



Donor Intervention in Nigeria's Development: Sharing Experiences and Lessons Learnt from GIZ (German International Cooperation) in Sustainable Economic Development

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Part I: Who are we and what do we do?

GIZ (German Agency for International Cooperation)

- **formerly *GTZ*** (merged with InWEnT and DED to GIZ)
- Entirely **owned by the German Government**
- **operates in more than 130 countries worldwide**
- in many fields **e.g. economic development /employment, health, education, water, energy, environmental protection / climate change, good governance etc.**



GLZ in Nigeria

- **GLZ operates in Nigeria since 1975. Present focal areas:**
 - **Sustainable economic development;**
 - **Renewable energies.**
- **Other projects/activities:**
 - Strengthening Gender and Good Governance
 - HIV/AIDS Mainstreaming
 - Sustainable Cocoa Business for Farmers
 - Support to the ECOWAS Commission



Employment-oriented Private Sector Development (EoPSD)

- Implemented from **2003 – 2010 in Niger, Plateau and Nasarawa States**

EoPSD Achievements

- Introduction of CEFE Entrepreneurship Training
- Enhanced vocational training approaches (e.g. automotive)
- Strengthening radio stations in developing MSMEs programs
- Supporting Public-Private Dialogue and advocacy for Local Economic Development
- **Support to selected Microfinance Banks (MFBs)**
- **Strengthening the Shea Butter Value Chain**



Private Sector Development: From EoPSD to SEDIN ...

Pro-Poor Growth and Promotion of Employment in Nigeria Programme (SEDIN)

- **Funding:** German Government (through BMZ)
- Official Nigerian Partner: **National Planning Commission**
- **Programme duration:**
April 2011 – March 2014 (1st Phase); possible 2nd phase.
- **SEDIN overall objective:**
Employment and income generated in Micro, Small & Medium-Scale Enterprises (MSME's) have increased.



SEDIN Basics

- Interventions on **Federal, State and local** levels

- **Three States:** Niger, Plateau, Ogun.

- **Three Components:**
 1. Supporting Financial Sector Reform (*incl. microfinance*)
 2. Supporting the Enabling Environment Reform Agenda (*incl. Value Chain promotion*)
 3. Supporting Regional Economic Integration (ECOWAS)



Part II: Concrete Examples of GIZ Experiences and Lessons Learnt in Nigeria

- 1. Supporting microfinance**
- 2. Support of MSMEs along a Value Chain**



Supporting Microfinance (MF)

Demand side

- Financial literacy activities for (potential) Microfinance Banks (MFBs) clients.

Supply side

- Series of interventions in 26 MFBs in three States based on a systematic analysis of their performance.

MFB Advocacy

- Capacity building for National Assoc. of MFBs (NAMB)

Regulatory framework

- Cooperation with and support of CBN (MF policy, MFB supervision, practitioners' Certification Programme etc.).



Supporting Microfinance (MF)

General Findings:

- 1. Huge potential but also significant challenges in the Microfinance (MF) Sector**
 - Nigeria has a ready MF market
 - Severe lack of skills in the whole sector (supply, demand, and regulation)
 - Unfavourable enabling environment
- 2. Some interventions (e.g. heavily subsidized interest rates) distort market which inhibits sustainable growth in the microfinance sector.**
- 3. Lack of co-ordination across the MF sector (e.g. policy/ regulatory vs. operational level).**



Supporting Microfinance (MF)

Lessons learnt on specific levels:

1. Federal level

- Need for conducive regulatory environment for the expansion and organic growth of MFBs
- CBN's Certification Programme for MFB practitioners is highly needed but requires some revisions with respect to the curriculum and funding mechanism

2. State and local level

- Role of National Association of MFBs (NAMB) is still weak
- Average financial and managerial performance of many MFBs is still poor
- Need for MFBs to better balance between economic viability and social performance (*double bottom line*)



Support of MSMEs along a Value Chain

Supported Value Chains (VCs) so far:

Shea nut/butter, sesame, cashew, rice, maize

New VCs to be supported:

Casava, potato, construction sector

VC Development Approach

- Interventions in different VC segments, e.g. harvest, processing, trading, export
- Multi-level approach: interventions on local, state, national, regional and global level.
- Multi-stakeholder approach: private sector (producers groups & associations, private companies, traders, service providers) and public sector (ministries and agencies) \implies role clarification of partners and institutions



Achievements Shea VC

- Data on potential of Shea in Niger and Nigeria
- Analysis of domestic and export market potential
- Development of sheabutter production manual (translated into three local languages)
- Improvement in quality
- Establishment of *Sheabutter Villages*, increased cooperative production and women participation
- Increase in sales from 2 to about 20 metric tons p.a. in one Sheabutter Village



Challenges

- Lack of data
- Lack of buy in
- Translation of political will to political action
- Unfriendly business environment (high Transaction cost)
- Lack of finance



Lessons learnt from VC Development

- **Market-oriented approach** based on a **sound economic analysis** backed by initial **baseline studies**.
- An **Inclusive Market Development** which entails involving **all related actors** is the means to achieve quick and sustainable results.
- **Value chain finance** should involve the **entire chain** and not just a few segments of it.
- **Knowledge gap** between MSMEs and the finance industry still very wide; bridging required.
- The **regulatory environment** needs improvement (streamlining, simplification of administrative procedures) to reduce transaction cost and facilitate higher competitiveness.



Thank You!

For further questions:

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