



Building High-Growth Firms in Nigeria

Increasing firm growth and employment through economic diversification

The Government of Nigeria is pursuing economic diversification into non-oil sectors as a safeguard against commodity shocks and a critical path to sustainable growth and employment generation. The US\$160 million World Bank's Growth and Employment Project (GEM) is one of the key engines of policy reform and investment supporting economic diversification. According to Nhad Abu Ali, the assistant project coordinator of GEM, "The Growth and Employment Project is an initiative of the government to diversify the economy from oil to non-oil sectors." The development objective of the GEM project is to increase firm growth and employment indirectly through improving the investment climate in five sectors – light manufacturing, construction, hospitality, ICT, and entertainment – and directly through programs to improve the performance of firms in these sectors.

CHALLENGE

The key constraints to growth for many small and medium domestic firms include difficulty accessing finance and low production and marketing skills. The standard approach in many development programs has been to train the owner to develop these skills, through business training sessions or personalized consulting services. CIIP, through the GEM project, is testing an alternative approach that links firms to needed skills in the market by sourcing workers with these skills or outsourcing these tasks to professionals specializing in these services.

APPROACH

The firm-level support is provided through the Business Innovation and Growth (BIG) Platform, a facility funded by GEM, which was launched in 2016 and through which Nigerian Micro, Small and Medium Enterprises (MSMEs) have been applying for several different programs. Some beneficiaries receive business training for the owner, some are given consulting services, while others are linked to Human Resources (HR) specialists who find a worker to insource accounting or marketing skills or to professional companies who specialize in business development services (BDS) to outsource these skills. Ali says that the implementing teams "sat with the MSMEs to understand their business, design their roadmap and program, and implement it. If the sectors are growing, it means employment will be generated."



RESULTS

By December 2016, when the registration was closed for the first year, 48,167 firms had registered on the BIG Platform throughout the country. By the second year, over 109,000 were registered. 20,000 firms were selected, of which 11,000 qualified for online training, and over 1,300 received grant support. Beneficiary Ebenezer Odesola, shoemaker at Soft Design Leatherworks, said that the program “equip(s) you with human resource capital and ... financially” while beneficiary Arinola Agboola, fish farmer, said of the program: “they have coached me, and they have broadened my knowledge of business.”

To enhance learning and gather empirical evidence on the effectiveness of this approach, CIIP financed an impact evaluation intending to measure the impact of the various interventions on the performance of Nigerian firms. The impact evaluation focused on firms in Lagos and Abuja and firms outside these main city centers. Preliminary results show that insourcing, outsourcing, and BDS all led to significant and lasting improvements in business practices among firms in Lagos and Abuja, with similar positive results outside these cities. Improvements were in the order of 5 to 7 percentage points in the proportion of 41 business practices implemented in both the first and second years relative to non-participant firms. The data showed no impact in the business training program. The evaluation also showed improvements in innovation practices, especially in introducing new products or improving existing products, with lower impact on process or organizational innovations. The consulting intervention had a positive impact on sales and profits in both the one-year and two-year follow-up surveys in firms outside Lagos and Abuja, and a significant impact on sales in firms in Lagos and Abuja.

The findings from the CIIP-funded impact evaluation provide invaluable data on the effectiveness of different types of firm-level support and can significantly narrow the knowledge gap and enhance future interventions aimed at raising enterprise competitiveness.

BENEFICIARY STORY

Mariam Sadiq, fashion designer, Shiks Fashion, said that with GEM support she was “able to increase [her] production, and increase staff,” while Anezi Onwuzurike, food supplements manufacturer, Swiss Nig Foods Ltd., notes that his annual turnover has doubled due to support from the program. As of March 2019, the GEM project is reporting a 141 percent increase in sales value of all beneficiary enterprises, and a 20 percent increase in average number of workers. Tosan Mogbeyiteren, tech entrepreneur, Black Swan Ltd., says that GEM support has “given permission to young people in Nigeria to just go and build stuff that solves problems.”