievements could not be fully attributed to the project, as the outcome referred to new mortgage loans at closure, and not necessarily financed by NMRC (as there were other sources of financing mortgage loans for the PMBs).

Rating

Modest

OBJECTIVE 2

Objective

To deepen secondary mortgages.

Rationale

Theory of change. Activities such as NRMC issuing bonds linking the capital markets with housing finance products and refinancing the mortgage loans of the PMBs ny NRMC were aimed at deepening secondary mortgages. These activities aimed at supporting the primary mortgage market in the long run.

Outputs.

- At design, it was envisioned that NMRC would issue N 50 billion in bonds for refinancing the mortgage loan portfolios of the eligible PMLs. NMRC issued two series of bonds for a total of only N 19 billion during the project period, These were deployed for refinancing the mortgage loan portfolio of PMLs. The ICR (paragraph 51) notes that the target for bond issuance was not reached, due to the unfavorable economic situation caused by the decrease in the world price of oil since 2014 and the government's policy response to the economic situation. Following the decrease in price of oil, Nigeria tightened its monetary policy by increasing the interest rate from 12% in 2013 to 14 % in 2016. The unfavorable macroeconomic conditions and high interest rate made it financially unviable for NMRC to issue bonds. A total of 1,036 mortgage loans, with a volume of N 17.97 billion (about US$59 million) was refinanced by NMRC with the bonds issued. .
- NMRC provided refinancing to only four commercial banks (representing 20% of the total commercial banks) and six primary mortgage banks (PMBs), representing 17% of the total PMBs. The low participation of commercial banks and PMBs was due to a combination of factors such as: (i) NMRC received its operating license only on February 2015, two years after project approval, and the bond issuance and the refinancing program had only been marketed for few years; (ii) only PMLs that contributed a minimum of N 50 million could qualify for the NMRC's refinancing scheme, which limited some PMLs' ability and willingness to join NMRC's refinancing scheme; (iii) not all PMBs were interested in getting refinancing from NMRC, as some could get liquidity support from other

sources; and (iv) some did not meet the eligibility criteria as they were financially unviable in terms of profitability or capital adequacy.

Outcomes.

- The refinancing volume accounted for 15% of the total mortgage loans created by the market during the project period. This was short of the target of 20%. The average amount of refinancing was about N 17 million, which catered to the population at the top of the income pyramid.

Rating
Modest

OBJECTIVE 3
Objective

To Increase access to housing finance

Rationale
Theory of change. Technical assistance activities aimed at developing Uniform Underwriting Standards, developing the mortgage foreclosure law and the housing market information system, training mortgage lenders and capacity building of the Federal Ministries of Finance, Ministry of Land Housing and Development and Justice, were aimed at strengthening the capacity of key stakeholders in the housing finance market. The project assumed that developing these activities was likely to attract more mortgage applicants, and the increase in demand for mortgages, would incentivize the developers to construct more housing units. The project activities together with complementary activities financed by other donors aimed at addressing the supply-side constraints, were expected to contribute to the long-term development outcome of providing affordable housing.

Outputs.

- The Uniform Underwriting Standards (UUS) was developed in 2014, in collaboration with the Central Bank of Nigeria, the NMRC, the Mortgage Bankers Association of Nigeria and other stakeholders. The ICR (paragraph 58) notes that UUS aimed at promoting efficiency and mitigating the legal and operational risks inherent in mortgage lending, by ensuring quality collateral, adequate property title, proper registration, enforcement of legal mortgages and maintenance of efficient collection processes. All NMRC member banks conformed to the UUS, when the project closed. Out of the 24 NMRC mortgage PMLs that provided data, 16 had Non Performing Loans (NPLs) below 10% and only one had NPL above 30%.
- The NMRC developed the Model Mortgage Foreclosure Law for strengthening the regulatory framework for mortgage financing by fast-tracking the process for mortgages (including reducing the cost and processes for obtaining relevant consents and registration), timely resolution of disputes, consumer protection, and creating an efficient foreclosure process. In July 2017, Kaduna state became the first in the federation to pass the law. The ICR (paragraph 59) notes that the law is yet to be adopted in the other states.

- The NMRC was set up as a Public-Private Partnership structure and NMRC was licensed .
- Awareness campaigns, trainings and workshops were held during the implementation period as targeted.
- A Housing Market System, which included the Housing Information Portal and the Mortgage Market System, was developed by NMRC to capture supply-side data on the housing market (although this was outside the scope of this project).

Outcomes.

- According to the information provided by the team, the outputs described above (uniform underwriting standards, model mortgage foreclosure law, housing market system and sensitization and awareness trainings), contributed to creating an enabling environment for efficient mortgage market.
- Mortgage debt as a percent of GDP decreased from 0.58% in 2011 to 0.35% in 2018. Mortgage as percent of GDP was very low compared to other sub-Saharan African countries. According to the clarifications provided by the team, the low mortgage debt as a percentage of GDP was mainly due to unfavorable market conditions, including the macroeconomic impact and low affordable housing supplies.
- The percentage of adults with an outstanding housing loan decreased from 6.3% in 2014 to 2.6% in 2017. Home loan penetration in neighboring countries were much higher (e.g., 8.5% in Kenya, 7.5% in Ghana, 5.9% in Cameroon, 5.7% in South Africa), suggesting slow growth and lack of depth in the Nigerian mortgage market.

Rating
Modest

OVERALL EFFICACY

Rationale
Given that many of the results indicators were not realized, there is little evidence that the project contributed to deepening the primary and secondary mortgage market. In terms of affordability, most mortgages catered to the population at the top of the income pyramid. The development of complimentary mortgage projects was not realized and in terms of increase in housing finance, both mortgage debt to GDP and home loan penetration ratio had shrunk.

Overall Efficacy Rating	**Primary Reason**
Modest	Low achievement

5. Efficiency

Economic analysis. An economic analysis was conducted at appraisal and at closure for activities associated with providing liquidity support to the NMRC for supporting the primary mortgage lenders. This activity accounted for 83% of the appraisal estimate and 95% of the actual cost. The project benefits were assumed to come from the increase in the number of households securing mortgage loans. This increase was expected to stimulate the construction sector and thereby contribute to increase in employment. The non-quantifiable benefits were assumed to come from employment in secondary sectors, such as manufacturing, mining and other utilities. The economic analysis was based on key assumptions about macroeconomic conditions at appraisal, such as exchange rate, inflation, monetary policy rate and expected growth in the mortgage market. Based on these assumptions, 187,557 mortgages and 81,000 additional mortgages were expected and the mortgage to GDP ratio was expected to increase to 0.58%.The Net Present Value (NPV) at 14% discount rate was US$73.40 million and the Economic Rate of Return (ERR) was estimated at 39% at appraisal. The ICR (paragraph 68) notes that there were macroeconomic changes during implementation, in the wake of the decrease in the world price of oil. These changes included, sharp depreciation of Naira relative to the US$, inflation higher than projected, increase in the monetary policy rate and slow growth of the mortgage market. Economic analysis conducted at closure, showed that number of mortgages at 10,627 was 94% below the original projection, additional mortgages generated by the project were at 14,978 (19% of the original projection) and actual mortgage to GDP ratio 0.14%). The ICR does not provide information of the ERR at closure.

Administrative and Operational issues. The selection of the Project Administration Team (PAT) located at the Central Bank of Nigeria led to inefficient project implementation (discussed in detail in section 9a). The implementation of the project was subject to delays in the first year, as a result of delays in recruiting staff of the PAT. NMRC was granted full license only in February 2015 and NMRC was only able to issue and meet the eligible pool of the mortgages set out in the specified disbursement-linked indicators, which triggered disbursement of the second tranche. The external deteriorating macroeconomic condition contributed to the delays in issuing the second bonds, which was eventually done in June 2018. Delays in implementing the mortgage guarantee product contributed to the non-completion of this activity. With the exception of the first tranche, no following tranches were disbursed for the Housing Micro Finance component, in view of the substantial issues identified in the utilization of the first tranche, including inconsistencies in loan agreements and incomplete environmental and social policy guidelines for some Micro Finance banks. At project closure, only about 60% of the project funds were disbursed and the balance was cancelled. In sum, efficiency is rated as modest, given the significant administrative and operational inefficiencies during implementation, and the undermining of the economic justification for the project due to adverse macroeconomic conditions external to the project.

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 (%)
Appraisal	✓	39.00	83.00 ☐ Not Applicable

ICR Estimate	0	0 ☐ Not Applicable

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

6. Outcome

Relevance of the PDO to the government and the Bank strategy is substantial. Efficacy of the three sub-objectives - to deepen the primary mortgage market, to deepen the secondary mortgage market and to increase access to housing finance - is modest, in view of low achievement. Efficiency is modest. There were administrative and operational inefficiencies, and the economic justification for the project was undermined by macroeconomic factors external to the project. Outcome is moderately unsatisfactory, in the operation's achievements of its objectives and in its efficiency.

a. Outcome Rating

Moderately Unsatisfactory

7. Risk to Development Outcome

Macroeconomic risk. The ICR (paragraph 144) notes that the macroeconomic environment is critical for the stability of the financial sector and development of the mortgage market. There is macroeconomic risk, given that Nigeria has an undiversified oil-based economy and hence is vulnerable to adverse exchange rate changes due to changes in the world price of oil.

Government commitment. It is unclear if there is strong government commitment to the housing finance agenda, given that this project lacked high-level government support and there was no steering committee to drive the strategic direction of the project and solve major issues.

Sustainability risk. This project focused on demand-side interventions of housing finance as there were complementary supply-side interventions by other donors. However, many of the supply-side interventions (such as land administration issues and low developer capacity) are still to be resolved. There is risk to sustainability of demand-side interventions, without complementary efforts aimed at addressing the supply-side constraints of the housing sector.

8. Assessment of Bank Performance

a. Quality-at-Entry

This project was prepared based on the lessons from prior Bank- financed housing projects in Egypt, Jordan and Tanzania. Lessons that were incorporated at design from the global financial sub-prime crisis, included focusing on the capacity for repayment rather than relying on collateral alone, creating linkages with the capital market and recognizing that financial sector reforms aimed at providing housing finance need to be complemented with supply-side interventions for sustainability of reforms in the sector. Other lessons incorporated at design included envisioning the planned NMRC for providing long-term housing finance through issuing bonds and implementing this project alongside other projects financed by other donors on land and legal reforms. Several risks were identified at appraisal, including governance risk, macroeconomic risk and risks associated with supply-side interventions. Mitigation measures incorporated at design, included preparation of a governance supervision matrix that set out the key requirements that were to be assessed during implementation. The arrangements made at appraisal for safeguards and fiduciary compliance were appropriate (discussed in section 10).

There were moderate shortcomings at Quality-at-Entry. One, as discussed in section 3, the PDO, which focused on overall deepening of the primary and secondary mortgage markets, was overambitious, given that only four commercial banks and six primary mortgage banks (PMBs) refinanced with NMRC. The limited participation of commercial banks and PMBs limited the scheme's impact on the entire mortgage market (ICR, paragraph 123). Two, the implementation arrangements were not ideal and the project overestimated the capacity of the implementing agency. The Project Administration Unit (PAT) located at the Central Bank of Nigeria (CBN) was in charge of implementing the project. The CBN's role as the project implementing entity created a potential for conflict considering its regulatory duties. In addition, almost all the PAT staff had full-time jobs as bank supervisors and they often had to meet competing deadlines for the project and for their supervisory tasks. The PAT also lacked full-time staff to handle project management, monitoring and evaluation (discussed in section 10b) and fiduciary aspects of the project. These factors contributed to significant delays during implementation. According to the clarifications provided by the team, although the implementation arrangements were less than ideal, there were no other feasible options for selecting a more capable implementation agency. The only other alternative at the time was the Ministry of Finance which itself had a limited capacity. The other Financial Institutions Department of CBN, on the other hand, had been a long-term champion of the housing finance agenda and had demonstrated the willingness to act as the PAT. Hence, while the implementation arrangements had been less than ideal, it was the best option at appraisal. Three, the design explicitly assumed that addressing demand-side constraints would increase demand for mortgages, and this would would incentivize builders to construct more housing units, which together with complementary interventions by other donors, would be sufficient for the needed supply-side interventions. (According to the information provided by the team, the Bank was specifically requested by the government to design demand side interventions. in light of the parallel projects implemented by other donors aimed at addressing the supply-side constraints of the housing market). The assumption proved to be unrealistic as not all supply-side issues had been addressed by complementary donor-funded projects. Further, given the relative lack of expertise on urban, land and housing related issues in Nigeria, it would have helped if the preparation team had made arrangements for engaging expertise in these areas at design. And four, there were shortcomings in M&E design (discussed in section 10a).

Quality-at-Entry Rating
Moderately Satisfactory

b. Quality of supervision

On average, supervision missions were conducted twice a year and eleven Implementation Status Results Reports (ISRs) were filed over a five-year project timeline, The continuity of leadership was maintained with two of the three Task Team Leaders (TTLs) based in Abuja for most of the implementation period. The third TTL was a core member of the project from the outset, although based in the Bank headquarters. The team maintained continuous communication with the counterpart during the project period and the fiduciary team provided the necessary support in helping the counterpart to transition to the new procurement system. The continuous engagement also ensured that the project restructuring and the partial cancellation of the IDA funds was completed in response to the changing environment. The supervision team ensured diligent fiduciary specialization which resulted in identifying the ineligible expenditure and ensuring that Bank financing was not used for activities that did not meet the fiduciary or technical standards (such as for microfinance).

There were moderate shortcomings in supervision. One, although there were issues associated with the inadequacy of the M&E framework, such as bringing a Bank M&E specialist) during implementation. According to the information provided by the team, the key issue with data collection was not necessarily due to the M&E framework, but due to the central banks' inability to collect basic mortgage data from the institutions that it directly regulated and supervised. Two, the ICR (paragraph 126) notes that the key project ratings were overrated in most of the ISRs. For example, by the Mid-Term Review on September 21, 2016, the project had achieved less than one-fifth of its three PDO indicators. Despite this low achievement, progress towards achievement of PDOs still remained satisfactory since the first ISR, before being downgraded to moderately satisfactory in July 2017 and to moderately unsatisfactory in February 2018. On hindsight, a more candid rating of PDOs could have aided in taking corrective action during implementation. And three, given the impacts of the oil price shock and the risks associated with exchange rate changes and other key performance benchmarks, the project could have been restructured earlier to adjust to changing circumstances and put more focus on the housing market and the lower income segment of the population.

Quality of Supervision Rating

Moderately Satisfactory

Overall Bank Performance Rating

Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The three key outcome indicators - the number of new mortgage loans provided, the number of new mortgages below N 5 million, and the proportion of mortgage debt outstanding that was refinance by NMRC - were straightforward and measurable.

However, the targets of the results framework was based on the entire mortgage market and did not measure NMRC's direct contribution. The targets for the refinancing indicators were ambitious, given that NMRC had 25 only Primary Mortgage Lenders (PMLs) and did refinancing with only ten PMLs. Further, the results framework focused only on the direct generation of mortgages and financing, and there were no indicators aimed at monitoring performance for the project's efforts in creating an enabling environment for affordable housing finance (such as the development of the Uniform Underwriting Standards, mortgage foreclosure law and other reform initiatives). This precluded an accurate assessment of the project's contribution.

The Project Administration Unit housed in the Central Bank of Nigeria was responsible for collecting data on the key outcome indicators. The M&E design also envisaged collecting data on the supply side of housing to measure the overall impact of the program and comparing a sample of mortgages refinanced under the project with a sample that were not refinanced.

b. M&E Implementation

The ICR (paragraph 101) notes that the results framework was never updated until the Mid-Term Review. Although the Bank did receive the updated M&E data, the Bank's assessment of the data concluded that the data was unreliable. At project closure, the Bank received the updated M&E data only on April 2019, four months after closure. The ICR also notes that there was no M&E specialist in the Project Administration Unit throughout the implementation period. The ICR provides no information on whether data on supply-side of housing was collected by the Central Bank of Nigeria as envisioned at appraisal.

c. M&E Utilization

The ICR (paragraph 102) notes that there was no clear evidence on whether the monitoring data collected under the project was utilized for purposes other than reporting purposes in the ISRs. The ICR also notes that there was no information on whether the monitoring data was relevant for any decisions or resource allocations during implementation and whether there were specific M&E arrangements for long-term monitoring of project outcomes.

M&E Quality Rating

Negligible

10. Other Issues

a. Safeguards

The project was classified as a Financial Intermediary (FI) project under World Bank's safeguard policies. Two safeguard policies were triggered at appraisal - Environmental Assessment (OP/BP 4.01) and Involuntary Resettlement (OP/BP 4.12).

The ICR (paragraph 104) notes that with regards to the mortgage refinancing activities under component one and housing micro finance activities under component three, one of the prerequisites of Bank support was to ensure that all project activities were conducted in compliance with the Environmental and Social Operations Manual. All PMLs and Mortgage Finance Banks were required to integrate into their lending operations, the requirements for screening and managing environmental and social risks in line with the manual. The ICR (paragraph 105) notes that NMRC had complied with the safeguards protocols for activities associated with component one activities. Prior to the first disbursement all microfinance banks were screened for environmental and social compliance and relevant clauses were integrated in the loan agreements. In the context of implementation review of utilization of the first tranche, it was observed that some microfinance banks may not have a fully functional system in place or evidence of documented compliance. amework. The ICR (paragraph 107) notes that the Bank had not yet received clarification and updates from the Project Administration Team (PAT) when the project closed. The team clarified that the PAT have not provided this clarification to date.

b. Fiduciary Compliance

Financial management. An assessment was conducted at appraisal to assess the financial management capacity of the Finance Department of the Central Bank of Nigeria. The assessment concluded that the financial management arrangements were satisfactory (PAD, paragraph 61). The ICR (paragraph 109) states that there were financial issues during implementation. The issues included outstanding balances that needed to be refunded. The ICR also notes that the Bank was reviewing additional training expenditure that may not have been utilized in line with the project rules. The ICR (paragraph 111) notes that the Bank's acceptable template was not used for the Bank's internal audit report. The ICR provides no information on whether the audits were unqualified.

Procurement. An assessment of the procurement management capacity of the implementing agency was conducted and a procurement plan was prepared at appraisal (PAD, paragraph 53). The ICR (paragraph 115) notes that there were delays in procurement during implementation, due primarily to the lack of technical capacity with the PAT to address procurement-related tasks. The ICR notes that the PAT was not responsive to capacity-building activities by the bank. The delays were exacerbated by the lack of a full-time procurement specialist with experience on Bank procedures. The ICR does not provide information on whether there was any misprocurement.

c. Unintended impacts (Positive or Negative)

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d. Other

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11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Unsatisfactory	Moderately Unsatisfactory	
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	
Quality of M&E	Negligible	Negligible	
Quality of ICR	---	Substantial	

12. Lessons

The ICR draws the following main lessons from the experience of implementing this project, with some adaptation of language.

1. A right implementation partner is necessary for project success. In this project, the Project Administration Unit in the Central Bank of Nigeria was entrusted with the responsibility of implementing the project. This created potential for conflict of interest. Further, the PAT lacked resources to handle administration and meet fiduciary requirements. These factors contributed to implementation delays.

2. Addressing demand side constraints to the housing finance market is necessary but not sufficient when designing housing finance projects. Although supply-side constraints were recognized at design, this project decided to focus on demand-side issues under the following key assumptions: (1) setting the refinancing facility would induce the Primary Mortgage Lenders to lend to people at lower income ladder; (2) the construction industry would respond through supplying more low-cost housing; and (3) the supply-side constraints would be addressed by other complementary donor-funded projects. The assumption provided to be unfounded as not all supply-side issues had been addressed by complementary projects.

3. A longer-term programmatic approach as opposed to a stand-alone operation may be appropriate for activities associated with housing finance. Given that housing finance involves a multi-sectoral agenda and that once a liquidity facility is set up, it takes time to attract financial institutions to adopt its instruments, issue bonds and make an impact, a more focused, long-term multi-phased approach may be better suited for housing finance projects.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR is well-written, its assessment is logical, and the evidence provided is sound and adequate. The ICR candidly describes the issues encountered during implementation, especially those due to exchange rate changes and oil price shocks. It is also candid about the issues at implementation, including those that could have better addressed by the Bank. The ICR follows the guidelines and draws reasonably good lessons from the experience of implementing this project.

One drawback of the ICR is its excessive length. The main text of the ICR is 45 pages long, which is three times the recommended length of 15 pages. The ICR could have benefited by better editing and including material in an annex where possible.

a. **Quality of ICR Rating**
Substantial