

Type of Review: Annual Review

Project Title: Growth and Employment in States Programme Support of Meat and Leather Industry – GEMS 1

Date started: April 1, 2010 Date review undertaken: July 9 - 27, 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 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. The Programme Support to the Meat and Leather Industry (GEMS1) is one of the Programme's seven components each with a focus on a specific sector.

GEMS 1 is fully funded by DFID to support the improvement of competitiveness in strategically important clusters of the meat and leather industry with high potential to contribute to growth, incomes and employment. Although the project's initial design was on cluster development, during the inception period it has shifted to a "Making the Markets Work for the Poor" (M4P) project approach. This approach is currently being pursued with the identification of system (Government) and market failures, with as explicit goal to improve the incomes of the poor and the disadvantaged, especially women and the young, in the meat and leather industry.

The target areas of GEMS 1 are Kano (where it has its headquarters), Kaduna, Lagos and has increased its coverage this year by including Onitsha and Aba.

The UK will provide GBP 6 million in core funding. In January 2011 the project submitted a contract amendment to increase the budget with GBP 1.7 million in order to increase project staff capacity to meet the (new) impact targets of the revised logframe. A formal approval, of the contract amendment was received in July 2012, after a long delay.

What are the expected results?

The outcome (result) of the project is to improve the performance and inclusiveness of the meat and leather sector market systems that are important for poor people. The main indicators are: number of (meat and leather) firms with increased sales, the volume of increased sales amongst targeted firms, the percentage of new or improved products and services introduced through project facilitation, and the percentage of new or improved regulations or reforms introduced by the project.

The project's impact is to having increased growth, income and employment, especially for poor men and women, in meat and leather markets in selected states and nationally. Main indicators here are: the number of people recording positive change in incomes (outreach), the aggregated change in cumulative income (the value), and change in employment (net FTE jobs).

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.

One of the sectors seen as having growth potential and an ability to improve competitiveness, increasing income and employment is the meat and leather industry. Meat consumption is growing at 6-7% annually and would grow faster if its high costs were reduced. Incomes of livestock farmers are

low because of poor animal husbandry and having an inefficient supply chain transporting animals, not meat, to the South. The leather industry is the largest source of non-oil exports and employs many people, especially in the Finished Leather Goods (FLG).

Section A: Detailed Output Scoring

Output 1: new and improved inputs, products and services benefiting poor people within the livestock feeding markets are introduced through GEM1 facilitation

Output 1 score and performance description: **B (Outputs moderately did not meet expectations)**

Performance below the 2012 target (about 70% on average) as per logframe in terms of the number of animals (being fed improved food), the number of livestock feeding sector enterprises that apply and benefit from improved inputs and services facilitated by GEMS1, and the number of service providers offering their services to the livestock feeding sector.

Progress against expected results:

Although the project performed below target, steady progress has been made to engage small scale farmers in Kano in livestock feeding. The start was slow due to beneficiaries not being familiar with the process of fattening beef cattle and the manner of project operations (not providing grants to purchase feed and animals but instead linking them with feed mills on commercial terms). Beneficiaries expressed great interest to continue livestock feeding as it is financially very remunerative. So far, there has been a low default on the pay back of feed. The project also introduced a very innovative feed mixing technique to further lower the cost of feed. Because of the high financial and technical feasibility of the livestock feeding programme, it has very good prospects of scaling up with the involvement of more small scale farmers having seen the benefits of the livestock feeding programme.

Recommendations:

Pursue the livestock feeding programme and engage more feed mills and eventually commercial banks for the scaling up. Start up a stakeholders working group composed of representatives of livestock feeding groups, feed mills and commercial banks to ensure commercial sustainability. With the scaling up, include more women and youth in the programme.

Impact Weighting (%): 20%

Revised since last Annual Review? *Y- impact rating has not been given yet by the time of the annual review last year*

Risk: Low

Revised since last Annual Review? *Y – Risk rating has not been given yet by the time of the Annual review last year*

Output 2: New and/or improved inputs, products and services that benefit poor people within the meat processing markets are introduced through GEMS1 facilitation

Output 2 score and performance description: **B (Outputs moderately did not meet expectations)**

The project did not manage to achieve the target of having 3,000 animals processed in 2012, so far no

animals were processed. It did manage however meet the target of engaging with a private processor (recent entry, Dantata Food) who has been very receptive to the technical assistance provided by the project. The processor intends to apply international food safety and quality standards in meat processing, with the support of the project, and plans to start operations by the end of 2012 (pending security problems in Kano). The project has engaged a service provider that would offer new and/or better inputs and support services to the meat processing sector. Advice and assistance was directly provided by the project to several other meat processors and abattoirs in Lagos and Kano in terms of developing business plans, linkages to sources of animals and feed, and staff training.

Progress against expected results:

Progress has been steady and it is expected that by the end of 2012 the meat processor Dantata in Kano will be in operation. The plant would initially have a capacity of 60 animals a week. Progress has also been made towards establishing horizontal and vertical linkages within the meat sector value chain by engaging with various value chain actors: livestock farmers, livestock markets, processors, transporters, supermarkets, restaurants and fast food chains, and by introducing the concept of improved food quality and safety standard throughout the value chain. Although progress is hampered by the continuous insecurity in Kano and Kaduna, prospects are considered good in overall of income growth (small scale farmers) and employment (in processing) benefitting poor people within the meat sector.

It should

Recommendations:

Pursue the linkage between the meat processors and the livestock feeding programme in view of the growing demand for good quality meat in the large urban centres (supermarket, fast food chains, and restaurants), and the livestock feeding programme having very good prospects of increasing incomes of small farm households. Continue technical assistance in order for the meat processor Dantata to operationalize by the end of 2012 which is considered an important step towards upgrading the meat market and securing a market outlet for the livestock feeding programme.

Impact Weighting (%): 10%

Revised since last Annual Review? *Y Impact rating has not been given yet by the time of the Annual review last year*

Risk: Low

Revised since last Annual Review? *Y Risk rating has not been given yet by the time of the Annual review last year.*

Output 3: New and/or improved inputs, products and services that benefit poor people within the finished leather goods market are introduced through GEMS1 facilitation.

Output 3 score and performance description: A+ (Outputs moderately exceeded expectations)

The outputs met the expectations of the 2012 targets of increasing the production value of finished leather goods (FLG) in target enterprises, and in the number of FLG enterprises that apply and benefit from improved inputs, services, knowledge and skills. Activities carried out by GEMS1 were B2B linkage meetings with FLG producers, the introduction of new skills in production, branding, access to finance and policy (working through Business Member Organisations).

Progress against expected results:

Good progress has been made and surpassed the targets of two out of three indicators. GEMS1 has made good use of an existing financing facility (National Economic Reconstruction Fund – NERFUND)

to reach its targets. Results so far have shown that small individual investment loans (under GBP 800) have a relatively large impact on the turnover and employment, and quality of outputs by a FLG enterprise (shoes, shoe materials, bags, etc.). Hence, there are good prospects of income growth (small enterprises) and employment, but dependent on access to concessional financing (such as NERFUND). Main interventions of GEMS1 concerned improving the interactions and networking among the value chain actors in FLG in Kano, Kaduna, Onitsha and Aba. This has resulted in FLG actors becoming more pro-active in building networks, finding new customers and opportunities. GEMS 1 interventions also provided an opportunity for the FLG producers (as part of an association) to have access to NERFUND financing and to build up a credit track record for possible commercial financing (not yet clear if this is feasible in view of the relatively high interest rates of commercial loans). Fairly recent interventions of GEMS1 in the large FLG clusters in the South East have so far been modest in size and have been mainly in the field of improving the organization of the clusters, including advocacy skills and capacity. Work in the South East is hampered by the lack of project staff. Although a junior intervention manager was recently recruited, the direct supervision by the Team leader proves to be difficult in terms of logistics and there is a need for a (senior) full time intervention manager.

Recommendations:

For the further expansion of GEM1 interventions in the FLG sector, both in the North and the South East, the main challenge is to secure financing to enable the sector to improve its performance in terms of increasing turn over, employment and product quality. To reduce the current dependency on NERFUND, it is recommended that other sources of financing are explored; concessional and/or commercial. Regarding the latter, GEMS1 should prepare commercial feasibility studies of FLG clusters for using commercial funding. A full time senior intervention manager should be recruited as soon as possible to further expand GEMS1 interventions in the large FLG clusters in the South East and to unburden the team leader in his supervision of the junior intervention manager.

Impact Weighting (%): 15%

Revised since last Annual Review? *Y Impact rating has not been given yet by the time of the Annual review last year*

Risk: Low

Revised since last Annual Review? *Y Risk rating has not been given yet by the time of the Annual review last year.*

Output 4: New and/or improved inputs, products and services that benefit poor people within the finished leather market are introduced through GEMS1 facilitation

Output 4 score and performance description: A (Outputs met expectations)

The outputs met the expectations of the 2012 targets of: increased production of finished leather skins/hides in target enterprises; the number of enterprises in the finished leather sector that apply and benefit from improved levels of knowledge and skins and/or use of improved inputs and services. The target of engaging one service provider that offer new/ and better inputs and support services to the finished leather sector, was however not achieved. Main activities carried out by GEMS1 were in facilitating NERFUND financing to expand the operations of almost 70 finished leather enterprises (industrial tanner, skin dryers and processors) under LAPAN (Leather and Allied Products Association of Nigeria).

Progress against expected results:

Good progress has been made with two out of the three indicators. One target (number of enterprises

that gained access to financing) was greatly surpassed; 67 instead of one enterprise (reason for the A score, despite of the still lacking service provider). As with the FLG enterprises, the finished leather sector has made use of the NERFUND which has had a substantial impact on the business turnover of and employment by the individual enterprises. Some enterprises reported 40-50% increase in business turn over and the hiring of 3 to 4 extra staff to cope with the extra business. Strong demand for good quality leather remains from the big FLG clusters in the South East. However, the finished leather sector suffers from the lack of supply of good quality skins and hides mainly because of the distorting factor of the ongoing Export Expansion Grant (EEG) facilities from the Nigerian Government. Because of the lack of supply, FLG manufacturers report that the cost of good quality local finished leather is coming ever closer to the cost of imported finished leather. Hence, the FLG industry may lose its comparative advantage in having access to lower cost leather. Whether or not this distorting factor would hamper GEMS 1 progress in achieving the output of finished leather is hard to say. The target for 2015 is over 1 million skins which could possibly be reached with the introduction of improved methods of skinning (by air pressure not knives).

Recommendations:

As with the FLG sector, for the further expansion of GEM1 interventions in the finished leather sector in the North, the main challenge is to secure financing to enable the sector to improve its performance in terms of increasing turn over, employment and product quality (improved skinning techniques). To reduce the current dependency on NERFUND, it is recommended that other sources of financing are explored; concessional and/or commercial. Regarding the latter, GEMS1 should prepare commercial feasibility studies of finished leather clusters for using commercial funding.

Impact Weighting (%): 25%

Revised since last Annual Review? *Y Impact rating has not been given yet by the time of the Annual review last year*

Risk: Medium

Revised since last Annual Review? *Y Risk rating has not been given yet by the time of the Annual review last year.*

Output 5: New and/or improved inputs, products and services that benefit poor people within the skin supply market are introduced through GEMS1 facilitation

Output 5 score and performance description: B (Outputs moderately did not meet expectations)

Targets have not been reached of: (i) number of skins supplied to target industries (100,000); (ii) the number of enterprises in the skin supply sector that apply and benefit from improved levels of knowledge and skills and/or use improved inputs and services (200); (iii) and the number of service providers that offer inputs and services to the skin supply sector (10). To date, no activities have been carried out by GEMS1. The existence of the EEG proved to be too distorting for GEM1 to pursue any activities to reach the expected output. Good quality skins are sold at higher prices to the large tanneries that produce finished leather for export under the EEG. Small tanneries are slowly being crowded out by the large tanneries in possession of an export license and are left with the processing of second rate (non-export standard) skins. An effort by GEMS1 to facilitate the import of Australian unfinished leather by LAPAN proved to be difficult and not for the long term. In addition, the poor quality finished leather may have an impact on the reputation and comparative advantage of the FLG sector in Nigeria.

Progress against expected results:

No progress. It should be mentioned however that, like for output 2 and 4, where some progress was recorded, the Inception Report did not foresee any progress in this output for this period. In retrospect,

the targets (recently) entered in the logframe were unrealistic. This justifies in the opinion of the reviewers the score B instead of C.

Recommendations:

GEMS1 would be in a good position to conduct an analysis of the impact of the EEG on the leather sector. The analysis should shed light on the (negative) impact of the EEG on Nigeria's growth and poverty reduction strategies which prioritize faster non-oil growth and job creation. The aim would be for the key actors of the leather value chain (small scale tanneries, finished leather and FLG manufacturers) to start an evidence-based dialogue with Government to revise the EEG. This implies that GEMS1 should continue its interventions to reach output 6 (see below) to enhance the organisation and advocacy skills of the sector for it to be ready to start a successful dialogue.

Impact Weighting (%): 10%

Revised since last Annual Review? *Y Impact rating has not been given yet by the time of the Annual review last year*

Risk: Medium

Revised since last Annual Review? *Y Risk rating has not been given yet by the time of the Annual review last year.*

Output 6: Business Membership Organisations (BMOs) and advocacy

Output 6 score and performance description: A (Outputs met expectations)

All targets have been achieved of: collective advocacies undertaken (1) 500 enterprises in meat and leather organised in a Business Member Organisation (BMO); (2) 250 enterprises in meat and leather satisfied with BMO's service; and (3) Ministries, Departments and Agencies and BMOs aware of improved practices aligned with systematic economic development. Main activities carried out by GEMS1 were on the formation and development of the National and Regional associations in the leather sector. GEMS1 has assisted the regional bodies to form the National (umbrella) association of the Leather and Finished Leather Goods Sectors. In collaboration with ENABLE (Enhancing Nigerian Advocacy for a Better Business Environment) the associations were trained in advocacy. Other activities were in the field of facilitating policy changes and institutional linkages to provide access to financing by the sector, the building of relationships between the BMOs and various state government institutions that are responsible for agricultural and industrial development.

Progress against expected results:

Good overall progress has been made to organize the individual key actors within the entire leather value chain and increase their advocacy skills and capacity skills. The sector is keen to get organised to improve their business situation which is slowly deteriorating in terms of: staying competitive (cost and quality) and maintaining productivity and efficiency when set against the continued influx of cheap Asian imports of leather goods. Much still needs to be done as there is little or no support from the State Government to improve the sector's working conditions, or business environment for that matter, which are found to be appalling especially for the FLG sector in the South East (lack of water and electricity, lack of waste disposal and sewage, unpaved walkways within the large urban markets etc.). GEM1 has made steady progress in supporting the regional associations (an example of this is the already noted assistance in receiving loans from the NER fund). These regional organisations are: LAPAN in Kano (Leather and Allied Products Association of Nigeria and established due to activities from GEM1) and ALAIN in Aba (Association of Leather and Allied Industrialists of Nigeria). Both

umbrella associations represent a large number of members of individual associations of tanners, leather processors, FLG manufacturers, and so on. Enterprises which have received loans through the two umbrella associations expressed their satisfaction in the way the loans were set up and managed (default rates are low). To be noted is that GEMS1 interventions remain heavily focussed in the leather industry. Not much has been done yet to improve the competitiveness of the meat sector except for its interventions in the livestock feeding programme and providing some technical assistance to meat processors/distributors (see Outputs 1 and 2).

Recommendations:

Although GEMS1 has made important inroads towards organizing and building capacity of the various associations within the leather sector, the sector as a whole (i.e. tanners, processors and FLG manufacturers) is still not well organized and lacks advocacy skills and capacity. It is recommended that GEMS1 pursue its efforts in these areas with the aim to strengthen the national umbrella association of the leather and finished leather goods sector for the common interest of all actors within the leather value chain. Unless the entire sector becomes better organized, the outlook is bleak to improve competitiveness and sector growth in view of the current lack of support from federal and state governments (improve working conditions, business environment, EEG, etc.)

Impact Weighting (%): 15%

Revised since last Annual Review? *Y Impact rating has not been given yet by the time of the Annual review last year*

Risk: Medium

Revised since last Annual Review? *Y Risk rating has not been given yet by the time of the Annual review last year.*

Output 7: Enterprises in the meat and leather sectors strengthen environmental and social responsibility

Output 7 score and performance description: C (Outputs substantially did not meet expectations)

Targets have not been achieved in terms of the number of enterprises (50) that adopt improved environmental and social responsibility business (ESRB) practices. This output used to include Gender and Poverty but the March 2012 M&E review recommended their removal because both are cross cutting issues, which should have been mainstreamed in all outputs.

Progress against expected results:

No progress has been made. None of the enterprises in the meat and leather sector have adopted environmental and social responsibilities. GEMS1 reported that no work was done in this area as it is very much a political economy issue involving the politically well connected council of the big tanneries and the biggest source of pollution by the way.

Recommendations:

As this output is closely linked with output 6, the same recommendation applies with the addition that GEMS1 starts with the preparation of an overall environmental and social responsibility strategy (including an operational plan) for the entire leather sector. The idea would be to gradually implement this strategy according to progress made on the organisation and advocacy skills as per output 6.

Impact Weighting (%): 5

Revised since last Annual Review? *Y Impact rating has not been given yet by the time of the Annual review last year*

Risk: Medium

Revised since last Annual Review? *Y Risk rating has not been given yet by the time of the Annual review last year.*

Section B: Results and Value for Money.

1. Progress and results

1.1 Has the logframe been updated since last review? Y

A new complete logframe was developed since the July 2011 annual review through a process which had started already in February 2011 and lasted till June 2012. Although the project reports that it still cannot be called final, the current logframe of GEMS1 now has a clear intervention logic (proper link with outputs, outcome and impact), complete with indicators and targets (quantified). As targets are set annually for the entire duration of GEMS1, it is considered very useful to measure progress made, a good tool for programme operationalization and to determine Value for Money (VfM, more about this in chapter 5).

1.2 Overall Output Score and Description: A

Of the total of seven outputs, two outputs moderately did not meet expectations. It concerned the outputs related to livestock feeding markets (1), and the meat processing markets (2). Two outputs substantially did not meet expectations: skin supply market (5) and strengthening the environmental and social responsibility of the enterprises in the meat and leather sector (7). Three outputs scored well by being at and moderately exceeding expectations. This concerns the outputs related to the Finished Leather Goods (FLG) markets (3); Finished leather markets (4); and BMOs and advocacy (6).

The Inception Report clearly indicated a delayed start-up of interventions in Outputs 2, 4 and 5. The Inception Report also stated that this timetable was dependent on agreement to increase funding and alter the contract to recognise the resources required to implement an M4P project in the meat and leather sectors. Despite not having all the resources that the expanded budget should have created, the programme had made some progress on activities planned to start later. As it has transpired, working with LAPAN has allowed GEMS1 to also impact on Output 4 - the finished leather sector considerably ahead of schedule. While targets exist in the Logframe for these activities it is considered that the Inception Report timetable still substantially stands. Perhaps it would be more appropriate to again review the targets in the Logframe to recognise the reality of this situation.

The ratings for output 4 (finished leather market) and output 3 (finished leather goods market) will weigh heavily in determining the Value for Money (see further chapter 5).

1.3 Direct feedback from beneficiaries

Through field interviews, direct feedback has been collected from final beneficiaries of the livestock feeding programme (output 1), the finished leather market (output 4) and the finished leather goods market (output 3). All these beneficiaries expressed great interest in GEMS1 interventions in the sector and reported significant increases in income (livestock feeding programme), and on enterprise turnover and employment (finished leather and FLG enterprises). It showed that small investment loans, which

were facilitated by GEMS 1 using the exiting financing facility (NERFUND), have had a relatively large impact on turnover of and employment by the leather sector. The same was observed with the livestock feeding programme, where feed mills, providing animal feed on credit, has proved to be very remunerative for small scale farmers. Hence, project performance in these two areas has been very good. The private meat processor in Kano (Dantata) and a recent entry in the meat business sector, expressed its appreciation for the technical assistance provided by GEMS1 and expects to start operations by the end of 2012. Management of the various associations in the leather sector were equally receptive to the technical assistance provided by GEMS 1 particularly in the field of organisational strengthening and advocacy (capacity) building of their associations, with high expectations.

1.4 Summary of overall progress

GEMS1 has made progress on five of the seven expected outputs. No progress has been made at all on outputs 5 and 7 (skin supply market, environmental and social responsibility) for reasons already explained in section A. Progress made on the other five expected outputs has been erratic in terms of reaching 2012 targets as per logframe, but considered to be on track nevertheless. Although having a slow start, GEMS1 interventions in livestock feeding and meat processing show promising results in terms of income and employment growth, particularly when the project manages to link the two components. Progress made on outputs dealing with finished leather goods and finished leather is encouraging and largely due to GEMS1 making good use of existing concessional funding (NERFUND). All the same this dependency on cheap funding is considered a weak point when GEMS1 want to continue and expand its interventions with the big shoe clusters in the South East, and considered a key challenge (see below).

1.5 Key challenges

The challenges of GEMS1 are to expand the livestock feeding programme and to assist the single meat processor Dantata in Kano to start operations by the end of this year. The challenge with the livestock feeding programme is not dependent on access to NERFUND funding but on the willingness of feed mills to supply animal feed on credit for 2-3 months to small scale farmers, beneficiaries of the livestock feeding programme. Another key challenge is to the dialogue with Government to reconsider the (leather) Export Expansion Grant, considered a distorting factor for GEMS1 target beneficiaries (small tanners, processors, and FLG manufacturers) in the leather value chain. A final key challenge is to source other types of financing besides NERFUND. This could be NIRSAL (Nigeria Incentive based Risk Sharing Agricultural Lending), or commercial banks for those investments that can carry commercial loans (interest rates and repayment period).

1.6 Annual Outcome Assessment

The outcome of GEM1 is “to improve the performance and inclusiveness of the meat and leather sector market system that are important for poor people”. Main indicators for 2012 are: 1) Number of firms with increased sales (1,000 firms); and 2) Increase in sales amongst targeted firms (GBP 2.2 million). Due to GEMS1 interventions and as reported by the project, a total of 760 enterprises have managed to increase their sales. About 50% are enterprises in the leather and FLG sector, some 15% in the livestock feeding sector and the rest, again the leather sector, through branding and packaging and master class training, improved market linkages, trade shows and fairs. The increase of sales (turnover) by these enterprises is reported by GEMS1 to be about GBP 2 million. Hence, GEMS1 is moderately below target in terms of number of firms and very close to the target of accumulated turnover of the targeted firms. Without having to deal with the deteriorating security situation in Northern Nigeria (scaling back of activities, project staff leaving, etc.), it is likely that GEMS1 would have reached both targets for 2012. Regarding poor people as main target beneficiaries, GEMS1 uses the M4P approach. Especially in Kano, M4P is evident with increased employment (small shoe and leather producers), and income (livestock feeding programme for small scale farmers). GEMS1 interventions in the South East are also considered M4P compliant and may have a large effect on employment within the FLG sector. Not much headway has been made however in the main streaming of gender across both the meat and leather sector.

2. Costs and timescale

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

As reported by GEMS1, overall expenditures to the end of May 2012 was 16% less than forecasted. The reasons for this under expenditure are the lower than expected expenditure on Short Term Assistance (STA) which reduced overall personnel fees (and management fees) by 12% from the amount budgeted. Another reason for the lower spending is the scaling back of project activities due to the security situation in the North.

GEMS1 has requested in January 2011, after the inception review, for an increase of its overall budget of GBP 6 million to GBP 7.7 million. Justification given for the increase was the need to increase the number of intervention managers from 3 to 5, and to pay for a full time team leader, in order to meet the (new) impact targets of the revised logframe. A formal approval of the contract amendment was received in July 2012, very much delayed. A consequence of this delay is that the project was running at 60% capacity in terms of intervention managers.

2.2 Key cost driver

The key cost driver of GEMS 1 is the long term fee costs accounting for 64% of the total forecast for the period July 2011-June 2012. Compared with the period March 2010-April 2011, the long term fee costs have increased with about 40%, but this increase was compensated with the (substantial) lowering of the short term fees costs by some 73%. The reason for this change was the replacement of the short term team leader with a long term expert. The next highest cost, albeit not considered a key cost driver, is living costs at 13% of the total forecast for the period June 2011-July 2012. These costs have not changed from the previous period (2010-2011).

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

Based on the original (indicative) 5-year project timetable, GEMS1 is on track although behind schedule in terms of reaching its targets as per logframe for a number of outputs as mentioned earlier. As already mentioned, due to the delay in approving the contract amendment to increase the project's budget, the project was unable to run at full (staff) capacity. There is also a discrepancy between the Inception Report projections and the target values entered in the logframe.

3. Evidence and Evaluation

3.1 Assess any changes in evidence and implications for the project

In the project's logframe, some of the assumptions proved invalid and may have implications on the overall design of the project. It concerns some main assumptions such as: 1) security in the target areas does not deteriorate (it did); 2) skin and leather import/export conditions do not undergo dramatic step changes (they did under the EEG with the growing lack of local supply of good quality leather); 3) regional tensions between North and South because of insurgency activities and insecurity may make national level advocacy difficult (uncertain but considered as high possibility).

A continued security threat in the North would have the following implication for the project: 1) severely reduce or abandon project interventions in livestock feeding, finished leather and meat (processing) sector. It will also mean that the project needs to move its headquarters from Kano to Abuja or Lagos

to warrant the safety of project staff. The continuation of the leather exports under the EEG would mean that GEM1 would have to review its interventions in the skin supply sector (these interventions have already been severely reduced). Regional tensions between the North and South would imply that the project needs to forego its interventions to bring national advocacy of the entire leather value chain to higher levels (i.e. tanners, finished leather processors, FLG manufacturers).

The project has already suffered from implementation delays because of the security problem in the North and has instead increased its focus on the big shoe clusters in the South East.

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

N.A.

4. Risk

4.1 Output Risk Rating: Low

The output risks scores are as indicated in the logframe of GEMS1. The risk scores reflect the risks that threaten the successful delivery of the project result as measured by the project's seven outputs. Based on progress made so far by the project and taking into account the observations made by the reviewer in the previous chapter on the security situation, an update is made of the risk rating of each output.

Output 1 (Livestock feeding market): Medium. No change in view of security risk

Output 2 (Meat processing market): Low. Increase to Medium in view of security risk.

Output 3 (Finished leather goods market): Low. No change as there is no security risk in South East

Output 4 (finished leather market): High. Maintain at High in view of the continuation of the EEG

Output 5 (skin supply market): Low. Change to High in view of continuation of the EEG

Output 6 (BMOs and advocacy): High. Maintain at High in view of regional tensions between North and South

Output 7 (Strengthen environmental and social responsibility): Medium. Maintain at Medium as assumption remains valid (Experience is that enforcement of environmental monitoring and related regulation is weak, and thus incentives to participate are therefore weak).

Based on the above risk ratings the number of low risks has decreased from 3 to 1. The number of medium risk ratings from 2 to 3. High risk ratings have increased from 2 to 3.

4.2 Assessment of the risk level

The above changes in the risk rating per output (and hence the outcome) are mainly based on the current security risks in North, and a continuation of the EEG. Except perhaps for the EEG (dialogue between Government and key actors of the leather sector), no measures can be taken to mitigate the risks in the North.

4.3 Risk of funds not being used as intended

There are no indications of funds not being used as intended. As already mentioned in chapter 2, almost 75% of the budget is used to cover personnel fees and living cost.

4.4 Climate and Environment Risk

There are no indications of climate and environment risks caused by the project interventions.

5. Value for Money

5.1 Performance on VfM measures

Economy: Total project expenditure for the period June 2011- June 2012 was GBP 1,149,300. It concerns GBP 791,400 or 69% in personnel fees and GBP 357,900 or 31% in reimbursable costs. As already mentioned in chapter 2, these expenditures are somewhat below the (approved) budget forecast for the period July 2011-June 2012. As the major part of the costs are personnel fees a good practice of GEMS1 is: (i) to employ a high proportion of Nigerian staff; (ii) the use of private sector investments and external financial facilities to fund its interventions in the meat and leather sector; (iii) to use as much as possible international and local consultants who have previously worked with GEMS1; and (iv) to work closely with other GEMS and DFID projects to avoid duplication and save costs. Because of the difficult logistics, housing and security situation in Nigeria, reimbursable costs tend to run relatively high but have remained within the budget forecast for the period. Hence, the measures taken by GEMS1 to economize and keep costs low (and according to budget), are considered as satisfactory.

When it comes to measures taken to maintain high cost efficiency and effectiveness, the project attributes direct costs according to the seven outputs, broken down in personnel fees and reimbursable costs, and the value generated per output (table 1 and 2)

Table 1 presents the costs incurred per project output including overhead, security, and M&E. The highest expenditure was incurred for Output 3 (Finished Leather Goods) at 27% of total expenditures. Striking is the relatively high expenditure for Result Management (M&E) at 19% or GBP 222,100 for the period. Total expenditures incurred for outputs 1-7 was GBP 555,300. Little or no expenditures were incurred for five out of the seven project outputs, partially reflecting low activities carried out by the project related to outputs 5 (Skin quality), 3 (meat processing) and output 7 (ESRB). Interesting enough, for output 4 (Finished leather), the expenditures were exceedingly low at 1% of the total while this output has generated most project value during the period at almost GBP 2.6 million (see further below).

Table 1 Expenditures for the period June 2011- June 2012 (in GBP)

| Description | Personnel Fees | Reimbursable costs | Total | % |
|-----------------------------------|----------------|--------------------|---------|----|
| Overhead | 178,200 | 37,100 | 215,300 | 19 |
| Security | 12,400 | 9,200 | 21,600 | 2 |
| Non-specific Technical | 76,300 | 58,700 | 135,000 | 12 |
| Output 1 (Livestock feeding) | 78,900 | 41,200 | 120,100 | 10 |
| Output 2 (Meat Processing) | 32,600 | 7,100 | 39,700 | 4 |
| Output 3 (Finished Leather Goods) | 195,900 | 117,700 | 313,600 | 27 |
| Output 4 (Finished leather) | 9,700 | 1,900 | 11,600 | 1 |
| Output 5 (Skin quality) | 3,000 | 800 | 3,800 | 0 |

| | | | | |
|---|----------------|----------------|------------------|------------|
| Output 6 (BMOs and Advocacy) | 40,700 | 15,300 | 56,000 | 5 |
| Output 7 (Env. & social responsibility) | 8,100 | 2,400 | 10,500 | 1 |
| Result Management (M&E) | 155,600 | 66,500 | 222,100 | 19 |
| Total: | 791,400 | 357,900 | 1,149,300 | 100 |

Source: GEMS 1(July 2012)

Some of these anomalies observed could be explained by the way the project has determined its expenditures per output. The reviewers were informed by project management that the allocation of expenditures is based on the timesheets filled by the project staff. The timesheet are not broken down in specific interventions per output, which makes the system imprecise and prone to errors. Key is to have a system of time-writing which shows all the interventions per output and to instruct staff how to use these particularly those interventions which may contribute to more than one intervention.

Table 2 presents the value generated by each output and produced by the project M&E system through regular impact assessments. Naturally the expenditures incurred for each output corresponds with the expenditures in table 1.

Table 2: VFM per output for the period June 2011-June 2012 (source: GEMS1, annual report 2012)

| VFM per output for the period June 11-June 12 for 'Income' and 'Turnover' | | | | | | | | |
|---|--------------------|--|------------------------|------------------|--------------------------|--------------|--|-------------------|
| | Output 1 | Output 2 | Output 3 | Output 4 | Output 3 & 4 Combined | Output 5 | Output 6 | Output 7 |
| | Live stock feeding | meat Processing | Finished leather Goods | Finished Leather | | Skin Quality | BMOs and Advocacy | ESRB |
| Income | £ 7,219.96 | £ - | £ 154,853.24 | £ 428,105.89 | £ 582,959.13 | £ - | £ - | £ - |
| turnover | £ 18,177.20 | £ - | £ 540,812.70 | £ 1,473,699.39 | £ 2,014,512.10 | £ - | £ - | £ - |
| Expenditure | £ 120,100.00 | £ 39,700.00 | £ 313,600.00 | £ 11,600.00 | £ 325,200.00 | £ 3,800.00 | £ 56,000.00 | £ 10,500.00 |
| VFM for Income | 6% | 0% | 49% | 3691% | 179% | 0% | 0% | 0% |
| VFM for turn over | 15% | 0% | 172% | 12704% | 619% | 0% | 0% | 0% |
| Remarks | | Currently only qualitative impact, activities are going on, too early to observe income impact | | | | | Currently only qualitative impact, measurement activities are due soon to capture impact | No activities yet |

Source: GEMS 1, annual report (July 2012)

The challenge is to attribute the indirect costs (overhead, security, non-specific and M&E) to the different outputs, to be able to fully assess the costs of the achievement of outputs. It is furthermore noted that all costs incurred before June 2011 are not part of the calculation. The review completed the costs figures, and on the basis of some rough assumptions calculated new values for the VfM for income and for turnover ratios. VfM for Income created is now 799% of expenditure, for output 3 and 4 combined this amounts to 39%. Total costs from the start of the project amounts to GBP 2,563,957. Income created so far is 23% of this amount. This is less impressive than the figures presented by GEMS1, but nevertheless, considering the phase the project is in, satisfactory.

The reviewers were provided with a detailed breakdown of turnover, income, scale and employment data per intervention and the method of data validation by the project's Result Management (M&E). The method of data validation is through regular impact assessments based on interviews with beneficiaries. In some cases a sample was used, in other cases data was collected from all the beneficiaries. Data shows that most value was generated by those enterprises that had benefited from NERFUND (GBP 583,000). As stated earlier, it concerns enterprises in the finished leather and FLG sectors. The data provided also shows the employment generated by the project's interventions (not shown in this table). But these figures are deemed to be too low when set against total turnover and income (just 30 FTE in a total of 340 enterprises that have used NERFUND financing). A number of beneficiaries of NERFUND reported to the reviewers a notable increase in workers to handle the

increased business.

The total value generated for the period July 2011-June 2012 is GBP 590,000 with GBP 555,300 as direct costs for outputs 1 to 7 (or almost 50% of total project expenditure during the period). Key drivers are outputs 3 and 4 (finished leather and FLG), together representing over 95% of the total value generated. No or very little value was generated by livestock feeding and meat processing although this is very likely to pick up in 2013.

5.2 Commercial Improvement and Value for Money

GEMS1 co-operates efficiently with other projects and donors using their experience and human resources to affect savings. Linkages with some SLP programmes has enabled the project to benefit from Political Economy training with international consultants and in sharing international travel costs. The project has made good use of existing financing facilities (NERFUND) which has, as already shown, enabled the project to generate good value for money. Good use is also made of facilitating the delivery of animal feed on credit to the beneficiaries of the livestock feeding programme. First field data (projects and reviewers) show that this commercial linkage between feed mills and small scale livestock holders has the potential to create significant value for money (great interest from the small scale farmers and financially very remunerative).

5.3 Role of project partners

DFID contracted management of the project to GRM International, in association with J E Austen Associates (JAA) of the USA and Development Associates Limited (DA) of Nigeria. The project is fully driven by GRM International with the appointment of GRM staff at key management positions within the project, with two consortium partners providing staff with specific expertise (administration, M&E, value chains).

The project is also in partnership with industry actors and government agencies as part of its operational plan. More specifically, GEMS1 has developed strong partnerships with Business Member Organisations (BMOs) used as channels for communication to wider sector actors, such as the national and regional associations within the leather sector covering various states in Nigeria (Kano, Abuja, Lagos, Kaduna, Abia, Anambra), NERFUND, the Federal Ministry of Agriculture and ENABLE.

Led by the lead consortium partner GRM international, the overall performance of the implementing partners is so far considered as good, especially with the national and regional(leather) associations, NERFUND and ENABLE. As already mentioned, the partnership with NERFUND and the various associations has enabled GEMS1 to create good value for money, albeit still heavily skewed with only two drivers (outputs 3 and 4). Working with ENABLE has made it possible for GEMS1 to develop the national and regional associations, which in turn has helped to acquire funds from NERFUND to improve financial performance of the finished leather and FLG businesses, and hence create value for money.

5.4 Does the project still represent Value for Money : Y

For the period July 2011-June 2012, the project represents value for money when set against project expenditures during that period (GBP 1.15 million) and the total value generated (GBP 590,000) in terms of income. However, for the individual interventions the overhead costs still need to be attributed. In addition, the analysis does not contain the costs incurred before June 2011. If these costs were to be added, it would show that the value generated does not yet outweigh project expenditure. However, the programme had a slow start because of the innovative character of the programme and security problems in the target areas. The review therefore considers the prospects of achieving value for money as very promising, because of the great interest from beneficiaries to continue and scale up the programme. The same would apply for the meat processing market (output) when the meat processor Dantata in Kano starts its operations

Economy measures (cost control) are maintained by the project as explained in chapter 5.2. Efficiency and effectiveness measures taken, within the context of attaining Value for Money, are considered appropriate on overall when set against the value generated and the expenses made per output..

5.5 If not, what action will you take?

N.A.

6. Conditionality

6.1 Update on specific conditions

N.A.

7. Conclusions and actions

GEMS1 interventions in the meat and leather sector are considered relevant with its approach towards ensuring high local ownership by the private sector and the use of the M4P approach, to identify system and market failures that are hindering economic growth, business competitiveness and incomes of the poor. Access of the poor to the markets (M4P) is particularly evident with increased employment (shoe and leather producers), and income (livestock feeding programme for small scale producers). Interventions in the South East are also considered M4P compliant and may have a large effect on employment within the FLG industry. The project is considered to have generated VfM, during the period under review, in terms of economy, effectiveness and efficiency, albeit heavily skewed (from two outputs only). The prospects of developing two more outputs as key drivers for VfM are deemed to be good for the livestock feeding programme (output 1) and the meat processing markets (output 2). However, this will much depend on the security situation in the North. There is great uncertainty about achieving output 5 (skin quality) which is very dependent on further developments concerning the (leather) Export Expansion Grant or EEG.

The following actions are recommended: 1) to pursue further the livestock feeding programme and engage more feed mills and eventually commercial banks for the scaling up, and include more women and youth in the programme; 2) Pursue the linkage between the meat processor (Dantata) and the livestock feeding programme in view of excellent synergies between the two programmes; 3) for the further expansion of interventions in the FLG and finished leather sector, reduce dependency on NERFUND and vigorously explore other sources of funding, be it concessional or commercial or both; 4) Conduct an analysis of the impact of the EEG on the leather sector as part of a concerted campaign of both GEMS 1 and its key partners in the leather sector to start a dialogue with the authorities to revise the EEG; 5) pursue efforts to further strengthen the national umbrella association of the leather and FLG sector for the common interest of all actors within the leather value chain; and 6) start with the preparation of an overall environmental and social responsibility strategy for the entire leather sector, and gradually implement the strategy according to progress made on the organisation and advocacy skills as per output 6.

8. Review Process

The review was undertaken during the period July 9-27, 2012 by Rudy Ooijen and Emmanuel Oladipo

Akogun. The team visited Kano, Abuja, Lagos, Onitsha and Aba. In Kano, the team was accompanied by an observer from the National Planning Commission, Mr. Anslem Ekechukwu. Meetings and interviews were conducted with the GEMS 1 team in Kano and Aba. Representatives were interviewed from meat and leather processors and manufacturers in Kano, Onitsha and Aba, including those enterprises that are benefiting from NERFUND financing.

During the review the team also consulted with Michael Wong from the World Bank, and with Anirban Bhowmik, M4P specialist in Bangladesh, by telephone.

The review set off with a briefing session at DFID Nigeria, including Esther Forgan, Robert Hale and Richard Sandall. The mission was concluded with a debriefing on July 27 for DFID staff and the GEMS1 management staff.

Annual Review (reviewe

ARIES Project Code

ARIES Project Description

A1: Goal, Purpose, Risk

Goal

Goal statement

Indicator 1

Milestone for this review (if any)

What progress has been made in the period covered by this review?

If Indicator 2 is to be reported against, click c

Indicator 2

Milestone for this review (if any)

What progress has been made in the period covered by this review?

If Indicator 3 is to be reported against, click c

Indicator 3

Milestone for this review (if any)

What progress has been made in the period covered by this review?

What evidence is there of progress made in the period covered by this review towards the Goal-level Target(s)?

Goal Recommendation 1

Goal Action Point 1

If more Recommendations or Action Poi

Purpose

Project Purpose

Indicator 1

Milestone for this review (if any)

What progress has been made in the period covered by this review?

If Indicator 2 is to be reported against, click c

Indicator 2

Milestone for this review (if any)

What progress has been made in the period covered by this review?

If Indicator 3 is to be reported against, click c

Indicator 3

Milestone for this review (if any)

A1 Goal, Purpose, Risk

What progress has been made in the period covered by this review?

If Indicator 4 is to be reported against, click c

Indicator 4

Milestone for this review (if any)

What progress has been made in the period covered by this review?

If Indicator 5 is to be reported against, click c

If Indicator 6 is to be reported against, click c

Are Purpose Assumptions being realised? If so, to what degree, and what has been the effect on the project?

What evidence is there that achieving the Purpose is contributing to the realisation of the Goal? If it is doing so, to what degree?

What is the evidence that the likely achievement of the Purpose can be attributed to progress made in delivering the Outputs in the period covered by this review?

Purpose Recommendation 1

Purpose Action Point 1

If more Recommendations or Action Poi

Purpose Recommendation 2

Purpose Recommendation 3

Purpose Action Point 2

Purpose Action Point 3

Project Purpose Score

Purpose Justification

Risk

Project Risk Rating or latest **Overall Risk Score**.

Based on the review, does the **Project Risk Rating** need revision?

If Yes, why is this?

If new risks have emerged, click the '+' b

Risk Recommendation 1

Risk Action Point 1

If more Recommendations or Action Poi

Logframe, DSOs, Cross-Cutting

Logframe revised/needs revision?

If Yes, why was/is this?

Logframe Recommendation 1

Logframe Action Point 1

If more Recommendations or Action Poi

DSOs revised/need revision?

If Yes, why was/is this?

DSO Recommendation 1

DSO Action Point 1

If more Recommendations or Action Poi

Cross-Cutting Markers revised/need revision?

If Yes, why was/is this?

CCM Recommendation 1

CCM Action Point 1

If more Recommendations or Action Poi

and July 2011)

GEMS 1 ARIES Component - 104190-104
 Growth and Employment in States programme support of Meat and
 Leather Industry

⌂

To increase growth, income and employment especially among the poor in meat and leather sector for men and women in selected states.

Numbers of people (including poor men and women) recording positive change in incomes (M/F)

Not applicable

To early to assess

in the '+' sign to the left of this worksheet

Total (cumulative) additional change (increase) in net income for (1) (M/F) and the proportion of income improvement for the poor (M/F)

Not applicable

To early to assess

in the '+' sign to the left of this worksheet

Total additional FTE employment (M/F) created and proportion of employment for the poor

Not applicable

To early to assess

Although several interventions have started already, **evidence of impact** is still lacking. In addition, although targets have been set both numerically (e.g. number of skins processed) and relatively (% increase), there is no formal baseline information available yet against which to measure.

nts need to be identified, click the '+' box on the left-hand side.

To improve the performance and inclusiveness of the Meat and Leather sectors

Total additional turnover of enterprises in the sector

Not applicable

To early to assess

in the '+' sign to the left of this worksheet

Number of enterprises /farms /businesses that demonstrate improved performance

Not applicable

To early to assess

in the '+' sign to the left of this worksheet

Number of enterprises and farms influenced that become more environmentally and socially responsible

Not applicable

A1 Goal, Purpose, Risk

To early to assess

in the '+' sign to the left of this worksheet

Number of enterprises reached that are female managed

Not applicable

To early to assess

in the '+' sign to the left of this worksheet

in the '+' sign to the left of this worksheet

In the latest version of the Logframe (attached to Annual Report 2010-2011) no assumptions are mentioned. In an earlier version at this level mention is made of the assumption that the macro-economic, social and political climate is conducive for PSD. Although it is hard to classify the present system as conducive, it has not grown worse. Terrorist actions especially in the North may pose a problem in the future.

Purpose and Goal are here logically related, especially through the wording 'inclusiveness' in the purpose. M4P and inclusiveness issues however will need to be addressed throughout the project and under all outputs, since the sector is not characterised by large scale employment of the poor (with the exception of casual workers in butchering, transport and possibly apprentices). For that reason the review team advises to drop the M4P and Corporate Social Responsibility (CSR) related output (at present output 7), and instead mainstream this dimension in all outputs of the project. Meat and Leather, although the value chains are combined at the start (cattle and livestock) are completely different sectors, which will make implementation of the project complex.

Although the project is still in an early stage of delivery, contacts have been made with relevant BMOs and private operators. GEMS1 has also played a catalytic role in the establishment of an association, and in improving the functioning of other small associations. These, if certain conditions are fulfilled, may present relevant cases for replication.

Keep an eye on the replicability of the different interventions

All (planned) interventions internally assessed on the likelihood of being replicated.

nts need to be identified, click the '+' box on the left-hand side.

Keep an eye on the sensitivity towards M4P of the different interventions

All (planned) interventions internally assessed on inclusiveness towards poor and women.

3

Medium

No

ox on the left-hand side and list them in the appropriate boxes.

nts need to be identified, click the '+' box on the left-hand side.

g Markers

No

[Redacted]

[Redacted]

[Redacted]

nts need to be identified, click the '+' box on the left-hand side.

No

[Redacted]

[Redacted]

[Redacted]

nts need to be identified, click the '+' box on the left-hand side.

No

[Redacted]

[Redacted]

[Redacted]

nts need to be identified, click the '+' box on the left-hand side.