Type of Review: Annual Review

Project Title: Growth and Employment in the States (GEMS) – GEMS3 - Supporting an Improved Business Environment

Date started: 1 August 2010 Date review undertaken: 9-27 July 2012

Instructions to help complete this template:

Before commencing the annual review you should have to hand:

- *the Business Case or earlier project documentation.*
- *the Logframe*
- *the detailed guidance (How to Note)- Reviewing and Scoring Projects*
- *the most recent annual review (where appropriate) and other related monitoring reports*
- *key data from ARIES, including the risk rating*
- *the separate project scoring calculation sheet (pending access to ARIES)*

You should assess and rate the individual outputs using the following rating scale and description. ARIES and the separate project scoring calculation sheet will calculate the overall output score taking account of the weightings and individual outputs scores:

Description	Scale
Outputs substantially exceeded expectation	A++
Outputs moderately exceeded expectation	A+
Outputs met expectation	A
Outputs moderately did not meet expectation	B
Outputs substantially did not meet expectation	C

Introduction and Context

What support is the UK providing?
The Growth and Employment in the States (GEMS) Programme is a joint DFID and World Bank (WB) programme supporting Nigeria's Federal and State Governments' growth strategies as embodied in the former President's 7-point agenda and the National Economic Empowerment and Development

Strategy (NEEDS). GEMS is to contribute to Nigeria's growth and poverty reduction strategies which prioritize faster non-oil growth and job creation. The growth strategies have recognized the importance of the private sector for growth and poverty reduction.

GEMS3 is designed to address key issues in the business enabling environment (BEE), particularly in relation to increased employment and incomes for the poor and women. It is based on the principles of the M4P methodology, emphasising access to markets by the poor, brought about by systemic change, sustainable outcomes, scalability, and the empowerment of women. Activities will be aimed at sustainably changing the delivery of services or "products" (such as regulatory support) in the business enabling environment. GEMS3 will work with market actors to incorporate the sustained delivery of these services or products into their business models.

GEMS3 has its headquarters in Abuja and will focus on four more states apart from the FCT: Cross River, Kaduna, Kano and Lagos. Scaling up to other states outside of these focal states is explicitly foreseen.

The UK will provide £17.776 million in core funding, along with £10 million in a flexible facility managed under GEMS3.

What are the expected results?

The programme includes five core outputs:
1) Identification, strengthening and/or promotion of value adding business services and products, including policies and strategies, which address key systemic constraints in the investment system for target micro, small and medium sized enterprises (MSME);
2) Identification, strengthening and/or promotion of value adding business services and products, including policies and strategies, which address key systemic constraints in the tax system for target MSMEs;
3) Identification, strengthening and/or promotion of value adding business services and products, including policies and strategies, which address key systemic constraints in the land system for target MSMEs;
4) Initiation and promotion of evidence-based and joined-up policy dialogue where it is needed to improve the business enabling environment; and
5) Demonstration, by non-focal states, of interest in enhancing the business enabling environment; this will be supported by peer learning and advocacy.

The programme is expected to result in an improved business enabling environment, increased business investment, increased incomes and more employment in the focal states and in those states to which programme interventions are extended through peer learning, advocacy and the operation of a flexible funding facility.

What is the context in which UK support is provided?

Nigeria is typified by poverty that is both deep and widespread; around 64% of the population – more than 100 million people – live on less than GBP 1 a day. Inequality is also extreme and is amongst the highest in the world, while women are poorer than men throughout the country. Economic diversity is limited, with oil dominating, although some gains have been made in service industries such as ICT in recent years. Unemployment is also high, particularly amongst the nation's youth, where it is estimated at up to 60%.

Around 92% of the workforce is informally employed. Substantial nation-wide investment is needed, along with significant changes in the business enabling environment. Evidence on the constraints in the business environment is plentiful, yet concerted action to overcome those constraints is limited. Those who are disengaged from the economy are especially disadvantaged and locked in a cycle of poverty. Policies and strategies to improve the investment and business environment are focused on the formal sector and, therefore, tend not to reach them.

More specifically: MSMEs are burdened by an non-transparent tax system, tax duplication (federal, state and local government), a multitude of 'nuisance' taxes and collection practices involving corruption and fraude. A large sum of collected taxes never reach the government budget.

Only 3% or 4% of land is registered. Non-registered land is not fit for collateral, land disputes are common and especially small occupant or owners of non-registered land are vulnerable.
In addition, the investment climate is characterised by poor infrastructure, poor power supply, limited access to financial services, corruption of civil servants and a general non transparent and inefficient legal system, especially implementation.

Section A: Detailed Output Scoring

Output 1: Value adding business services and "products (i.e., policies, rules and regulations)" addressing the "Tax system" constraints for target enterprises and firms are developed,

Output 1 score and performance description: C (Outputs substantially did not meet expectation)

In the states of Kaduna and Cross River a series of consultations with state level MDAs, LGAs and BMOs resulted in an intervention plan for tax harmonization. Nigerian tax advisers were identified, although deployment of the expert in Kaduna may be hampered by security issues.
MDAs and LGAs expect primarily increase in tax revenues, BMOs a lesser tax burden.

Progress against expected results:
No progress so far. Indicators measure (1) number of new processes, systems or regulations introduced; (2) satisfaction among enterprises and MDAs with such processes etc.; and (3) number of enterprises (% in sample) applying or benefitting from such process etc. No systems have yet been reformed, so no enterprises can report usage of or satisfaction with these new 'products'. This has been caused largely by the extended delay in starting up the programme. The Kaduna intervention plan was by the time of the review still incomplete, lacking CVs and ToR for the proposed experts. The Cross River Plan had not yet been submitted by the time of the review. The reviewers see a risk in the potential incompatibility of objectives by stakeholders, although the GEMS3 team sees significant leakage in the system to be optimistic about increasing Internally Generated Revenue without increasing the tax burden to businesses. While awaiting start of the intervention, motivation of stakeholders to co-operate (let alone copying-in by other states or LGAs) is at stake. Combination of these factors was reason for the reviewers to give this low score.

Recommendations:
Start interventions as soon as possible, make sure that there is a sufficient 'intervention density', i.e. that there are no long intervals between the consultant-beneficiary contacts. Maintain the public-private dialogue and make sure that objectives (i.e. increased revenue and lesser burden), remain mutually understood and compatible (based on GEMS3 advice, both Kaduna and Cross River have established Public-Private Working Committees for Tax Harmonisation, with private sector representation). Pay close attention also to collection practices and adjust intervention plan if necessary to address system failures there.

Impact Weighting (%): 25
Revised since last Annual Review? Y – Impact rating had not been given yet by the time of the Inception Review last year

Risk: High

Revised since last Annual Review? Y – Risk rating had not been given yet by the time of the Inception Review last year

Output 2: Value adding business services and "products (i.e., policies, strategies)" addressing "Land" constraints for target enterprises and firms are identified and strengthened

Output 2 score and performance description: C (Outputs substantially did not meet expectation)

A series of consultations with the Ministry of Land in Kano and with the Presidential Technical Committee on Land Reform, an assessment of the pilot undertaken by the Kano Ministry and a perception survey resulted in an intervention plan for reforming land registration in Kano (intervention was originally to be funded from the Flexible Facility, although it appears to be a core-activity). An i-Concept was developed for a land market study in Lagos.
Reform of land registration in Kano is an on-going process to which GEMS3 is trying to get an access, the present Commissioner for Land, a previous member of the Technical Committee, is heading this process. GEMS3 wants to support this process, ensuring interests of poor and women and MSMEs. Main motivation for the Kano State Ministry is increase in revenues through registration fees and land taxes.

Progress against expected results:
No progress so far. Indicators measure (1) number of new processes, systems or regulations introduced; (2) satisfaction among enterprises and MDAs with such processes etc.; and (3) number of enterprises (% in sample) applying or benefitting from such process etc. Like output 1, no systems have yet been reformed, so no enterprises can report usage of or satisfaction with these new 'products'. This has been also caused largely by the delay. The intervention plan is also here under discussion with DFID, since it contained originally excessively high costs for some budget lines (e.g. flight costs) compared to the original budget and the proposal by the service provider to finance this intervention from the Flexible Facility lacked rationale, since this is a clear core-activity of the project. Activities in land registration started by the land commissioner in Kano go on, without support and influence of GEMS3. The commissioner is mainly motivated by the wish to increase revenues from land registration. The land market study proposed for Kano is ambitious both in depth and scope, and goes beyond the scope of GEMS3 (and threatens to overlap with GEMS2).
Useful information has been gathered in the assessment and survey. While awaiting start of the intervention, motivation of stakeholders to co-operate (let alone copying-in by other states or LGAs) is at stake, and the chance to influence on-going activities in Kano in a 'pro-poor' fashion diminishes.

Recommendations:
Start interventions in Kano as soon as possible. Maintain the public-private dialogue and make sure that objectives of private and public partners remain mutually understood and compatible. Monitor closely on outcome achievement, i.e. does the improved land ownership security really facilitate access to credit and investment and really improve situation of women and the poor. If necessary, adjust design, line up with other interventions (output 3?) or terminate.

Impact Weighting (%): 25
Revised since last Annual Review? Y – Impact rating had not been given yet by the time of the Inception Review last year

Risk: High
Revised since last Annual Review? Y – Risk rating had not been given yet by the time of the Inception Review last year

Output 3: Value adding business services and "products (i.e., policies, strategies)" addressing "Investment" constraints for target firms and enterprises are identified and strengthened.

Output 3 score and performance description: B (Outputs moderately did not meet expectation)

Several actions are under implementation. GEMS3 supported the ‘Doing Business’ Workshop (Feb 2012), in conjunction with the World Bank and the Federal Ministry of Trade and Investment (FMTI). An Action Plan for addressing ‘Doing Business’ main issues was developed, and GEMS3 aims at supporting the ‘Doing Business and Competitive Committee’, reinstituted by the FMTI. An Intervention Plan for a survey on four indicators out of the World Bank 10 ‘doing business indicators’ (to be funded from the Flexible Facility) among 26 states has been developed.
In August at a meeting of the Governors’ Forum the Investment Climate Assessment done by the World Bank (in 26 states) will be launched. This launch will be supported by GEMS3. The Forum intends to create a platform for peer-learning between the states, in order to solve the identified investment hurdles.
The Corporate Affairs Commission (CAC) benefitted from the services of an IT-expert, made available by GEMS3, to develop a suitable ‘Online Business Registration’ system.
In Lagos State the production of an Investors’ handbook was supported (so far published on CD).

Progress against expected results:
Also here indicators measure (1) number of new processes, systems or regulations introduced; (2) satisfaction among enterprises and MDAs with such processes etc.; and (3) number of enterprises (% in sample) applying or benefitting from such process etc. The logframe target for ‘number of products, services etc’ for 2012 is 8. So far, two of these outputs can be recorded. With the support of GEMS3 on-line business registration time has been reduced in Abuja and Lagos State, soon to be expanded to four more states. The Investor’s Handbook has been produced. It is too early to report on number of enterprises benefitting from these outputs and the level of satisfaction. All of the above are part of a broader investment climate strategy that seeks to 1) build and sustain momentum for BEE reform across different tiers of government, 2) encourage policy dialogue with private sector players, and 3) target the poor and women as potential employees by encouraging the growth of businesses in general, not necessarily micro enterprises.

Recommendations:
For the future it is recommended to focus further action on ‘Doing Business’ facilitation on those issues which may improve the chances of outcome under output 1 and 2, i.e. which improve chances of MSMEs to really benefit from harmonised taxes and land registration (see above: achievement of outputs there may not be sufficient, given the number of constraints remaining, to come from output to outcome). This will focus the project more.
For the on-line business registration it is advised to monitor the extent to which MSMEs benefit from this system and, if necessary, adjust the advocacy and support activities foreseen together with ENABLE.

Impact Weighting (%): 25
Revised since last Annual Review? Y – Impact rating had not been given yet by the time of the Inception Review last year

Risk: High
Revised since last Annual Review? Y – Risk rating had not been given yet by the time of the Inception Review last year

Output 4: Evidence based and joined-up policy dialogue initiated and promoted

Output 4 score and performance description: C (Outputs substantially did not meet expectation)

A cataloguing exercise, looking at investment laws, other laws and regulations affecting investment or a lack of these, was undertaken in the four focal states. This resulted in five matrices with observations ('current state of play'), findings ('information available') and 'institutional involvement'.
Both at the Federal Level (with the FMTI) and at the Lagos State Level activities were being developed to introduce the OECD Policy Framework for Investment (PFI). In June a scoping study was done by the OECD, the Minister for Trade and Investment will lead a task force (taken from the 'Doing Business and Competitive Committee' (see output 3), to oversee implementation. GEMS3 intermediated and facilitated the process, the activity is to be funded from the Flexible Facility. Application of the OECD PFI is intended to establish and sustain a process of public private dialogue at both Federal and State level.
An Intervention Plan for an Investment Strategy for Kano was developed, which however has not been approved yet as it represents poor Value for Money.
The Draft Annual Report reports also the cross-GEMS 'Women Economic Empowerment (WEE)' activities under this output. It is foreseen to build WEE competence among relevant GEMS staff.

Progress against expected results:
Indicators measure (1) examples of evidence based analysis generated by stakeholders; and (2) percentage of recommendations accepted. For none of the indicators mentioned in the Logframe the targets for 2012 were met, i.e. no outputs were actually produced.
It is not immediately clear whether the interventions indeed contribute to Public-Private Dialogue and strengthening BMOs in evidence-supported advocacy. The private sector is insufficiently involved. BMOs were consulted in the cataloguing, but they were not involved in completion and prioritisation. According to the Draft Annual Report for 2012 the findings of the cataloguing exercise were shared with the relevant MDAs, however the MDAs interviewed in Lagos state had not yet seen the results. The step from finding to solution in the 'catalogue' is not always self-evident.

Recommendations:
Cataloguing is a useful part of the overall needs assessment stage (could also have been classified under output 3) but the link to the (still to be undertaken) overall baseline study is not clear. It needs to be consulted now with the stakeholders, with important input from BMOs, and prioritised, so findings can be used to fine-tune on-going activities.

Impact Weighting (%): 10
Revised since last Annual Review? Y – Impact rating had not been given yet by the time of the Inception Review last year

Risk: Medium
Revised since last Annual Review? Y – Risk rating had not been given yet by the time of the Inception Review last year

Output 5: Non focal states and other projects demonstrating interest in enhancing BE

Output 5 score and performance description: C (Outputs substantially did not meet expectation)

Two activities are completed: a Needs assessment Study in Jigawa state (underway by the time of the review, possibly report not yet produced) and a scoping study for land registration in Ondo state (to be financed from the Flexible Facility). No follow-up has been given as yet.
In addition (not mentioned in the Annual Report), an intervention was designed for a 'Snap study on Business Constraints for the Meat and Leather Industry', with input from GEMS1. This would cover, apart from the focal states Kano and Lagos, also the states Abia and Anambra, and can be seen as interest shown from another project. It is to be funded from the Flexible Facility.

Progress against expected results:

Indicators measure here (1, 3 and 5) number of new states / projects / institutions using products etc. initiated by GEMS3; and (2, 4 and 6) number of new states / projects / institutions showing interest in products etc. initiated by GEMS3. The Logframe mentions targets for the year 2012, which may be overambitious, since it is logical to assume that external parties can only express interest if there are convincing examples in the focal states, which so far is not the case. Since none of the above has so far resulted in specific interventions, no actual outputs can be recorded.

Recommendations:
It is here advised to stop developing future activities under this output, until real 'up-scalable' cases can be demonstrated in the focal states. GEMS3 is now active on too many fronts. Targets in the Logframe would then have to be revisited, to avoid future bias in scoring because of the unrealistic targets set.

Impact Weighting (%): 15
Revised since last Annual Review? Y – Impact rating had not been given yet by the time of the Inception Review last year

Risk: Medium
Revised since last Annual Review? Y – Risk rating had not been given yet by the time of the Inception Review last yea

Section B: Results and Value for Money.

1. Progress and results

1.1 Has the logframe been updated since last review? Y

A fully new logframe was developed since the Inception Review June/July 2011, as part of a full redesign process which was initiated by the findings of the review and lasted till February 2012. The logframe is part of a set of logframes for the different GEMS projects, including an overall logframe. Impact indicators are 'copied' from the 'Donor Committee for Enterprise Development' guidelines and are congruent with the impact indicators for the other GEMS projects.
GEMS3 has, unlike the other GEMS projects, introduced a level between 'impact' and 'outcome', the s.c. 'Intermediate Impact', which records the impact of changes of new regulations, services etc. on the enterprises.

1.2 Overall Output Score and Description: C (Outputs substantially did not meet expectation)

Overall outputs are either below target or (in four of the five outputs) absent. Some of the targets, i.e. for output 5 which deals with interest shown from other states or projects, may in retrospect be unrealistic. For the other targets however, considering the fact that the project is now two years under way, the absence of tangible results starts creating problems for credibility of GEMS3 and even DFID. Reasons for this are (1) the late actual start of the interventions, caused by a long redesign period (eight months) following the Inception Review; (2) non-transparent, incomplete, late and not well prepared intervention proposals, e.g. high costs of some proposals compared to the original budget and lack of clarity why some interventions have to be financed from the Flexible Facility; (3) underutilisation of the (approved, skilled and large) core staff waiting approval of the interventions; but also (4) a scattering of interventions over too many areas and a general lack of focus, which made utilisation of core staff even more cumbersome.

1.3 Direct feedback from beneficiaries

Although some stakeholders from BMOs, especially those who have recently started co-operation with

GEMS3, speak enthusiastically about the support received, in almost all states main stakeholders are dissatisfied with the lack of actual progress ('too much talking, no action'). This may create serious problems with motivation of stakeholders and ownership.
Private sector organisations at state level often have different expectations from those of the participating public sector parties.
At the federal level however, e.g. the CAC and the Governors' Forum, satisfaction with the support (to be) received is high.

1.4 Summary of overall progress

Useful information has been gathered through several studies, important contacts have been made (through consultations and workshops), and a series of interventions have been brought to a state where they are 'ready for intervention'. Suitable experts for these interventions have been identified. Tangible progress against outputs as recorded in the logframe has however not yet been made, reason for the low score.

1.5 Key challenges

The challenges are now to gain momentum in outputs 1 and 2 at the same time guarding the pro-poor and gender objectives. Further delays especially in output 1 and 2 may seriously damage credibility of the project and may risk losing the motivation of the stakeholders.

1.6 Annual Outcome Assessment

Targets in the Logframe for 2012 are logically modest (one still to be defined), the two tangible target would relate to a one index-point improvement (from 100 to 99) on the Nigeria's 'Overall Doing Business Rating', and to an enterprise perception of improvement in the BEE . For all the reasons mentioned above, no outcome can be recorded.

Whether it is likely that future targets here will be met is dependent on a number of issues. First of all, serious progress will have to be made with the delivery of outputs, especially output 1 and 2. Second of all, in order to arrive from outputs to outcome other market failures (lateral problems), at present not addressed by GEMS3, will have to be corrected.

2. Costs and timescale

2.1 Is the project on-track against financial forecasts: N

The project is below expected expenditure level for the last year (August 2010 – May 2012), with 64% of expenditure on fees compared to the original budget, but 90% spent on other expenses.

2.2 Key cost drivers

The project so far does not report on financial performance per output, so it is not immediately obvious which outputs are the largest drivers. On the basis of costs of interventions (preliminary, some of these have not yet been approved by DFID) it appears that output 1 (tax) is the larger drivers, with GBP 2 million for two interventions in Kaduna and Cross River, followed by output 2 (land registration), with GBP 1.2 million for two interventions, one out of which however (land registration in Ondo State) formally belongs to output 5.

For output 3 and 4 only the budget for two interventions is known: on-line budget registration and the Investment Strategy for Kano (both GBP 250,000).

2.3 Is the project on-track against original timescale: N

See also section 1 above: the project is significantly behind schedule in terms of delivery of outputs.

3. Evidence and Evaluation

3.1 Assess any changes in evidence and implications for the project

At this stage, although many interventions have been designed, no baseline-study has been performed yet. The proposal for this study, to be performed by the Consortium Partner AIAE is still under scrutiny from DFID. Pending this, GEMS3 has performed a number of ad-hoc studies underlying the planned interventions, such as an assessment of a land registration pilot (performed by an MDA) in Kano, a scoping study in Ondo, the cataloguing exercise etc. It is not clear how these studies will fit in the baseline, and how the baseline study will benefit from information so gathered.

Evidence of the mechanism (causal chain) to arrive from outputs to outcome is still weak. For the land registration, it is supposed that the obtained titles will facilitate the obtaining of credits through collaterising the land – it is evident however that access to credit for MSMEs, especially Micro enterprises, is cumbersome and it is not known how critical collateral is. In tax harmonisation, no information is available on the risk of continued raising of illegal taxes and it is unclear whether the intervention will address illegal taxes and corrupt collection practices. Although facilitated (on-line) business registration is definitely an advantage for some ‘almost formal’ enterprises, the reasons for non-registering (apart from high costs and red tape of the present system) have not been studied. Finally, for up-scaling the project applies a fixed ratio (1:2) without empiric basis and in the cataloguing exercise no final validation of the findings has taken place, so it is not known whether the identified problems and especially proposed solutions are seen as a priority by more than one stakeholder. Apparently, the cataloguing exercise in one state took no more than a week (compared to the planned three weeks) and the responsible party is dissatisfied with the procedure.

This will, as was explained in section 1 above, risk the possibility to translate outputs in outcomes.

3.2 Where an evaluation is planned what progress has been made?

N.A.

4. Risk

4.1 Output Risk Rating: High

4.2 Assessment of the risk level

The risks as given in the logframe are as follows:

Output 1: high. This appears to be a realistic assumption – rationalising the tax system is dependent on many imponderables.

Output 2: high. A realistic assumption Given the importance at least three focal states attach to improving the land market, risk is low. However, ensuring interests of poor and women is again dependent on many imponderables.

Output 3: high: A realistic assumption.

Output 4: medium: The review team would classify the risk here as high.

Output 5: medium. However, copying-in and crowding-in will not happen if no results are visible, all of them have been classified as high risk. High appears therefore to be a logical assessment here as well.

Key risks have already been discussed above: (1) further delay may risk losing the interest of some main stakeholders; (2) there is a risk that interventions may insufficiently benefit poor and/or women, especially since objectives of private and public stakeholders may not be aligned; (3) outcomes may not materialise because of important system failures remaining unaddressed; (4) there is a management risk, i.e. that a too wide field of insufficiently focused interventions will be hard to keep on track.

4.3 Risk of funds not being used as intended

There is a risk of duplication with other GEMS programmes, e.g. with GEMS 2 in the land study in Lagos. Also the discrepancy of the speed of spending on 'other expenses' compared to 'fees' may risk a lack of resources in the first category in the future. No risk of losing funds on fraud. corruption or theft could be detected.

4.4 Climate and Environment Risk

The foreseen interventions are all in the administrative sphere, without direct influence on the environment. The hoped for increase in economic activity (investments, growth) may have an influence on environment and the use of energy. This should be mitigated by appropriate legislation.

5. Value for Money

5.1 Performance on VfM measures

The Business Case does not present any specifics on VfM, apart from some general calculations (NPV, IRR) on total project expenditure and expected benefits in terms of income and employment created. Recently GEMS3 issued a (draft) paper 'GEMS3 Value for Money', which outlines the approach to VfM the project takes. According to this report, economy is achieved through a series of measures, ensuring that the activities are undertaken at the lowest possible cost. Measures include competitive procurement methods (at least three quotes), sharing office space with other projects, using second hand equipment (vehicles), timely purchase of airplane tickets and even use of locally made furniture. Security costs are shared with two other projects implemented by Adam Smith Intl in Nigeria, among them ENABLE, where the total costs will be invoiced to DFID through GEMS3. In addition, the project capitalises on the presence of other projects for co-operation. The review was not in a position to verify whether the competitive procurement methods were always being followed, but it is obvious that GEMS3 actively interacts with other programmes. Violations against Economy principles were also observed, i.e. funding of not utilised office premises in a state. The questionable use of the Flexible Facility (e.g. the expensive proposal for an Investment Strategy in Kano, the involvement of the use of the Facility for the funding of regular activities) even led DFID at a certain stage to consider a change of management of the Fund.

Efficiency is largely and negatively influenced by the late start of the interventions caused by the reasons outlined under B1 above. Obviously, all of this has gone to the detriment of efficiency. Till date, GBP 5.7 million of the funds have been spent, i.e. 21% of the GBP 27 million budget, about 40% of the project time horizon has elapsed, but no outputs can be recorded, apart from the shortened registration time and the Lagos Investors' Handbook. If all costs incurred so far were attributed to these two outputs, the costs per unit of output would be outrageously high. For the other outputs, costs per unit would be infinitely high. A VfM quantitative estimate in terms of costs per unit output at this stage could therefore only point out the lack of VfM.

In the absence of outputs, there are no outcomes and no effectiveness. It is possible still for the project to create VfM in the future. Although the production of outputs is seriously delayed, there is no reason why targets for the different outputs, at least output 1 and 2, cannot be reached in the year 2013. There are however doubts as to whether all outputs will equally contribute to the outcome level.

To achieve impact, the widest level of effects, replication and copying in will be essential. The review has serious doubts on the methods GEMS3 uses to project scaling-up.

GEMS3 has introduced a fourth E, i.e. 'Equity', the extent to which poor and women benefit from the interventions. No weights have however been established yet for value flowing to poor or women, and GEMS3 has given no example yet of how this fourth E is going to be incorporated in the analysis.

5.2 Commercial Improvement and Value for Money

The project co-operates efficiently with other projects and other donors: ENABLE, SPARC, OECD, and capitalises on activities undertaken by the World Bank, such as the 'Doing Business' Surveys. A study is foreseen together with GEMS1. There is however also some risk of duplication of efforts with GEMS2 (see above).

5.3 Role of project partners

The project appears to be fully driven by ASI ltd. The Consortium Partner AIAE is responsible for the data collection for the 'Doing Business' intervention under output 3, as well as for the to be undertaken baseline study. The Nigerian Economic Summit Group, another Consortium Partner, was involved in the cataloguing exercise in Lagos state, but generally felt left out of the process.

5.4 Does the project still represent Value for Money : N

To be more specific, the project does not yet represent VfM. To date, no results can be recorded, with two very small exceptions. Costs per unit of output are therefore infinite, measurement useless.

Since the calculations of the GEMS3 team for 'costs per unit of output' and overall return contained errors, the review team did its own VFM calculation, for the entire project and for four interventions. This required obviously some bold assumptions. It appears that, provided that the assumptions underlying the logframe are correct, the project may achieve VfM. The Net Present Value and the Internal Rate of Return may not be as high as in the GEMS3 calculations, but they are still robust (resp.

GBP 20 million and 50%). The turning point would be the year 2015, i.e. the year in which the overall ratio 'costs to income created' drops below the 100%.

VfM Indicators entire project

	2013	2014	2015	2016	2017
Costs p/u Outp.					
People rec. inc.incr.	411	158	93	56	38
o.o.w. poor	905	345	202	122	83
o.o.w. women	1,131	430	254	153	105
FTEs created	2,715	1,053	602	364	247
o.o.w. poor	4,848	1,949	1,117	679	463
o.o.w. women	7,541	3,096	1,753	1,034	714
Costs to inc. created	424%	165%	97%	58%	40%
NPV (10%) GBP					20,512,160
IRR					50%

Ultimately (2017), unit costs per person enjoying increase in income will be GBP 38, per FTE created GBP 247.

Also a calculation was made of potential costs per unit of six interventions: tax harmonisation in Kaduna and Cross River, Land Registration in Kano and Ondo, Online-Business Registration and the PSD strategy for Kano. Comparing the different interventions, costs per unit of output would be lowest for the online-business registration (person enjoying increase in income GBP 23, per FTE GBP 148), highest for the land interventions (person enjoying increase in income GBP 74, per FTE GBP 474).

All calculations are still preliminary and need to be corrected and updated by the GEMS3 team.

The above achievements are however fully dependent on the project's capability to realise quickly now the outputs, and creating the conditions for the outputs to be translated in outcome and ultimately impact.

Therefore, Trigger points for the year 2013 were defined (costs per person enjoying increase in income GBP 411, per FTE 2,715) which should be fine-tuned by the GEMS3 team using more accurate financial data and more detailed output projections. The trigger values at such do not yet represent VfM but would be a significant improvement.

Trigger points 2013

	Costs per person rep income impr.	Costs per FTE	Costs / Income created
Tax Intervention Kaduna	657	4,339	680%
Tax Intervention Cross River	657	4,339	680%
Land Intervention Kano and Ondo	789	5,207	814%
Entire project	411	2,715	424%

5.5 If not, what action will you take?

Considering the efforts taken to bring the project to its present status, i.e. with a number of interventions likely to produce outputs, ready for implementation, termination now would seem counterproductive. Actions to be taken relate mainly to getting the project on speed, producing ASAP outputs, as described in more detail in section 1 above. Important is a strengthened focus, realigning the interventions in output 3 and 4 to increase the chance of outcome being generated by output 1 and

2. Attention should be given to the (fine-tuned) trigger points.

6. Conditionality

6.1 Update on specific conditions

N.A.

7. Conclusions and actions

Although about GBP 6 million has been spent and the project is two years in place, tangible results are lacking. This is becoming in some states (Kano, Lagos) an embarrassment. Only at the Federal level, most notably in the Online Registration, some results (and corresponding stakeholders' satisfaction) can be recorded.

The following actions are recommended: (1) The management should be strengthened, to assure that interventions remain in line with the GEMS3 objectives and mutually coherent. Core staff should be more utilised in implementation of the interventions; (2) Under output 1 and 2, interventions should start as soon as possible, under specific conditions; (3) Interventions should be better prepared, especially the application of the Flexible Facility should be better justified, some interventions now to be funded from this Facility should be brought back to the core-funding. Communication between DFID and service provider could be faster; (4) Further action on 'Doing Business' facilitation under output 3 should among others focus on issues which improve the likeliness of outcome under output 1 and 2, e.g. facilitation of access to credit for MSMEs. For the on-line business registration, monitor the extent to which poor and women benefit from this system and, if necessary, adjust the activities; (5) The results of the cataloguing exercise needs to be consulted now with the stakeholders; (6) Activities under output 5 should be restricted to real 'up-scalable' cases which have demonstrated to be effective in the focal states. GEMS3 is now active on too many fronts; (7) The baseline study should be performed as soon as possible; (8) A full-fledged VfM system should be introduced as soon as possible. If the trigger points, preliminary done in this review but to be fine-tuned by GEMS3, cannot be approached by mid-2013, continuation of the intervention, finance of some state offices or even the entire project should be reconsidered; and (9) Local ownership of the project should be strengthened, by involving representatives of the private and public sector at a more strategic level. DFID could pursue a closer involvement in the GEMS supervision by the (GEMS) Programme Implementation Unit in the Federal Ministry of Investment and Trade.

8. Review Process

The review was undertaken from 9-27 July 2012 by Mart Nugteren and Adeniyi Olaleye. The team visited Abuja, Cross River, Kano and Lagos. Overall, interviews were conducted with the GEMS3 team in all visited states. Representatives were interviewed from involved MDAs (commissioners for Land, Tax, Commerce and Investment, Planning and Economy, LGAs in Cross River, BIR) and focal group interviews were held with BMOs (CoC, associations like NASSI and NASME in two states, the Calabar Market Women association and the Traders' association). In Lagos also the DFID representative was visited. In Kano the team also met with the GEMS3 state manager from Kaduna and representatives from MDAs and BMOs from Kaduna. At the Federal level the FMTI was consulted, as well as the CAC and the Governors' forum.

Different visits took place with the GEMS3 team in Abuja, including Team Leader and Project Manager, sometimes revisiting issues which had emerged during the visits. Before the debriefing the team also had a validation meeting with the GEMS3 team.

During the review the team also consulted with Michael Wong from the World Bank and (by telephone) with Miguel Laric, DFID PSD adviser. Information was also obtained from Debbie Edwards, DFID, by e-mail.

The review set off with a briefing session at DFID Nigeria, including Esther Forgan, Robert Hale and Richard Sandall. The mission concluded on 27 July with a debriefing before DFID staff and the GEMS3 team.