



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
NIGERIA - GROWTH & EMPLOYMENT
APPROVED ON MARCH 17, 2011
TO THE
FEDERAL REPUBLIC OF NIGERIA

TRADE & COMPETITIVENESS

AFRICA

Regional Vice President:	Makhtar Diop
Country Director:	Rachid Benmessaoud
Senior Global Practice Director:	Anabel Gonzalez
Practice Manager/Manager:	Rashmi Shankar
Task Team Leader:	Kofi Agyen, Johanne Buba, Adja M. Dahourou



ABBREVIATIONS AND ACRONYMS

BIG	Business Innovation and Growth
DFID	Department for International Development
ERR	Economic Rate of Return
IDA	International Development Association
IFC	International Finance Corporation
IRR	Internal Rate of Return
GEM	Growth and Employment Project
GEMS	Growth and Employment Project in States
GoN	Government of Nigeria
M&E	Monitoring and Evaluation
MSME	Micro Medium and Small Enterprises
NTDC	Nigerian Tourism Development Corporation
PIU	Project Implementation Unit
PPR	Project Preparation Refinancing
SME	Small and Medium Enterprises
UK	United Kingdom



BASIC DATA

Product Information

Project ID P103499	Financing Instrument Specific Investment Loan
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 17-Mar-2011	Current Closing Date 07-Sep-2018

Organizations

Borrower Federal Ministry of Finance	Responsible Agency Ministry of Trade and Investment
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Project Development Objective (PDO)

Original PDO

To increase growth and employment in participating States.

Current PDO

To increase firm growth and employment in participating firms in Nigeria.

Summary Status of Financing

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
IDA-48820	17-Mar-2011	24-Jun-2013	29-Jul-2013	07-Sep-2018	160.00	56.26	86.44



Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

SUMMARY

1. The purpose of the proposed level-two restructuring is to make the following adjustments:

- (a) **Changes to components and costs:** Component A ‘Improved Investment Climate’, which used to be 100 percent funded by United Kingdom (UK) Department for International Development (DFID) will now benefit from IDA funding in the amount of US\$5 million. To make this possible, the cost and IDA funding provided to Component B ‘Increased Competitiveness of Strategic Clusters’ will be reduced by US\$3 million and activities under this component simplified to ensure a more effective implementation; the cost of Component C (Project implementation, Monitoring and Evaluation and Communications) will be reduced by US\$2 million. Further, a new sub-component B-III, in the amount of US\$30 million, will be introduced under Component B to allow for the establishment and management of a Small and Medium Enterprises (SME) Investment Fund.

The overall impact of the changes in component costs is shown in the following table:

Table 1: Components Costs

Components	Current Cost-IDA funded (US\$M)	Action	Proposed Component Name	Proposed Cost-IDA funded (US\$M)
Component A: Improved Investment Climate	0	Revised	Component A: Improved Investment Climate	5
Component B: Increased Competitiveness of Strategic Clusters	140		Component B: Increased Competitiveness of Strategic Clusters	137
<i>Subcomponent B1:</i> <i>Cluster Services (ICT, Entertainment, Hospitality, Construction)</i>	95	Revised	<i>Subcomponent B1:</i> <i>Cluster Services (ICT, Entertainment, Hospitality, Construction)</i>	77



<i>Subcomponent B2: Light Manufacturing</i>	45		<i>Subcomponent B2: Light Manufacturing</i>	30
			<i>Subcomponent B3: SME Investment Fund</i>	30
Component C: Project implementation, Monitoring and Evaluation and Communications	20	Revised	Component C: Project implementation, Monitoring and Evaluation and Communications	18
Total	160		Total	160

- (b) **Reallocation of proceeds across disbursement categories:** SDR3,615,000 (equivalent US\$5 million) will be reallocated from Category 1 to Category 6 for Component A “Improved Investment Climate”; SDR21,760,000 (US\$30 million) for the SME Investment Fund will be allocated from proceeds under Category 1 (Gds, Wks, Non-Consulting services, Consultant services, Training, Workshops and Study Tours under A3, A4, BI.1-4, BII), Category 2 (Gds, Consultant services including study tours, Workshops and Study Tours, and Operating Costs under part C of the Project) ,Category 3 (Grants for subprojects) and Category 4 (Project Preparation Fund) to a newly created Category 5 under Sub component B.III.

The overall impact of the changes across categories is shown in the following table:

Table 2: Changes across disbursement categories

Category	Category description	Initial Allocated (expressed in SDR)	Changes (expressed in SDR) in	New Allocations (expressed in SDR)
1	Goods, works, non-consulting services consultants’ services, and Training, Workshops and Study Tours under Parts B.I.1, B.I.2, B.I.3, B.I.4 and B.II of the Project (excluding Grants for Subprojects)	35,900,000	-11,645,000	24,255,000
2	Goods, consultants’ services including audit, Training, Workshops and Study Tours, and Operating Costs under Part C of the Project	11,500,000	-1,700,000	9,800,000
3	(Grants for Subprojects under Parts B.I.1, B.I.2, B.I.3, B.I.4 and B.II of the Project	53,800,000	-11,050,000	42,750,000



4	Refund of Preparation Advance	1,300,000	-980,000	320,000
5	SME Investment Fund Capitalization under Part B.III of the Project		21,760,000	21,760,000
6	Goods, works, non-consulting services, consultants' services, and Training, Workshops and Study Tours under Part A of the Project (excluding Grants for Subprojects)		3,615,000	3,615,000
TOTAL AMOUNT				102,500,000

(c) C
change in disbursement arrangement

ts. Addition of disbursement conditions for the new fund: (i) the SME Investment Fund should be established; (ii) the Fund Subscription Agreement and the Fund Agreement have to be executed on behalf of the Recipient and the SME Investment Fund, and other relevant parties, if any, and have to become effective; and (iii) the Fund Management Agreement has to be executed and become effective. (iv) Increase the four months' forecast of eligible expenditures equivalent to the ceiling for advances in the disbursement letter to six months;

- (d) **Modifications in the Results Framework** to: (i) revise indicators and make them more realistic, measurable and in line with the project activities; (ii) drop some indicators that are no longer relevant and revise targets for increased realism; and (iii) provide intermediate level indicators to reflect projects achievements more accurately and new ones that are relevant to the new Subcomponent BIII.
- (e) **Extension of the project closing date** by 12 months and 23 days, from September 7th, 2018 to September 30th, 2019, to ensure accelerated implementation and allow the new SME Investment fund to be functional and achieve results in line with the project development objectives. This will be the second extension of the project closing date leading to an accumulative period of closing date extensions of 33 months. (see below, para 2.)

A. PROJECT STATUS

2. **The project, approved on March 17, 2011, started with an effectiveness delay of 16 months, waiting for approval of the Borrowing Plan by the Parliament.** Before signing and effectiveness (which finally occurred by July 29, 2013), the project underwent a level-1 restructuring (approved in June 2013) including a change in project title, Project Development Objective and a first closing date extension by 20 months and 7 days, from the initial closing date of December 31, 2016 to the current closing date of September 7, 2018.

3. **The project has been in problem status since mid-November 2015,** due to serious implementation challenges, resulting in very low disbursements and declining likeliness for the project to reach its objectives. As at July 19th, 2017, at the end of its fourth year of implementation after effectiveness, thirty-nine percent (39.04 percent) of the total project



allocation (US\$160 million) has been disbursed.

4. **The current status of the three project components is as follows:**

5. **Component A - Improved Investment Climate** (DFID US\$75 million – funded and implemented by DFID). As to the original design, the component has been funded and managed by UK DFID and seeks to tackle cross-cutting investment climate issues related to three pillars: land, investment and tax. Some of the key achievements under the component include passing the tax harmonization bill in Kaduna, the completion of Systematic Land Title Registration (SLTR) process in one Local Government in Kano, and support to the establishment of Investment Promotion Agencies in Kaduna, Kano, Lagos, and Jigawa states. The project is now developing exit plans as UK DFID funding will be phasing out towards the end of 2017. Remaining DFID resources are being committed to maintain momentum on the passage of several key pipeline legislative items, including secured transactions / movable collateral, and competition. Work is also underway to scale-up tax, land and investment reforms at the state level within the four focal states (Cross River, Lagos, Kaduna and Kano), and to encourage uptake by non-focal states through demonstration effect and awareness activities. In addition, since attracting investment is a key priority of the federal government, DFID has devoted significant resources to capacity building with both federal and state investment promotion agencies.

6. **Component B - Increased Competitiveness of Strategic Clusters** (IDA US\$140 million). Under this Component, the project aims to address concrete enterprise development constraints:

- (a) At the industry-level (Pillar 1), by increasing labor productivity for the industry and by identifying and reducing key sectoral investment climate bottlenecks that could unleash the potential of identified strategic clusters.
- (b) At the firm-level (Pillar 2), by identifying high-potential entrepreneurs, modernizing their business practices and facilitating access to finance.

7. **This Component consists of seven subcomponents:** B.I.1. Information and Communication Technology, B.I.2. Entertainment Cluster, B.I.3. Hospitality Cluster, B.I.4. Construction and Real Estate Cluster, B.I.5. Wholesale and Retail Trade Cluster, B.I.6. Meat and Leather Cluster and B.II. Light Manufacturing. Sub-Components B.I.5 and B.I.6 are co-funded by DFID in parallel to the Project. Altogether, the subcomponents of Component B funded by IDA are currently covering of 41 activities.

8. **Project support under Component B is organized into 2 pillars:**

Pillar 1 activities: Identification and implementation of industry activities:

- (a) Analysis of the main strengths, weaknesses, opportunities and constraints of key industries/value chains based on thorough market analysis, feedback from the private sector and stakeholders' consultations;
- (b) Definition of actions that could unlock the potential of these key industries/value chains. This may include: skill training, proposed reforms, awareness campaign, transformational partnerships with key industry players, sectoral business training, calls for proposals etc.;
- (c) Implementation of the priority actions (excluding direct firm-level activities that are implemented under Pillar 2) that could contribute significantly to the GEM Development Objectives.

Pillar 2 activities: Firm-level support to micro, small and small enterprises (MSME).

- (a) Interventions are channeled through the Business Innovation and Growth Portal (BIG Platform), a web-based portal serving as a vehicle for all firm-level activities. BIG registers MSMEs and offers the following support options to qualified MSMEs: business training, sectoral training (defined under Pillar 1), consulting services, skill placement and eventually grants.



9. While the project is currently rated “Moderately Unsatisfactory” on both, **Development Objective achievement and Implementation Progress**, support provided under Pillar 2 activities so far (YouWin¹, grants, BIG portal) has contributed to: (a) more than 50,000 enterprises registered to the project; (b) 5,674 entrepreneurs trained under the YouWin program; (c) 40 local consulting firms trained, (d) 274 grants disbursed to SME; and (e) more than 600 business plans under review for further financing. Pillar 1 activities have been slowed to kick-off mainly due to a lack of capacity of the delivery unit (in particular difficulties to engage with private sector and key stakeholders identify key activities to unlock the potential of the clusters).

10. **Component C - Project Implementation, Communication and Monitoring & Evaluation** (IDA US\$20 million). To date, this component has been utilized to establish an effective Project Implementation Unit (PIU) in the Federal Ministry of Industry, Trade and Investment. This includes the training of the civil servants, the recruitment of individual consultants and the recruitment of consultancy firms. Challenges encountered in the past with the PIU’s capacity have been addressed. The Ministry of Industry, Trade and Investment (FMITI) made changes to the institutional arrangements to facilitate implementation and increase delivery with: (a) the hiring of a new Project coordinator – a consultant from the private sector; (b) a newly assigned Assistant Project Coordinator; and (c) a re-arrangement of the cluster unit of the PIU (recruitment of a new a Cluster Leader with a strong focus on market analysis and transformational activities along with two Cluster Deputy Manager to implement activities).

B. BACKGROUND TO CHANGES REQUESTED

11. **The Mid-Term Review, conducted from June 13th to June 24th, 2016**, recommended the following critical changes to project and M&E design in order to accelerate implementation and make results indicators more realistic (see the Aide Memoire from the Mid-Term review attached):

- (a) Revision of Results Framework, specifically, to drop one PDO indicator (due to difficulty to measure and attribution and make sure the relevant information will be collected at the intermediary level), revise the target for the remaining PDO-indicator for increased realism, and including new intermediate indicators to reflect projects achievements more accurately; Annex 1 presents the results framework with the original ones, the revised and dropped ones as well as the new ones related to the new sub-component;
- (b) Reduction of the number of project activities listed in the financing agreement from 41 to 18 because they are outdated, redundant and/or no longer relevant and reduce the project’s complexity in the interest of accelerated implementation progress;
- (c) Re-allocation of resources from Component B and C to Component A, considering the strong focus on the new authorities on improving Nigeria’s investment climate, and the phasing out of DFID financing support in 2017. This would thus allow to support 2 key pillars of the Federal Ministry of Industry, Trade and Investment strategy: (i) create an enabling environment for industry, trade and investment and (ii) proactively attract long term local and foreign investment;
- (d) Reallocation of proceeds under Category 4 (project preparation financing) to grants (Category 3).

12. **The proposed changes are designed to simplify the design of the project in line with the current economic context, the government’s priorities (a more focused approach on direct support to SMEs), the capacity of the PIU** and hence increase the likelihood of achieving the PDO. The new arrangements introduced by the government in the PIU’s internal organization are expected to not only improve project implementation but also to turn the project around in increasing delivery and disbursements. High value contracts for business development services, training, coaching,

¹ The YouWin program is a business plan competition implemented by the Federal Minister of Finance with the support of the GEM project. Recipients of the YouWin program received a 4-day training and a grant.



monitoring and evaluation are closely monitored so that payments are swiftly processed after deliverables are received and deemed acceptable. In the same manner, all activities to be conducted with SMEs before they are awarded grants (training, needs' assessments, business plans preparation and evaluation) are being accelerated with quality controls checks to allow faster grants disbursements and subsequently have an impact on project delivery and overall disbursement.

13. **The proposed pilot SME Investment Fund is designed to respond to unique supply constraints faced by SMEs in Nigeria** when trying to raise financing for their businesses, especially when seeking an alternative to commercial bank lending. Banks generally lend only to large firms and not sufficiently to SMEs, generally for reasons related to risk, resulting from lack of bankable projects and lack of collateral and credit information. For very small firms, this demand for financing sometimes is met by microfinance institutions, but they generally provide very small loans and cannot meet the needs of most SMEs. To date, the project has implemented activities to address the key binding constraints Nigerian SMEs face (lack of management skills, training, financial management, marketing capacity etc. as well as financing constraints), by providing SMEs with business development services, training, coaching and small grants in different forms (performance grants and matching grants of up to US\$70,000).

14. **In the SMEs financing solutions spectrum, equity is an alternative source of funding to debt**, but SMEs rarely have access to sources of equity beyond friends and family. Because of their focus on credit risk, banks are poorly suited to provide equity and similar forms of risk capital to firms of any size. The private equity industry specializes in equity, but most private equity firms find that the costs of identifying and monitoring equity investments is so high that they avoid small firms such as the SMEs targeted by the proposed fund. Thus, these SMEs face a "missing middle" where loans and equity are available to larger firms and loans are available to micro firms, but neither loans nor equity is available to SMEs.

15. **To encourage equity financing to smaller SMEs that have potential but are costly in terms of transaction costs, the project had already provided private equity firms with a private equity window (technical assistance)** to defray the cost of 'moving down the market'. The results from this experience so far show that the technical assistance support to traditional PE firms resulted in planned investments that remained high (i.e. around US\$4 million to US\$5 million), out of the reach of smaller firms and the type of investments sought (between US\$250,000 to US\$2 million).

16. **In this context, the proposed pilot SME fund (newly introduced under Component B) will respond to that need with the objective to provide a sustainable platform for providing mezzanine finance to SMEs with smaller investments size of up to US\$2 million.** The Fund will learn from lessons of funds that have attempted to serve this missing middle, tailoring investment instruments and the fund structure itself to help meet the needs of growing Nigerian SMEs. It is expected to demonstrate that the model is sustainable and generate significant development impact. Similar funds in other countries have, for example, helped their portfolio companies eventually achieve average annual growth rates in both sales and employment of approximately 20 percent. Once the proposed fund demonstrates proof of concept, it is expected to attract additional investors as well as lead to the creation of additional private sector funds targeting SMEs.

II. DESCRIPTION OF PROPOSED CHANGES

Component A. Improved Investment Climate

17. **The overall IDA allocation for Part A will be increased from US\$0 million to US\$5 million**, reflecting the new GoN's priority regarding an improved investment climate. The resources allocated for this new component will be reallocated from the existing table of expenditures under Category 1 (Gds, Wks, Non-Consulting services, Consultant services, Training, Workshops and Study Tours) to a new Category 6 (Gds, Wks, Non-Consulting services, Consultant services, Training, Workshops and Study Tours under Part A).



18. **The component will continue focusing on supporting GoN's efforts at improving the ease of doing business in Nigeria.** The Presidential Enabling Business Environment Council (chaired by the Federal Vice President with the Federal Minister of Industry, Trade and Investment serving as Vice-Chair, and gathering key Ministers and the Governor of the Central Bank) was established in May 2016. This Council is supported by the Enabling Business Environment Secretariat. Component A, with the new IDA-allocation, will support the establishment of the Secretariat and the implementation of business environment reforms at both the Federal and State levels. In addition, the Component will also support GoN efforts at attracting local and foreign investments, with support to the Nigeria Investment Promotion Commission, at the Federal level.



Part B. Increased Competitiveness of Strategic Clusters

B.I.1. Information & Communications Technology (ICT) Cluster

19. **Changes to the number of activities listed in the Financing Agreement (FA) under this sub-component are reported in the following table.** As shown below, six activities (out of 10), notably, (a), (b), (d)(ii), (d)(iii) and (d)(iv), are proposed to be dropped as these activities were neither started nor planned.

B.I.1 ICT Cluster Activities Per Financing Agreement			* = Implemented through BIG platform
	Activity	Status of Progress	Recommended Action
1.	(a) Creation of an enabling business environment for IT and ITES development by (i) reviewing and reforming ICT regulation and policy	No activity planned or started	Drop
2.	(a) Creation of an enabling business environment for IT and ITES development by (ii) supporting the development of ITES-BPO strategy and investment promotion in international markets	No activity planned or started	Drop
3.	(b) Development of IT parks and other infrastructure related to IT and ITES services	1. ATV Dropped because of social issues ----- 2. Delta IT Park Stalled	Drop
4.	(c) Development of ICT skills and entrepreneurial capacity by (i) providing technical assistance and grants to eligible start-up IT companies for specific development projects aimed at building the capacity of such companies in technical, management, financing and the market knowledge skills, and create a network of IT business incubators in Nigeria	3. Digital Youth Platform 4. BIG Platform*	Initiated and Retain
5.	(c) Development of ICT skills and entrepreneurial capacity by (ii) carrying out a program to link domestic industry with international industry leaders and forge partnerships among key domestic training institutions	3. Software Testing Training ----- 4. Emerging Technologies Training	Initiated and Retain
6.	(c) Development of ICT skills and entrepreneurial capacity by (iii) providing technical assistance and grants to eligible IT business associations, public and private institutions for specific development projects to train trainers and professionals in key niche areas for IT/ITES development	6. Institutional Window Not started	Retain
7.	(d) Development of the local IT/ITES industry by (i) providing market intelligence services, access to on-demand research and annual customer surveys	7. Market Intelligence Services Not started	Retain*
8.	(d) Development of the local IT/ITES industry by (ii) carrying out promotional activities to sensitize government and other stakeholders about the objective of attracting investment and business into the sector	No activity planned or started	Drop
9.	(d) Development of the local IT/ITES industry by (iii) providing grants to eligible IT business associations and public institutions for specific development projects designed to build their capacity to carry out their functions	No activity planned or started	Drop
10.	(d) Development of the local IT/ITES industry by (iv) providing technical, operational and administrative support to the Outsourcing Development Initiative of Nigeria to promote the growth of the Nigerian IT/ITES sector from an outsourcing perspective	No activity planned or started	Drop



20. **Changes to the remaining four activities in the Financing Agreement (FA) are as follows:**

- (a) Activity (c)(i) “development of ICT skills and entrepreneurial capacity by: (i) providing technical assistance and Grants to eligible start-up IT companies for specific development projects aimed at building the capacity of such companies in technical, management, financing and market knowledge skills, and create a network of IT business incubators in Nigeria” is simplified into “development of ICT skills and entrepreneurial capacity by: (i) providing technical assistance and Grants to eligible IT companies for specific development projects aimed at building the capacity of such companies in technical, management, financing and market knowledge skills”;
- (b) Activity (c)(ii) remains unchanged;
- (c) Activity (c)(iii) “development of ICT skills and entrepreneurial capacity by providing Grants to eligible IT business associations and public institutions for specific development projects designed to build their capacity to carry out their functions” now reads “development of ICT skills and entrepreneurial capacity by providing technical assistance and Grants to eligible IT business associations, public and private institutions for specific development projects”;
- (d) Activity (d)(i) remains unchanged.

B.I.2. Entertainment Cluster

21. **Changes to activities in the Financing Agreement (FA) under this sub-component are reported in the following table.** As shown below, five activities (out of 14), notably, (a)(i), (a)(iii), (b)(iv), (c)(i) and (c)(iii), are proposed to be dropped as these activities were neither started nor planned.

B.I.2 Entertainment Cluster Activities Per Financing Agreement			* = Implemented through BIG platform
Activity	Status of Progress	Recommended Action	
11. (a)(i) Strengthening the protection of intellectual property rights by developing improved registration standards and procedures for recognition of intellectual property rights	1. COSON partnership Ongoing	Drop	
12. (a)(ii) Strengthening the protection of intellectual property rights by carrying out public awareness building activities related to the protection of intellectual property	2. Lobby project Not started	Retain	
	1. COSON partnership Ongoing		
	3. IP Toolkit* Ongoing		
	4. IP Workshops Not started		
13. (a)(iii) Strengthening the protection of intellectual property rights by providing technical assistance to relevant public authorities to strengthen the mechanisms for enforcement of intellectual property laws and regulations	Status from Activity #11 (Lobby Project and IP Toolkit)	Drop	
14. (b)(i) Providing technical assistance and grants to eligible enterprises for specific development projects	Status from Activity #20 (Innovative Market Window) BIG Platform* Innovative Market Window	Amend (see proposed changes)	
15. (b)(ii) Improving the distribution and marketing of entertainment industry by providing grants to eligible enterprises for specific development projects to create twinning arrangements with established entertainment	No activity planned or started	Drop/Consolidate see 14	



	distribution networks		
16.	(b)(iii) Improving the distribution and marketing of entertainment industry by developing streamlined export procedures for Nigerian entertainment industry products	No activity planned or started	Drop/Consolidate see 14
17.	(b)(iv) Improving the distribution and marketing of entertainment industry by providing technical assistance and grants to eligible enterprises for specific development projects to build the capacity of the Nigerian film and music industry to market its products overseas	No activity planned or started	Drop/Consolidate see 14
18.	(b)(v) Improving the distribution and marketing of entertainment industry by providing technical assistance and grants to promote Nigerian film and music at international film and music festivals	No activity planned or started	Drop/Consolidate see 14
19.	(b)(vi) Improving the distribution and marketing of entertainment industry by exploring options for long-term loans and venture capital facilities dedicated to the entertainment industry	No activity planned or started	Drop
20.	(b)(vii) Improving the distribution and marketing of entertainment industry by providing technical assistance and grants for specific development projects to explore alternative Internet-based distribution channels	6. Innovation Window (Online Music Distribution) Ongoing	Drop/Consolidate see 14
21.	(c)(i) Supporting improved technical services to the entertainment industry through supporting the development of film studio facilities and provision of technical equipment	No activity planned or started	Drop
22.	(c)(ii) Supporting improved technical services to the entertainment industry through improving sound, light and other technical quality standards through training and other capacity building measures to industry stakeholders	7. Rapid Skills Training* Ongoing ----- 5. Music Week Africa No started	Amend
23.	(c)(iii) Supporting improved technical services to the entertainment industry through providing grants to eligible enterprises for specific development projects to support development of hub centers for hosting industry events and developing key industry skills	No activity planned or started	Drop
24.	(c)(iv) Supporting improved technical services to the entertainment industry through providing technical assistance and grants to institutions for specific development projects	Institutional Window Not started	Retain

22. **Changes to the remaining nine activities in the Financing Agreement (FA) are as follows:**

- (a) Activity (a)(ii) remains unchanged;
- (b) Activity (b)(i), (b)(ii), (b)(iii), (b)(v), (b)(vi), (b)(vii) and (c)(iv) are streamlined and simplified and now reads: “providing technical assistance and Grants to eligible private companies or public and private institution for specific development projects”
- (c) Activity (c)(ii) “Supporting improved technical services to the entertainment industry through improving sound, light and other technical quality standards through training and other capacity building measures to industry stakeholders” is changed into “Improving sound, light and other technical quality standards through training and other capacity building measures to industry stakeholders”.



B.I.3. Hospitality Cluster

23. **Changes to activities in the Financing Agreement (FA) under this sub-component are reported in the following table.** As shown below, two activities (out of five), notably, (a) and (b), are proposed to be dropped as these activities were neither started nor planned.

B.I.3 Hospitality Cluster Activities Per Financing Agreement		* = Implemented through BIG platform		
	Activity	Status of Progress		Recommended Action
25.	(a) Streamlining zoning laws and regulations including the process of obtaining hospitality permits and licenses	1. Advocacy with GoN	Not started	Drop
26.	(b) Designing a public private partnerships framework for investment in sustainable natural and cultural touristic assets	2. Partnership with Nigerian Tourism Development Corporation (NTDC)	Not started	Drop
27.	(c) Providing technical assistance and grants to eligible private sector entities for specific development projects to develop innovative business models and technologies in the hospitality industry	3. BIG Platform*	Ongoing	Retain* but rephrased
28.	(d) Development and piloting of a system for improved technical and vocational education and training to meet the skills needs of the hospitality industry	4. Food safety Training*	Ongoing	Retain
		5. National Occupational Standards for Hospitality Trades Level 1-3	Not started	
		6. Occupational skills training	Not started	
		7. Partnership with Sector Skills Council	Not started	
29.	(e) Provision of technical assistance and grants to eligible public and private institutions for specific development projects	Institutional Window*	Not started	Retain but rephrased

24. **Changes to the remaining three activities in the Financing Agreement (FA) are as follows:**

- (a) Technical assistance is added to Activity (c) “providing Grants to eligible private companies for specific development projects” and now reads “providing technical assistance and Grants to eligible private companies for specific development projects”;
- (b) Activity (d) remains unchanged;
- (c) Activity (e) “Provision of technical assistance and grants to eligible public and private institutions involved in promoting and regulating the hospitality industry to pursue policy change, upgrade hospitality products and health and safety standards and promote better environmental practices” is simplified and changed into “Provision of technical assistance and Grants to eligible public and private institutions for specific development projects”.

**B.I.4. Construction and Real Estate Cluster**

25. **Changes to activities in the Financing Agreement (FA) under this sub-component are reported in the following table.** As shown below, activity (d) (one out of five) is proposed to be dropped as it was neither started nor planned.

B.I.4 Construction Cluster Activities Per Financing Agreement			* = Implemented through BIG platform
	Activity	Status of Progress	Recommended Action
30.	(a) Development of project management skills in the private sector	No activity planned or started	Drop
31.	(a') Reform of technical and vocational training institutions relevant to the construction and real estate industry	1. Kaduna Skills Training Ongoing 2. Train the trainers and the apprenticeship scheme	Retain
32.	(b) Technical assistance to improve access of private sector developers to construction and real estate finance	3. Affordable Housing Standards Ongoing	Retain
33.	(c) Analytical and technical assistance and grant support to eligible enterprises for specific development projects in the construction and real estate industry	BIG Platform*	Retain
34.	(d) Analysis and technical assistance to support improvements to the investment climate, specific to the construction and real estate sector	No activity planned or started	Drop

26. **Changes to the remaining activities in the Financing Agreement (FA) are as follows:**

- (a) Activity (a) “Development of project management skills in the private sector and reform of public sector technical and vocational training institutions relevant to the construction and real estate industry” is simplified to “Reform of technical and vocational training institutions relevant to the construction and real estate industry”;
- (b) Activity (b) remains unchanged;
- (c) Activity (c) “Analytical and technical assistance and grant support to eligible enterprises for specific development projects to develop innovative business models and technology in the construction and real estate industry” is simplified to “Analytical and technical assistance and grant to eligible enterprises for specific development projects in the construction and real estate industry”.

B.II. Light Manufacturing

27. **Changes to activities in the Financing Agreement (FA) under this sub-component are reported in the following table.** As shown below, four (out of seven) activities, notably, (a), (c)(i), (c)(iii) and (d), are dropped as they were neither started nor planned.

B.I.5 Light Manufacturing Cluster Activities Per Financing Agreement			* = Implemented through BIG platform
	Activity	Status of Progress	Recommended Action
35.	(a) Promotion of investment in the envisaged agro-processing zones	No activity planned or started; Undertaken by GEMS3 and GEMS4	Drop
36.	(b) Support of business development services and skills development in light manufacturing, including agro-processing sector	No activity planned or started	Retain*
37.	(c)(i) Providing technical assistance and grants to eligible firms for specific development projects	1. BIG Platform Ongoing	Drop because redundant



38.	(c)(ii) Support of business linkages and support services across the agribusiness value chain through supporting the strengthening of standards and regulations governing the agro-processing [light manufacturing] sector	2. Standards & Certification	Initiated	Retain*
		3. Supply Chain Management*	Initiated	
39.	(c)(iii) Support of business linkages and support services across the agribusiness value chain through providing technical assistance and grants to eligible providers for specific development projects for training and certification in the sector	REDUNDANT		Drop
40.	(d) Provision of technical assistance in support of policy and regulatory improvements in target light manufacturing sectors	4. Report on legality of auto components licensing	Ongoing	Drop because redundant
		5. IP Workshops on auto component licensing	Not started	
41.	(e) Provision of technical assistance and grants to eligible enterprises in targeted light manufacturing sectors for specific development projects to support improved capacity and new business models	6. BIG Platform 7. Collaboration proposed with NILEST	Not started	Retain

28. **Changes to the remaining three activities in the Financing Agreement (FA) are as follows:**

- (a) Activity (b) “Support of business development services and skills development” is amended to “Support of business development services and skills development in Light manufacturing, including agro-processing sector”;
- (b) Activity (c)(ii) “Support of business linkages and support services across the agribusiness value chain through supporting the strengthening of standards and regulations governing the agro-processing sector” is changed to incorporate a broader range of eligible firms “Support of business linkages and support services across the light manufacturing value chain through supporting the strengthening of standards and regulations governing the light manufacturing sector”;
- (c) Activity (e) remains unchanged.

B. III. New sub-component SME Investment Fund

29. **The proposed SME investment fund will provide longer-term mezzanine funding to SMEs on a commercially sustainable basis**, thereby filling a gap not yet being addressed by the initiatives described above while also leveraging the capacity assembled in Nigeria’s private equity industry (that serves as a hub for West Africa), see further in section 4 below. Most PE funds focus on equity investments, but entrepreneurs in smaller firms tend to resist the intrusions of an outside equity partner. They are much more amenable to debt, even where it is structured as a mezzanine instrument with characteristics that are similar to equity. Mezzanine financing incorporates elements of debt and equity in a single investment. The more debt-like mezzanine instruments are partially uncollateralized longer-term loans. The more equity-like instruments involve equity with some sort of self-liquidating mechanism, often in the form of loans where the interest rate rises and falls with the portfolio company's.

30. **Specifically, the proposed SME investment fund seeks to facilitate growth of the SME sector in Nigeria by:**

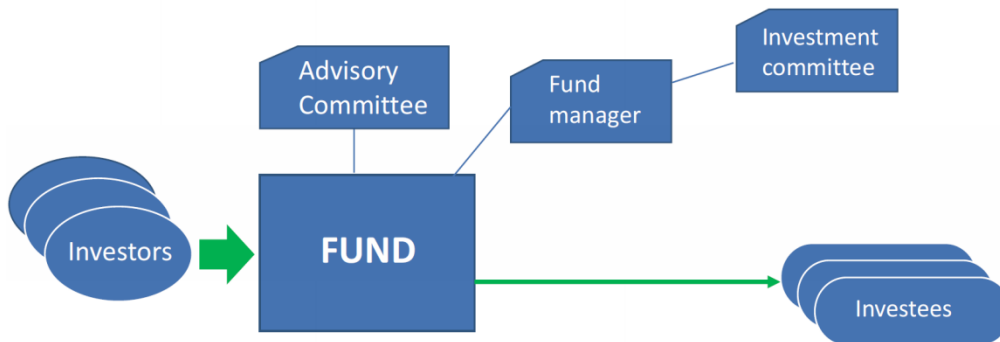


- (a) Filling a financing gap by providing long term mezzanine capital to smaller enterprises using funding from the current World Bank / GEM project;
- (b) Redeploying and building on expertise already present in the Nigerian PE industry so as to catalyze a sustainable SME investment program; and
- (c) Facilitating the process of attracting new long-term sources of financing (impact investors) into the Nigeria SME sector.

31. **It is proposed that the SME investment fund be established as a separately registered fund** for the following main reasons:

- (a) The proposed SME investment fund has a unique focus both in terms of the targeted smaller enterprises and the funding modalities it has to offer, as described in greater detail in the next section.
- (b) The focus and qualifications of the management team will be crucial to the fund's success – it is the skills of the manager that will determine the success of the SME fund. This is an essential lesson learnt from experience with establishing PE funds.
- (c) Given the government-sponsorship of the fund, the governance structure of the fund is particularly important in making sure the fund is sustainable and as far as possible 'immune' from any interference that could arise, for example, from changes in Government.

Figure 2: Basic Fund Structure



32. **It is suggested that the Fund and the fund manager are separate legal entities**, as shown in Figure 2. This is the norm in conventional PE funds and has the advantage for the fund manager of mitigating the issue of liability. For the investors, the advantage is the relative ease of terminating the manager's contract, if necessary.

33. **Special attention will need to be paid to setting up a robust governance structure** for the SME investment fund so that it functions strictly at 'arm's length' to the Government. The following safeguards are envisaged:

- (a) **Locally-domiciled Naira-based Fund:** The Fund will be established as a holding company (SME Investment Fund) domiciled in Nigeria with share capital denominated in Naira. It will be capitalized from the proceeds of the WB GEM project and the Government will pass on these funds through MOFI to the Fund in Naira, thereby assuming the foreign exchange risk associated with the World Bank's dollar-denominated lending. This capitalization will be materialized by the Fund Subscription Agreement. Naira funding is important, as SMEs



will only seldom have foreign currency income with which they could hedge their exposure to longer-term commitments in foreign currency.

- (b) **Structure to attract additional investors:** Being separately established a locally domiciled fund will be important in encouraging the fund manager to attract additional investors, both domestic and foreign. If the Fund is successful, this will allow it to become a catalyst for more long-term SME funding, in particular in attracting impact investors in the near term, and subsequently potentially Nigerian pension funds. Every effort will be made by the authorities to expedite the process of meeting the required documentation standards to facilitate the domestic registration of the Fund.
- (c) **Fully transparent fund manager selection process:** The process of setting up the Fund will ensure that the fund manager is selected according to a fully transparent and competitive selection process and lives up to specific requirements in term of professional qualifications and experience. Once the Fund Manager recruitment is finalized, a Fund Management Agreement will be signed between the SME Investment Fund (as the legal entity) and the Fund Manager, through the Fund Management Agreement.
- (d) **Technically-proficient investment committee:** The Fund manager will have an investment committee composed of its senior staff. The committee will include independent members chosen on the basis of their professional competence to help build the expertise of the Fund and leverage the experience of established practitioners. Investors in the Fund will not participate or be represented on the investment committee.
- (e) **Independent Advisory Committee/Board:** For oversight and to resolve conflicts of interest, the Fund will have an Advisory Committee that consists of competitively selected independent industry experts and excludes representatives of the Government of Nigeria. Following investment in the Fund by other impact investors, such third-party investors should become members of the advisory committee.

34. **The aim of the SME fund is to expand the realm of enterprises able to avail themselves of ‘patient’ longer-term funding** to encompass a new universe of smaller enterprises, thereby expanding the universe of third-party funding instruments available to Nigerian SMEs. Targeted firms would have some track-record and high growth potential, but often be hampered by lack of data on which to base investment decisions, such as incomplete or non-existent financial records, insufficient business plans, and understated revenues (tax avoidance). In identifying candidate enterprises, the intention is to follow the IFC’s definition of SMEs, whereby investee enterprises are required to live up to any two of the following criteria: (1) no more than US\$15 million in assets, (2) no more than US\$15 million in revenue, (3) no more than 300 employees.

35. **A key criterion for investments provided by the Fund will be an upper limit on the size of individual investments** set between US\$250,000 and US\$ 2 million equivalent and a limit of 30 percent of the fund’s investment taking place in any one sector.

36. **Fund size, management fees and expenses:** the target fund size of US\$30 million is a combination of two elements: the total amount to be invested and the total costs of running the fund. Funds usually invest only about 80 percent of the total committed capital in portfolio companies, and spend the remaining 20 percent on fees and expenses. Management fees and expenses are expected to be in two parts: (1) an annual fee for expenses of the fund manager's operation, including staff compensation, rent, utilities, travel, etc., and (2) a budget for other fund expenses, such as auditing the Fund, usually limited to a percentage of committed capital or a fixed dollar amount. In the model for this Fund, it is suggested to pay a fixed fee for the first x years reflecting the budgeted costs of managing the fund (rather than a percentage of the invested value). The sum of the management fee plus other expenses totals \$1.75 million a year, which would be equivalent to 5.8 percent of a target fund size of US\$30 million. The specific management fee for the proposed Fund will need to be negotiated with the selected fund manager.

37. **Requirements to make the fund operational:** (i) Establish legally the Fund by incorporating it locally and registering it with the Corporate Affairs Commission; (ii) Register the Fund with the Securities and Exchange Commission and submit to



related requirements; (iii) sign the Fund Agreement, prepared under terms and conditions approved by IDA; (iv) sign the Fund Subscription Agreement prepared under terms and conditions approved by IDA, followed by capital call issued by the Fund; (v) hire a Fund Manager through IDA procurement rules and sign the Fund Management Agreement.

38. **Applicable Fiduciary rules to the Fund:** The SME Investment Fund will be supported with US\$30 million following its establishment and registration in line with local laws as an independent entity, competitive selection of private sector Fund Manager and execution of the Fund Management Agreement, the Fund Subscription Agreement and the Fund Agreement. The selection of the Fund Manager will be conducted by the Project Implementation Unit (PIU) in line with World Bank procurement procedures. Upon appointment of the Fund Manager and signing of the cited agreements, all subject to World Bank no objection, the US\$30 million SME Investment Fund will be independently managed by the Fund Manager in line with the provisions of the said agreements and in line with local laws and regulations. Quarterly reports will be prepared and submitted to the PIU and in turn to the World Bank, including unaudited quarterly financial statements and audited annual financial statements. The management and operations of the SME Investment Fund (e.g. operating costs, procurement of goods and consulting services, as needed, such as audit) will not be subject to World Bank procurement and financial management procedures as the Fund will operate as an independent entity managed by a competitively selected Fund Manager.

39. **The detailed description** of the fund structure, governance, instruments, fund manager's staffing and other fund design as well as the key variables used in the Fund Model are presented in Annex 2- SME Investment Concept Note.

40. **Summary of key changes to be reflected in the Financing Agreement:**

- (a) **Creation of a new sub-component dedicated to the SME Investment Fund** in the Financing Agreement Subcomponent BIII- SME Investment Fund).
- (b) **Capitalization:** the fund will be endowed and capitalized with SDR 21.76 million (equivalent USD\$30 million) after its legal establishment as an entity and the Fund Subscription Agreement is signed. The fund will be endowed by a reallocation of proceeds from existing categories to a newly created Category 5 (Investment Fund) in the following manner: SDR8,030,000 from Category 1(Gds, Wks, Non-Consulting services, Consultant services, Training, Workshops and Study Trs under A3, A4, BI.1-4, BII); SDR1,700,000 from Category 2 (Gds, Consultant services including study tours, Workshops and Study Trs, and Operating Costs under part C of the Project); SDR11,050,000 from Category 3 (Grants for subprojects) and SDR980,000 from Category 4 (Project Preparation Fund).
- (c) **Key Funding Criterion:** The fund will provide long term investments to eligible small and medium enterprises (SMEs) in the form of mezzanine financing with a range of investment size from US\$250,000 to US\$2 million per investment.
- (d) **Governance structure:** (i) the Fund will be established as a separately registered fund and governed with the Fund and Subscription Agreements, respectively, satisfactory to IDA, ; (ii) the Fund Manager will be recruited as a separate entity according to a fully transparent and competitive selection process based on specific requirements in term of professional qualifications and experience and will operate according to Fund Management Agreement, satisfactory to IDA; (iii) an Investment Committee composed of the Fund Manager's senior staff will be in place. The Investment Committee may include independent members chosen base on their professional competence and satisfactory to IDA, to help build the expertise of the Fund and leverage the experience of established practitioners. (iv) an Independent Advisory Committee consisting of independent industry experts, selected based on criteria and process satisfactory to IDA and excluding representatives of the Government of Nigeria, except in the role of an observer, will be put in place for oversight and to resolve conflicts of interest.



- (e) **Firms eligibility:** In identifying candidate enterprises, the Fund will follow the project definition of SMEs, whereby investee enterprises are required to live up to any two of the following criteria: (1) no more than US\$15 million in assets, (2) no more than US\$15 million in revenue, (3) no more than 300 employees.

APPRAISAL SUMMARY:

Economic Analysis:

41. **The restructuring proposes the following adjustments:**

- (a) Changes to components and costs: Component A ‘Improved Investment Climate’, which used to be 100 percent funded by UK DFID will now benefit from IDA funding in the amount of US\$5 million. To make this possible, the cost and IDA funding provided to Component B ‘Increased Competitiveness of Strategic Clusters’ will be reduced by US\$ million and the cost of Component C (Project implementation, Monitoring and Evaluation and Communications) will be reduced by US\$2 million. Activities under Component B will be simplified to ensure a more effective implementation. Further, a new sub-component B-III, in the amount of US\$30 million, will be introduced under Component B to allow for the establishment and management of a pilot SME Investment Fund, funded from reallocation of proceeds across components and disbursement.
- (b) Addition of disbursement conditions for the new fund: i) the SME Investment Fund has to be established; ii) the Fund Subscription Agreement and the Fund Agreement have to be executed on behalf of the Recipient and the SME Investment Fund, and other relevant parties, if any, and have to become effective; and iii) the Fund Management Agreement has to be executed and become effective;
- (c) Results Framework (RF) Modifications: Intermediate Indicators (II) have been revised to make them more realistic, measurable and in line with the project activities and new ones that are relevant to Sub-Component BIII have been introduced; some intermediate indicators that are no longer relevant have been dropped and targets for some retained IIs have been revised for increased realism and to reflect projects achievements more accurately.
- (d) An extension of the project closing date from September 07, 2018 to September 30, 2019, to ensure accelerated implementation for the entire project and allow the new SME Investment Fund to be functional and contribute to achieve results in line with the project development objectives.

42. **The proposed changes in the first part of the restructuring have two objectives:** (1) realignment of the RF with the ongoing activities to make sure results are measurable and can be attributed to the project, and (2) simplification of the wordings in of some activities in the Financing Agreement that were no longer relevant in the current context. The latter objective is mostly “cosmetic” – the main activities themselves are not changed (only the sub-sub-activities). The Economic analysis in the original PAD was done at the cluster level and assesses the impacts of leveraging binding constraints (in general) and of improving investment climate. It does not investigate the impact of each sub-sub-activity. The proposed reallocation from Component B in the amount of US\$5 million to Component A for investment climate activities represents 3 percent of the overall funding. Taking these changes into account, we do not expect a significant change of the 31 percent Economic Rate of Return (ERR) from the addition of this new component.

43. **The economic rationale of using public sector resources to create the proposed SME Investment fund in the second part of the restructuring is the following:** Evidence shows that there are market failures in the supply of risk capital financing for SMEs in Nigeria. Private Equity (PE) funds generally focus on large deals: a recent study reports that total PE investments in Nigeria in the years 2013-2015 amounted to US\$949 million and the average deal-size was \$18.6



million², and that PE investment in SMEs is still quite rare, although a few funds target startups and early stage investments³. Even PE funds that successfully target SMEs usually move up to bigger deals in succeeding funds. This arises because the search and servicing costs (identifying viable business plans, overseeing enterprise restructuring and monitoring their performance etc.) for a larger number of small enterprises are higher than for a smaller number of large enterprises – hence the preference for larger investments. Smaller enterprises are associated with high risks and low returns caused by high transaction costs and high failure rates. The intention is to design a commercially viable PE-type initiative to increase access to finance by tailoring investment instruments and a fund structure to help meet the needs of high growth Nigerian SMEs.

44. **The value-addition of the World Bank Group is that it facilitates the establishment of this new fund with a specific developmental approach and a unique expertise:** the combined experience of the Finance and Markets Global Practice, the hands-on experience from an equity fund expert (previously involved in the International Finance Corporation (IFC) SMEs Venture Capital Fund) and the Trade and Competitiveness Global Practice. To avoid high transaction costs as noted above, most PE firms prefer investing in bigger enterprises. Even when offered incentives to cover part of those transaction costs, as was the case with the equity window experience in the project, they do not move sufficiently down the market to serve smaller enterprises. Therefore, the World Bank Group is supporting the Government of Nigeria by using an existing instrument focusing on SMEs growth and employment to pilot the new fund, with the goal to demonstrate that the model is sustainable and generate significant development impact. Once the proposed fund demonstrates proof of concept, it is expected to attract additional investors as well as facilitate the creation of additional private sector funds targeting SMEs. This first fund could potentially be scaled up in the future to a bigger fund in a follow-up operation and will contribute to create a new ecosystem for risk capital financing for SMEs in Nigeria.

Financial Analysis:

45. **The financial analysis pertaining to the proposed fund size is a combination of two elements:** the total amount to be invested and the total costs of running the fund. Funds usually invest only about 80 percent of the total committed capital in portfolio companies, and spend the remaining 20 percent on fees and expenses. The model for the proposed Fund uses a base case target size of \$30 million. The Fund could have a smaller (or larger) target size, with implications for the number and size of investments and for the proportion of funds allocated to the fund manager.

46. **While typical PE funds in emerging markets have fewer than 20 companies in their portfolio, funds that primarily use mezzanine instruments tend to have larger portfolios.** In the proposed fund, the maximum investment size is US\$2 million, with a somewhat lower expected average. If the fund invested the maximum in 20 companies, the total amount invested would be US\$40 million. In the model, the fund invests an average of US\$1 million in a portfolio of 23 companies, with a total invested amount of US\$30 million. It is however expected that the US\$30 million available for investment would invest in some combination of fewer companies and a smaller average investment size.

47. **In the model developed, it is assumed that all the capital provided to the Fund will be invested as soon as the Fund is established** (i.e. on day one). This is unlike most PE funds but is what typically happens when companies raise capital. In this case an added side-benefit is that the GEM Project funds will be disbursed in their entirety up-front and long before the end of the Project. The financial model shows an equity investor net IRR of 18.9 percent. The detailed assumptions and financial model calculations are attached in Annex 3.

Technical Analysis

² Study undertaken by Adam Smith for the GEMS3 project, March 2017.

³ Most funds target mainstream growth equity, i.e. larger firms. According to the Adam Smith study Co Creation Hub, Echo VC and Althea are examples of funds that target venture capital.



48. **Past lessons learnt from the project implementation and highlighted during the midterm review have informed the technical design of the restructuring.** The proposed changes aim to simplify the design of the project in line with the current economic context, the government’s priorities (a more focused approach on direct support to SMEs), the capacity of the PIU and hence increase the likelihood of achieving the PDO. The GEM Project Implementation Unit (PIU) in the Federal Ministry of Industry, Trade and Investment (FMITI) implementation capacity has significantly improved in the last eight months. The Ministry initiated bold actions in early February 2017 to improve PIU’s efficacy and implementation capabilities: The FMITI made changes to the institutional arrangements to facilitate implementation and increase delivery with: (a) the hiring of a new Project coordinator – a consultant from the private sector ; (b) a newly assigned Assistant Project Coordinator; and (c) a re-arrangement of the cluster unit of the PIU (recruitment of a new a Cluster Leader with a strong focus on market analysis and transformational activities along with two Cluster Deputy Manager to implement activities). These actions complemented the training of the civil servants in the PIU, the recruitment of individual consultants and the recruitment of consultancy firms that already took place throughout implementation before the mid-term review. The newly strengthened PIU will focus on implementing the restructured project and will collaborate with the experienced Fund Manager that will be hired for the proposed SME Investment Fund.

49. **The proposed SME Investment fund design is to respond to unique supply constraints faced by SMEs in Nigeria.** These SMEs are the "missing middle" in a market where loans and equity are available to larger firms and loans are, to an extent, available to micro firms, but neither loans nor equity are available to SMEs to a sufficient extent. Lessons of funds that have attempted to serve this missing middle have been taken into account in the Fund design. The instrument is tailored to facilitate growth of the SME sector in Nigeria and filling a financing gap by providing long term mezzanine capital to smaller enterprises. The fund seeks also to redeploy and build on expertise already present in the Nigerian PE industry to catalyze a sustainable SME investment program; and facilitate the process of attracting new long-term sources of financing (impact investors) into the Nigeria SME sector.

50. **Support from the Federal Government, the Ministry of Trade and private sector partners for the project remains strong.** Support to economic diversification and jobs creation is high on the government’s agenda and will likely be a positive momentum that will lead to the project’s success.

Implementation Schedule

51. The implementation schedule is now delayed by 12 months and 23 days.
Proposed Project closing date: September 30, 2019.

SORT: Please note: The SORT ratings were not available at Project Approval as the Project was approved prior to existence of SORT ratings

I. SUMMARY OF CHANGES

	Changed	Not Changed
Change in Results Framework	✓	



Change in Components and Cost	✓	
Change in Loan Closing Date(s)	✓	
Reallocation between Disbursement Categories	✓	
Change in Disbursements Arrangements	✓	
Change in Disbursement Estimates	✓	
Change in Overall Risk Rating	✓	
Change in Implementation Schedule	✓	
Change in Economic and Financial Analysis	✓	
Change in Technical Analysis	✓	
Change in Implementing Agency		✓
Change in DDO Status		✓
Change in Project's Development Objectives		✓
Cancellations Proposed		✓
Change in Safeguard Policies Triggered		✓
Change of EA category		✓
Change in Legal Covenants		✓
Change in Institutional Arrangements		✓
Change in Financial Management		✓
Change in Procurement		✓
Other Change(s)		✓
Change in Social Analysis		✓
Change in Environmental Analysis		✓

IV. DETAILED CHANGE(S)

RESULTS FRAMEWORK

Project Development Objective Indicators

% growth in sales of participating firms

Unit of Measure: Percentage

Indicator Type: Custom

Baseline

Actual (Current)

End Target

Action



Value	32713922.00	0.00	20.00	Revised
Date	02-Feb-2016	23-Jun-2017	30-Sep-2019	

For firms in services
 Unit of Measure: Percentage
 Indicator Type: Custom Breakdown

	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	20.00	New
Date	01-Oct-2016	23-Jun-2017	30-Sep-2019	

For firms in industry
 Unit of Measure: Percentage
 Indicator Type: Custom Breakdown

	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	20.00	New
Date	01-Dec-2016	23-Jun-2017	30-Sep-2019	

For female-headed participating firms
 Unit of Measure: Percentage
 Indicator Type: Custom Breakdown

	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	20.00	New
Date	01-Nov-2016	23-Jun-2017	30-Sep-2019	

% increase in average number of workers in participating firms

Unit of Measure: Percentage
 Indicator Type: Custom

	Baseline	Actual (Current)	End Target	Action
Value	8.00	0.00	20.00	Revised
Date	03-Oct-2016	23-Jun-2017	07-Sep-2018	

For firms in services
 Unit of Measure: Percentage
 Indicator Type: Custom Breakdown



	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	20.00	New
Date	01-Oct-2016	23-Jun-2017	30-Sep-2019	

For firms in industry

Unit of Measure: Percentage

Indicator Type: Custom Breakdown

	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	20.00	New
Date	01-Oct-2016	23-Jun-2017	30-Sep-2019	

For female-headed participating firms

Unit of Measure: Percentage

Indicator Type: Custom Breakdown

	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	20.00	New
Date	01-Oct-2016	23-Jun-2017	30-Sep-2019	

Increase in value added per worker of participating firms

Unit of Measure: Percentage

Indicator Type: Custom

	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	20.00	Marked for Deletion
Date	30-Jul-2013	23-Jun-2017	08-Sep-2018	

Intermediate Indicators**Number of market assessments**

Unit of Measure: Number

Indicator Type: Custom

	Baseline	Actual (Current)	End Target	Action
Value	0.00	7.00	10.00	Revised
Date	01-Aug-2013	23-Jun-2017	30-Sep-2019	



Sector market assessments				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	7.00	14.00	Marked for Deletion
Date	01-Aug-2013	23-Jun-2017	07-Sep-2018	
Number of product improvements				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	840.00	Marked for Deletion
Date	01-Aug-2013	23-Jun-2017	07-Sep-2018	
Business Census completed				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	1.00	Marked for Deletion
Date	01-Aug-2013	23-Jun-2017	07-Sep-2018	
No. of identified sector policy reforms presented to the steering committee				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	4.00	Revised
Date	01-Aug-2013	23-Jun-2017	30-Sep-2019	
Business start-ups a) established after 2 years, or (b) projected to survive after two years based on survival rates to that point.				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	685.00	Marked for Deletion
Date	03-Oct-2016	23-Jun-2017	07-Sep-2018	
Increased investment in participating firms				



Unit of Measure: Percentage

Indicator Type: Custom

	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	10.00	Revised
Date	01-Aug-2013	23-Jun-2017	30-Sep-2019	

Direct project beneficiaries

Unit of Measure: Number

Indicator Type: Custom

	Baseline	Actual (Current)	End Target	Action
Value	0.00	5974.00	14900.00	New
Date	04-Dec-2014	23-Jun-2017	30-Sep-2019	

of which percentage of female beneficiaries

Unit of Measure: Percentage

Indicator Type: Custom Supplement

	Baseline	Actual (Current)	End Target	Action
Value	0.00	38.90	40.00	New

Increase in score for business practices for participating firms

Unit of Measure: Number

Indicator Type: Custom

	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	20.00	New
Date	02-Dec-2016	23-Jun-2017	30-Sep-2019	

Total number of trainees (cumulative)

Unit of Measure: Number

Indicator Type: Custom

	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	1000.00	New
Date	02-Dec-2016	23-Jun-2017	30-Sep-2019	

of which employed after training (for individuals)



Unit of Measure: Number

Indicator Type: Custom Breakdown

	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	200.00	New
Date	02-Dec-2016	23-Jun-2017	30-Sep-2019	

Number of MSMEs registered in the BIG Platform

Unit of Measure: Number

Indicator Type: Custom

	Baseline	Actual (Current)	End Target	Action
Value	0.00	48167.00	100000.00	New
Date	30-Jul-2013	23-Jun-2017	30-Sep-2019	

of which outside Lagos and FCT

Unit of Measure: Number

Indicator Type: Custom Breakdown

	Baseline	Actual (Current)	End Target	Action
Value	0.00	27495.00	30000.00	New
Date	30-Jul-2013	23-Jun-2017	30-Sep-2019	

Of which invited to an induction workshop

Unit of Measure: Number

Indicator Type: Custom Breakdown

	Baseline	Actual (Current)	End Target	Action
Value	0.00	5257.00	12000.00	New
Date	30-Jul-2013	23-Jun-2017	30-Sep-2019	

Number of MSMEs benefiting from capacity enhancement

Unit of Measure: Number

Indicator Type: Custom

	Baseline	Actual (Current)	End Target	Action
Value	0.00	5674.00	8974.00	New
Date	05-Jul-2013	23-Jun-2017	30-Sep-2019	



Of which with capacity enhancement completed				
Unit of Measure: Percentage				
Indicator Type: Custom Supplement				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	85.00	New

Number of participating firms receiving funding from the SME Investment Fund				
Unit of Measure: Number				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	19.00	New
Date	23-Jun-2017	23-Jun-2017	30-Sep-2019	

Volume of financing to participating firms from the SME Investment Fund (million)				
Unit of Measure: Amount(USD)				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	0.00	0.00	28.25	New
Date	23-Jun-2017	23-Jun-2017	30-Sep-2019	

SME Investment Fund portfolio quality IRR>0				
Unit of Measure: Text				
Indicator Type: Custom				
	Baseline	Actual (Current)	End Target	Action
Value	NO	NO	YES	New
Date	23-Jun-2017	23-Jun-2017	30-Sep-2019	

COMPONENTS

Current Component Name	Current Cost (US\$M)	Action	Proposed Component Name	Proposed Cost (US\$M)
Component 1 : Improved Investment Climate	75.00		Component 1 : Improved Investment Climate	75.00



Component 2 : Increased Competitiveness of Strategic Custers	140.00	Component 2 : Increased Competitiveness of Strategic Custers	140.00
Component 3 : Project Implementaion, Monitoring and Evaluation and Communications	20.00	Component 3 : Project Implementaion, Monitoring and Evaluation and Communications	20.00
TOTAL	235.00		235.00

LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IDA-48820	Effective	30-Dec-2016	07-Sep-2018	30-Sep-2019	30-Jan-2020

REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

	Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)	
				Current	Proposed
IDA-48820-001 Currency: XDR					
iLap Category Sequence No: 1		Current Expenditure Category: Gds, Wks, Non-Consulting services, Consultant services, Training, Workshops and Study Trs under A3, A4, BI.1-4, BII			
	35,900,000.00	7,988,711.34	24,255,000.00	100.00	100
iLap Category Sequence No: 2		Current Expenditure Category: Goods, Consultant services, Training, Workshops and Study Tours and Operating Costs under Part C			
	11,500,000.00	4,062,937.86	9,800,000.00	100.00	100
iLap Category Sequence No: 3		Current Expenditure Category: Grants for Sub Projects under BI.1-4 & B.II			
	53,800,000.00	3,448,270.06	42,750,000.00	100.00	100
iLap Category Sequence No: 4		Current Expenditure Category: PPF REFINANCING			
	1,300,000.00	319,263.28	320,000.00		100



iLap Category Sequence No: 5	Current Expenditure Category: Investment Fund under B.III		
0.00	0.00	21,760,000.00	100
iLap Category Sequence No: 6	Current Expenditure Category: Gds, Wks, Non-Consulting services, Consultant services, Training, Workshops and Study Trs under Part A		
0.00	0.00	3,615,000.00	100
Total	102,500,000.00	15,819,182.54	102,500,000.00

DISBURSEMENT ESTIMATES

Change in Disbursement Estimates

Yes

Year	Current	Proposed
2011	0.00	0.00
2012	0.00	0.00
2013	0.00	0.00
2014	11,000,000.00	4,420,723.00
2015	20,500,000.00	4,843,490.00
2016	57,000,000.00	23,880,342.00
2017	50,000,000.00	50,000,000.00
2018	20,500,000.00	60,000,000.00
2019	1,000,000.00	16,855,445.00

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating at Approval	Current Rating
Political and Governance		● Substantial
Macroeconomic		● Substantial
Sector Strategies and Policies		● Moderate
Technical Design of Project or Program		● Substantial
Institutional Capacity for Implementation and		● Substantial



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Sustainability	
Fiduciary	● Substantial
Environment and Social	● Moderate
Stakeholders	● Moderate
Other	
Overall	● Substantial