Nigeria:
Executive Summary
February 2018
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Executive Summary

Introduction
This report summarizes the findings of the independent evaluation of the African Development Bank’s (AfDB or Bank) Country Strategy and Program in Nigeria from 2004 to 2016. The evaluation is intended to inform the next Country Strategy Paper (CSP) due in 2018, and to contribute to both accountability and learning in the Bank in general. It describes how the Bank has implemented its operations in Nigeria, presents the results obtained thus far, and the lessons learned from the process. It also makes recommendations designed to help the Bank improve its future interventions in Nigeria.

To provide solid evidence for its findings, the report draws on the working papers and analysis undertaken by the evaluation team. These are made up of individual project results assessments (PRAs), reviews of strategies, the broader portfolio of non-lending activities, project field visits and verification, and stakeholder and key informant interviews. The key themes that emerge from the evaluation questions and findings are prioritized for the Board’s consideration.

This report uses a six-point scale to rate performance on the basis on evidence and assessments at project, sector, and country levels. The rating is made in four standard areas: relevance, effectiveness, efficiency, and sustainability. In addition, Bank performance was assessed in crosscutting issues of gender, inclusiveness, climate change, and green growth. Lastly, performance in project design and innovation, policy dialogue, knowledge, partnership, leverage, and managing for development results was also assessed.

Has the Bank Achieved the Intended Results in Nigeria?

The relevance of the Bank’s strategy and program was rated Satisfactory. The alignment of its CSPs with Nigeria’s national strategies is high, fostered by the Bank’s ownership policy and its participation in national dialogue processes. At the sectoral level, Bank support is closely aligned with the country’s needs and priorities for each of the targeted sectors.

The Bank funded projects that responded to the real needs of the ultimate beneficiaries. Over time, it adapted to social and economic changes in Nigeria by broadening its focus from specific sectors to larger, structural areas of interest. These would contribute to a sound business environment and encourage investment in infrastructure, which was critical for promoting real sector growth. Moreover, these changes reflected a greater alignment and convergence of strategic interests and areas of support.

The effectiveness of the Bank’s program was rated Moderately Satisfactory. Both public sector and private sector projects studied in-depth had moderate to high output achievements but generally lower outcome achievements.

Overall average effectiveness ratings are similar for the private and public sector. However, the timeliness of achieving outputs and outcomes differs significantly among projects. Overall, generally slow project implementation hampered the achievement of results.

For lines of credit (LoC), the total redeployment of funds was verified. They went through fewer, upper-
middle to large size companies, which benefitted the real economy. These benefits are less wide-ranging than most Bank approval documents envisaged, however, as projects were intended to target more, smaller companies. Companies with the capacity to produce revenue streams in US dollars (USD) can access sub-loans but they are mostly upper middle size to large, established firms.

The sustainability of Bank results is rated Moderately Satisfactory. In the public sector, measures were introduced prior to project approval for environmental and social mitigation/enhancement, the capacity of country institutions and systems, and the availability of funding to ensure environmental and social sustainability for Bank projects identified in the Environmental and Social Impact Assessments (ESIA) as Environmental Category I and II.

In the private sector, the majority of projects are LoCs to well-regulated financial intermediaries (FIs) with inherently low risk. None of the sub-projects financed by the proceeds of the LoCs defaulted and all proved commercially viable. This contributes to some extent to financial viability, a strong proxy for sustainability in the private sector. The three exceptions were the Lekki Toll Road, the Helios Towers project, and the TA Grant for ABN Microfinance where beneficiaries’ financial sustainability performance was considered poor.

Crosscutting issues have been addressed in a limited manner. All CSPs maintained the commitment to address a range of relevant crosscutting issues of inclusiveness (by gender, age and region), and climate change and green growth. Only the current CSP gave these crosscutting issues adequate attention compared to the two previous versions. However, comparatively few projects in the Bank’s portfolio directly address these areas.

Operations supporting the transition to green growth are still restricted to a few water and sanitation sector projects. Gender and regional disparities have not been sufficiently integrated or streamlined into operations’ design and synergies across projects were not exploited. In the private sector portfolio, gender equality was the only crosscutting issue that the Bank addressed explicitly.

How Has the Bank Managed its Operations in Nigeria?

Efficiency was rated Moderately Satisfactory. Procurement and disbursement processes negatively affected the timeliness of project implementation in several public sector projects. They experienced considerably more disbursement difficulties than private sector projects due to the nature of the instruments used.

The Bank’s strategic focus and instruments are based on sound analysis. Their risk assessment includes mitigation measures. The Bank’s overall strategy is now based on a more integrated intervention logic that includes reasonably appropriate solutions based on a solid understanding of the country context.

The three CSPs also include realistic, relevant sections on risks and propose potential mitigation measures. It is not always clear, however, how these measures can contribute to improvements in project implementation in security-challenged parts of Nigeria.

The Bank’s portfolio includes some innovative elements. In a majority of the private sector projects, LoCs are the modus operandi. Innovation is limited in the public sector portfolio although there are some good examples including the FADAMA Development Project II and the Integrated Management of Invasive Aquatic Weeds Project. The Lekki Toll Road project showcases the concept of Public-Private Partnerships (PPPs) in the transport sector and has been considered innovative in the country context.
The Bank participated actively in the policy dialogue based on the stated priorities of the Federal Government of Nigeria (FGN). However, it did not follow with solid engagement in analytical work. While the Bank seems to be an established counterpart for the FGN in policy dialogue, which other donors also appreciate, it does not take the lead as often as it could.

Despite the Bank’s high ambition to engage in policy dialogue and produce knowledge products covering a multitude of sectors and themes, no solid engagement in ESW has really materialized. The situation has improved during the current CSP period.

Knowledge products have clearly become more important for the Bank’s portfolio in Nigeria. Yet there is no clear evidence of their usefulness for beneficiaries or of their importance for the Bank’s position in the country’s policy dialogue system.

The Bank is well known in the country and its interventions are well harmonized with those of other development partners (DPs). However, it has not leveraged its position to attract additional funding. In the period under review, the Bank was Nigeria’s second biggest donor. Its importance as a DP is relevant only while projects are running.

Leveraging and pooling funds into the country and into specific projects has been a clearly stated objective in the Bank’s CSPs since 2013. However, this has only been somewhat translated into active policies, as most of the portfolio predates the CSP. More concretely, for the projects studied in-depth, no evidence was found that the Bank played an active role bringing additional financing into the country.

The practice of managing for development results has improved. However, results were hampered by insufficiently frequent M&E activities, poor supervision quality, and reporting requirements that were often unmet. Results-based logical frameworks and monitoring for development results in CSPs gradually improved during the period under analysis. Efforts to report achievements and shortcomings and to act upon experience were more prevalent during the last half of the evaluation period. Nonetheless, this remains problematic for outcome indicators.

Bank systems and interventions showed some characteristics of robust management for results. These include a monitoring system aimed at achieving timely, comprehensive reporting and the extension of these requirements over time to private sector borrowers. But lack of an appropriate M&E system for LoCs made private sector development results harder to trace.

Recommendations

The evaluation proposes the following main recommendations on the basis of its findings and analysis.

1. **The promotion of inclusive growth across gender, age, and region should play a more central part in the Bank’s strategy documents and operational pipelines, in line with the new FGN priorities.** The new CSP should include elements that respond to the government’s social welfare and economic diversification priorities. These include interventions focused on enhancing social inclusion and livelihoods with a clearer, direct impact on poverty reduction.

All interventions should be linked explicitly to these objectives and have clearly established and elaborated impact pathways. The Bank must, at the same time, initiate a detailed analysis of its comparative advantage and positioning in Nigeria and of its ability to reach out in terms of policy dialogue and scale-up/leveraging resources. This is necessary to
establish the Bank as a leader in certain areas so as to set in motion the intended mechanisms that effectively bring about desirable socioeconomic changes.

2. **The Bank’s private sector interventions should be diversified to enhance development results.** Given Nigeria’s huge needs in infrastructure and its potential for supporting economic growth, the Bank’s private sector interventions should diversify. They should go beyond the enormous concentration on financial intermediation to contribute to high potential areas such as commercial agriculture and infrastructure. Power and transport, in particular, have strong economic development and regional integration effects. A greater utilization of the PPP mechanism to encourage private sector participation could also be explored. The Bank considers these all to be high priority areas. They also correspond with the High Fives (light up and power Africa and integrate Africa). Such efforts should be pursued in consultation with other DPs to form partnerships and ensure harmonization.

3. **The Bank’s various monitoring and evaluation (M&E) instruments should be improved and streamlined.** The Bank’s operational and strategic instruments (e.g. CSP, appraisal, supervision, country portfolio, PCRs and the CPIA) should complement each other to enhance the results-based approach. Supervision reports can be instrumental in assessing CSP outcomes and outputs and in detecting information gaps. The Bank’s data collection protocols for LoCs in particular need to be revisited, to ensure the use of measurable indicators and the collection of the necessary reporting data from clients.

4. **In parallel, the formulation and use of quantitative outcome indicators should be strengthened.** Selected outputs and outcomes should reflect Nigeria’s medium-term strategic priorities. The FGN has embarked on an ambitious reform agenda that is critical to improving the macroeconomic environment. However, there has been little focus on policy and institutional indicators thus far, or on their linkage with impact indicators of poverty reduction and inclusive growth.

The selectivity of quantitative outcome indicators should be strengthened. This will help avoid attributive problems when assessing the impact and sustainability of Bank interventions, especially when several co-financiers are involved. Similarly, current project status reports lack information about progress towards development results, which also stems from initial design and appraisal procedures. The approach taken on data collection protocols for LoCs, in particular, needs to be revisited to ensure that measurable indicators are used, that necessary reporting data is collected from clients, and that agreements about confidentiality protocols, which are necessary for data delivery, are signed.
About this evaluation

This report summarizes the findings of the independent evaluation of the African Development Bank’s Country Strategy and Program in Nigeria from 2004 to 2016. The evaluation is intended to inform the next Country Strategy Paper (CSP) due in 2018, and to contribute to both accountability and learning in the Bank in general. The evaluation had four objectives: to provide credible evaluative evidence on the development results of the Bank’s engagement in Nigeria; to provide credible evaluative evidence on how the Bank has managed its engagement in Nigeria; to identify the factors and drivers behind good or poor performance; and to identify lessons and recommendations stemming from the performance and management of the Bank’s support to Nigeria to inform the design and implementation of future strategies and operations. The report draws on the working papers and analysis of individual project results assessments, reviews of strategies, the broader portfolio of non-lending activities, project field visits and verification, and stakeholder and key informant interviews.