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REPORT OF THE JOINT COMMITTEE ON FINANCE, COMMERCE, INDUSTRY AND AIDS, LOANS & DEBT MANAGEMENT ON THE NEED TO INVESTIGATE THE INFRACTION AND ALSO HALT THE PLANNED DIVERSION OF FUNDS UNDER THE WORLD BANK FUNDED GROWTH AND EMPLOYMENT (GEM) PROJECT, (HR.143/2017)

21ST MAY, 2019

1.0 INTRODUCTION

The Government of Nigeria has emphasized the importance of diversifying the economy, supporting sectors that have potential for growth and creating massive employment. In line with this commitment, the Government has sought the World Bank's partnership to help Nigeria support Micro, Small and Medium Enterprise (MSME) operating in different high potential sectors throughout the country. This support is being implemented under the Federal Ministry of Industry, Trade and Investment (FMITI) and operationalized in the Growth and Employment (GEM) Project.

The GEM Project Development Objective is to increase firm growth and employment in participating firms in Nigeria. The project became effective in July 2013 and will close in September 2018.

The project focuses on manufacturing and service sectors, especially supporting ICT, entertainment, tourism and hospitality, light manufacturing and construction. Project support addresses cross cutting sector issues, assistance to specific clusters, and more direct support to firms channelled through a platform called the Business Innovation and Growth (BIG) Platform providing various training, technical assistance and grant schemes.

GEM will focus on supporting public and private interventions in five key growth sectors or industry clusters: ICT, entertainment, hospitality, construction and light manufacturing, which includes agribusiness.

The GEM project agreement signed into effect on 11th February, 2011 to cover some selected state namely Kano, Kaduna, Lagos and Cross-Rivers. However on 30th May, 2013 the GEM project was modified, adjusting the initial content of the agreement to cover all states of the federation and also to align with recent Government policies and priorities. The project became effective in July, 2013 and will close in July, 2016. The World Bank (DFID) facility to support the GEM project was approved by the National Assembly in 2013.

1.2 OVERVIEW OF ABRIDGED TERMS OF THE GEM PROJECT

- Amount: USD 160 million or Special Drawing Right (SDR) 102.5 million concessionary loan
- Effectiveness date: July 2013
- End date: 29 March 2019
- Terms: the credit has a 10 –years grace period with 30 years to maturity
- Summary: Support to Micro, Small and Medium Enterprise (below 100 employees within 5 clusters)

On Thursday 2nd November, 2017 the House of Representative at Plenary deliberated extensively on a motion ably moved by Hon. Mark Gbillah on the need to investigate the infraction and also halt the planned diversion of funds under the World Bank funded Growth and Employment (GEM) project. After exhaustive contributions from the floor, the House resolved to constitute a Joint Committee to investigate the matter and report back within reasonable time.
The House thereafter mandated the Joint Committee on Finance, Commerce, Industry and Aids, Loans & Debt Management to investigate the matter and report back for further legislative actions.

1.3 STAKEHOLDERS

- Federal Ministry of Finance

- Federal Ministry of Industry, Trade and Investment (FMITI)
- Central Bank of Nigeria (CBN)
- GEM Project Desk/Coordinator

1.4 INVESTIGATION METHODOLOGY

The method adopted by the Joint Committee includes engaging the relevant stakeholders in meeting and interactive session. The Joint Committee also requested for documents/information and reviewed the submissions from the respective stakeholders. The requested documents/information includes:

- Initial project appraisal document.
- All amended copies of project appraisal document fully singed off by Federal Ministry of Finance.
- GEM financing agreement (World Bank)
- List of past consultants (Individual and Firms including goods, services and work).
- Copy of request letter to Federal Ministry of Finance for GEM restructuring.
- Copy of approval from GEM restructuring from the Federal Ministry of Finance.
- Names, Addresses and Phone numbers of National Steering Committee (June 2017 and June 2018)
- Copy of GEM restructuring document.
- Minutes of previous National Steering Committee (June 2017 and June 2018)
- Grant beneficiaries by States and amount disbursed

- Analysis of disbursements (SMEs, Consultants, Goods and Works).

As for the CBN, information pertaining to transactions (credit and Debit) on GEM-TSA account were requested and submitted to the Joint Committee.

2.0 FINDINGS

As a result of intensive engagements with relevant stakeholders, the Joint Committee made the following observations:

1. The Committee observed the initial design of the project to be faulty, complex and technical based on internet penetration and level of literacy.

2. GEM Project is financed by a World Bank Loan \$160m and Special Drawing Right (SDR) of \$102.5m negotiated in 2011.

3. The committee observed the life-span of the project to be in the year 2013 spanning to 2016. However, due to administrative and technical challenges, the Project was extended to September, 2018 and later to March, 2019.

4. Further Observation showed to the Committee, the high level of lopsidedness in selection of the MSMEs across the States of the Federation. While some states (Lagos and Kaduna) had as high as 533 and 128 MSMEs as beneficiaries, other states such as Zamfara, Sokoto, Yobe, Borno had only 1 and 2 MSMEs respectively and Jigawa with no representation.

5. It was observed that the project screened and engaged a total number of 1.717 MSMEs out of the 9,592 business owners (MSMEs) that participated in the training exercise.

6. Further discovery revealed to the Joint Committee that each successful MSME received technical assistance in form of training, consulting and financial grants. The grant ranges from ₦10m-₦12m based on financial windows on which an MSME was selected or trained.

7. Submission by the Project Coordinator shows a project disbursement analysis as follows:

    a. ₦10.5bn ($34.6m) disbursed to 1,243 grantees via the grant window

    b. ₦184m ($605,000) disbursed to 474 grantees under the skill placement window.

8. The Joint Committee observed that as a result of House of Representative Resolution No. HR.43/2017 to investigate Infractions and Halt Planned Diversion of Funds under the GEM Project, the project eventually was suspended and about $76m of the $160m fund was cancelled. However, the Federal Ministry of Finance requested the World Bank to transfer the cancelled $76m to the Nigerian Portfolio Funds.

9. Further analysis as provided by the GEM Project Coordinator shows an abridged financial highlights as shown on the table below:

ORGANISATION NAME	FMITI
PROJECT TITLE	GROWTH AND EMPLOYMENT PROJECT

INITIAL PROJECT AMOUNT	$ 160,000,000.00

SUMMARY POSITION

DESCRIPTION	DEBIT AMOUNT ($)	CREDIT AMOUNT ($)	BALANCE ($)
Opening Project Amount		160,000,000.00	
Loss as a result of SDR exchange rate adjustment		(17,370,225.00)	
Adjusted Project Amount		142,629,775.00	142,629,775.00
Total Disbursement to Date	43,016,050.56		99,613,724.14
Committed Funds to Grantees	21,127,229.63		78,486,494.51
Total Amount Cancelled	76,000,000.00		2,486,494.51
Cash in Bank			**2,486,494.51**

10. Updates on grant windows as submitted by the GEM Coordinator shows that only two of the windows (AVDD and Accelerators) were fully paid up/funded, leaving seven other windows either closed or outstanding.
11. The Joint Committee noted the robust support offered to Nigeria Housing Census in order to create a data base that will provide a reliable housing information to investors, Policy makers and end users.
12. Also observed was the support of GEM project to YouWin Youth Entrepreneurs Grant Scheme, Project ACT (A Film Industry Support Project), Nigerian Entrepreneur Development Program (NEDEP) and the Presidential Ease of Doing Business Initiative of the Government by providing consultants and resource persons to the PEBEC Secretariat.

3.0 RECOMMENDATIONS

1. The joint committee sustained the closure of the project on the 29th March 2019
2. The GEM project coordinator should be allowed to pay all the committed funds (goods and services) based on the available windows four (4) months after the closure of the project.

3. The Minister of Industry, Trade and Investment should engage the World Bank to see the possibility of reviewing the project to enable utilization of the cancelled fund ($76m) while taking into consideration the faulty, complex and technical nature of the project.

4.0 CONCLUSION

The Committee with good faith state that it has diligently carried out the mandate of this assignment to the best of its ability within the available information and resources at disposal.

It is the pleasure of the Joint Committee to thank Mr Speaker, Leadership and Members of the House of Representatives for the confidence reposed on the Committee to save the hallowed chamber and by extension the Country in this important assignment.

Hon. Babangida Ibrahim
Chairman, Finance

Hon. Adeyinka Ajayi
Chairman, Aids, Loans & Debt Mgt.

Hon. Abubakar Hussaini Moriki
Chairman, Industry

Hon. Sylvester Ogbaga
Chairman, Commerce

Lawali Ibrahim
DD (Admin)/Clerk to the Committee