



Success or Failure? Matching Grants, Economic Zones & Nigeria You Win Start-Up

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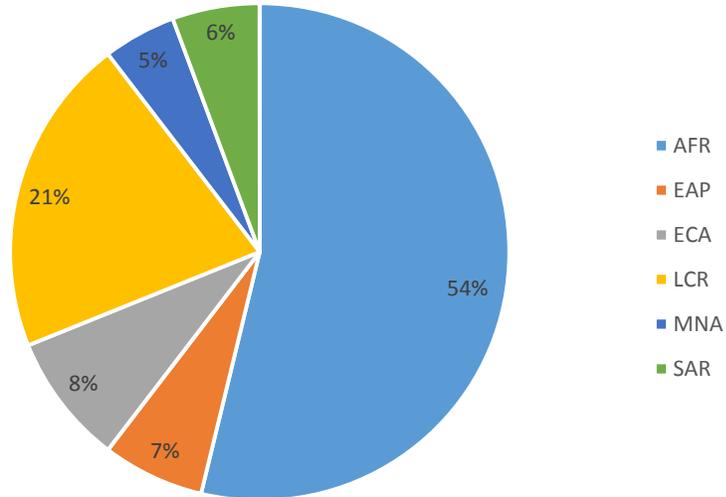
Economic Development Days – June 2016
Vienna University of Economics and Business (WUWien)

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Matching Grants

Overall distribution

Total 106 projects, by region



Sector: 22 agriculture MGF, 84 private sector development, various sectors

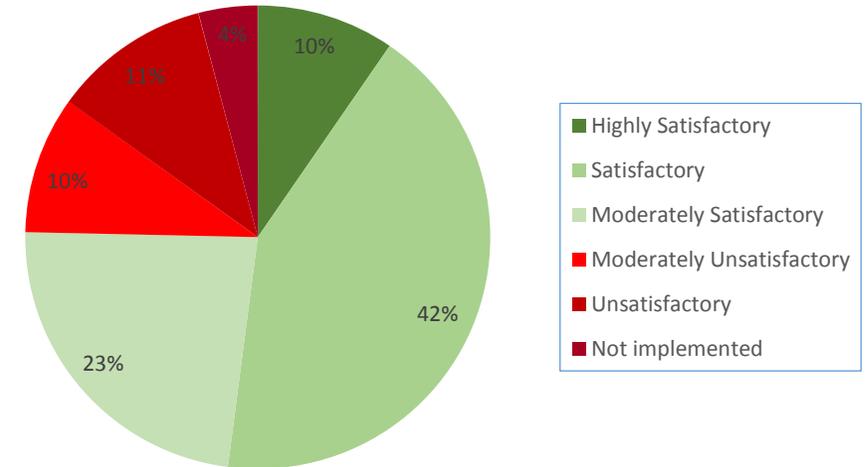
Size: average \$11.5 million, but average for agriculture funds is \$25 million while for PSD project it's \$7.9 million

Number of beneficiaries: average 450, median 240

Max cumulative funding: average \$115,000, median \$90,000

Distribution by rating

73 projects rated, by rating



	Region						
Matching Grant rating	AFR	EAP	ECA	LCR	MNA	SAR	Total
Highly Satisfactory	16%	0%	0%	0%	25%	0%	10%
Satisfactory	38%	0%	67%	60%	25%	60%	42%
Moderately Satisfactory	19%	50%	17%	20%	50%	20%	23%
	73%	50%	83%	80%	100%	80%	75%
Moderately Unsatisfactory	8%	33%	17%	7%	0%	0%	10%
Unsatisfactory	14%	0%	0%	13%	0%	20%	11%
Not implemented	5%	17%	0%	0%	0%	0%	4%
Grand Total	100%	100%	100%	100%	100%	100%	100%
N	37	6	6	15	4	5	73

Design features

The study reviewed nine design features:

- Implementing agency
- Size limits
- Groups of firms
- Service providers
- Sector restriction
- Eligibility of equipment
- Level of match
- Payment type
- Presence of diagnostic

Some correlations with outcome:

- Positive with implementation by PIU
- Negative with equipment eligibility
- Negative with provider eligibility
- Positive with presence of diagnostic

Regression analysis controlling for country conditions confirms the diagnostic correlation, as well as the PIU implementation but only in IDA countries, and finds a negative correlation with reimbursement.

Matching Grant rating	Agency				
	Other	PIU	Private contractor under PIU	Private sector association	Grand Total
Highly Satisfactory	0%	6%	14%	11%	10%
Satisfactory	56%	56%	36%	33%	43%
Moderately Satisfactory	22%	25%	22%	33%	24%
	78%	88%	72%	78%	77%
Moderately Unsatisfactory	0%	6%	14%	11%	10%
Unsatisfactory	22%	0%	14%	11%	11%
Not implemented	0%	6%	0%	0%	1%
Total	100%	100%	100%	100%	100%
N	9	16	36	9	70

Equipment				Providers eligible			
Matching Grant rating	No	Yes	Total	Matching Grant rating	No	Yes	Total
Highly Satisfactory	13%	0%	10%	Highly Satisfactory	13%	19%	16%
Satisfactory	33%	36%	34%	Satisfactory	33%	29%	31%
Moderately Satisfactory	28%	18%	26%	Moderately Satisfactory	42%	24%	33%
	74%	55%	70%		88%	71%	80%
Moderately Unsatisfactory	8%	36%	14%	Moderately Unsatisfactory	13%	5%	9%
Unsatisfactory	15%	9%	14%	Unsatisfactory	0%	14%	7%
Not implemented	3%	0%	2%	Not implemented	0%	10%	4%
Total	100%	100%	100%	Total	100%	100%	100%
N	39	11	50	N	24	21	45

Diagnostic			
Matching Grant rating	No	Yes	Total
Highly Satisfactory	4%	13%	10%
Satisfactory	44%	42%	42%
Moderately Satisfactory	12%	29%	23%
	60%	83%	75%
Moderately Unsatisfactory	16%	6%	10%
Unsatisfactory	16%	8%	11%
Not implemented	8%	2%	4%
Total	100%	100%	100%
N	25	48	73

Defining success

- 25% of projects use only output indicators;
- Impact indicators are almost always at firm-level, such as jobs, productivity or sales growth, but
- Is this really the market failure the instrument is meant to solve?
- Almost no projects attempt to measure the impact on the BDS market, even though this is the economic rationale used for subsidizing private firms
- If we do not define the problem well, we won't choose the right metrics to measure success, and won't know if the matching grant worked

Zones

World Bank's Portfolio of SEZ Projects

- Time Frame: 41 Projects approved from 1973 to 2015 (plus IFC advisory projects)
- Of which, 28 closed; rest currently under implementation
- Characteristics: Zone components have varied - including industrial estates, export processing zones, commercial free zones, IT parks and multi-purpose industrial parks

Characteristics of Portfolio

- Bank's portfolio of SEZ-type projects has been changing in composition over time:
- From early 1970s to mid-1990s, main focus of SEZ operations was to support: (a) spatial dispersion, (b) exports. Support to SEZs was usually the sole purpose of these projects.
- From mid-1990s onwards, PSD agenda assumed greater importance. SEZs increasingly became components of multi-component projects in support of PSD-led growth.

Results

- Pre-1995 Projects: 9 out of 14 (64%) achieved positive outcomes [1 ICR missing]
- Post-1995 Projects: 3 out of 11 (closed) projects achieved positive outcomes (27%) for their zone components [1 ICR missing]

The Nigeria Business Plan Competition: You WiN!

Why?



- Attract
- Identify,
- Support,
- High Growth Firms
 - Startup
 - Survive
 - Grow



- Young Entrepreneurs;
- Start Up grants of up to US\$32,000;
- and US\$64,000 for 1-2 year old firms;
- Firm in Nigeria;
- Nigerian;
- 40 or younger;

Economic rational for the program?

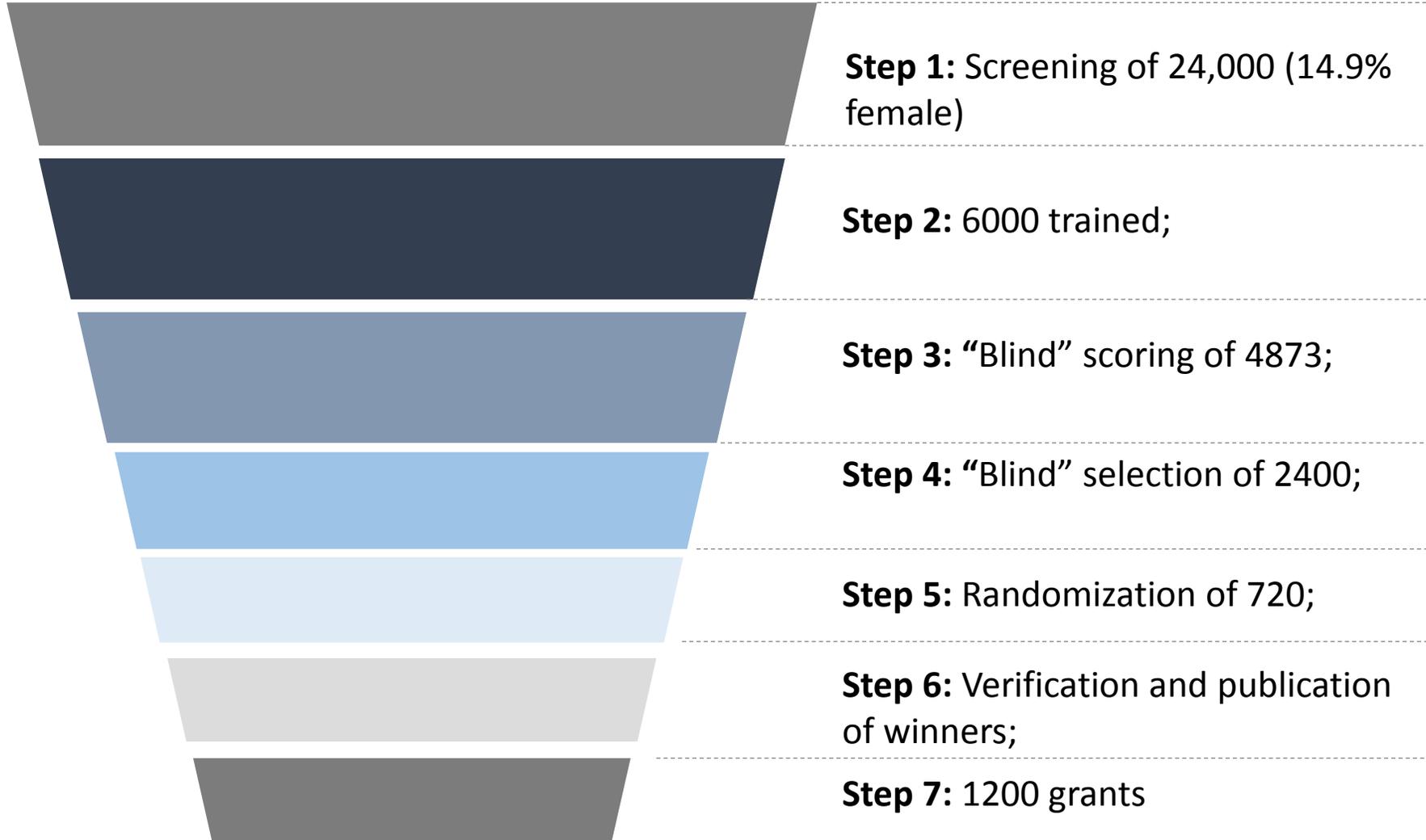
No Access to risk capital;

- **High search cost;**
- **High transaction cost;**
- **Unpredictable outcomes;**

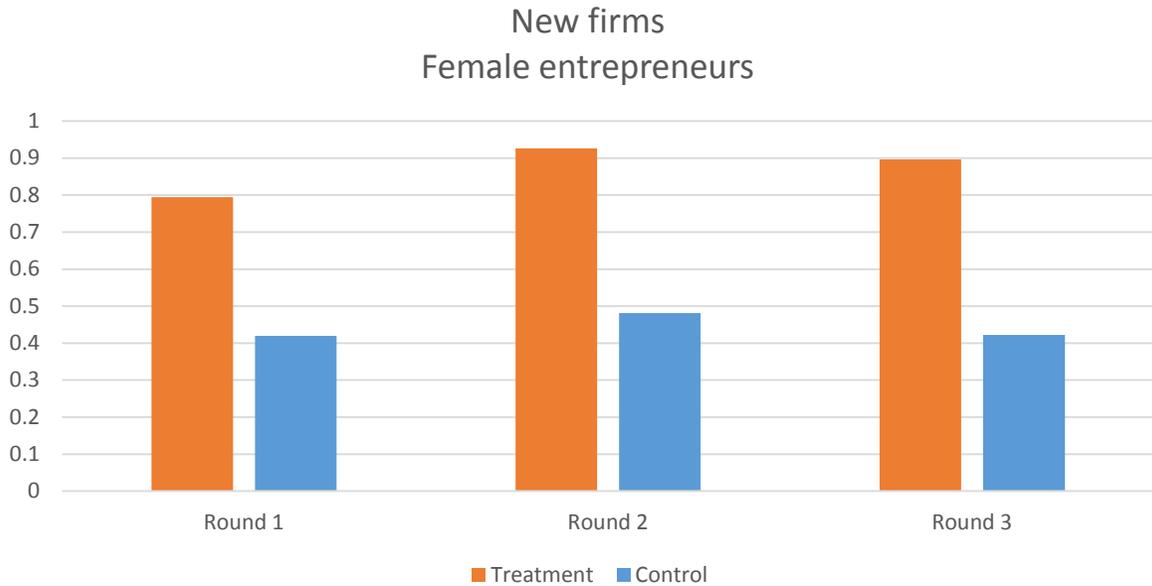


Politically Independent Process

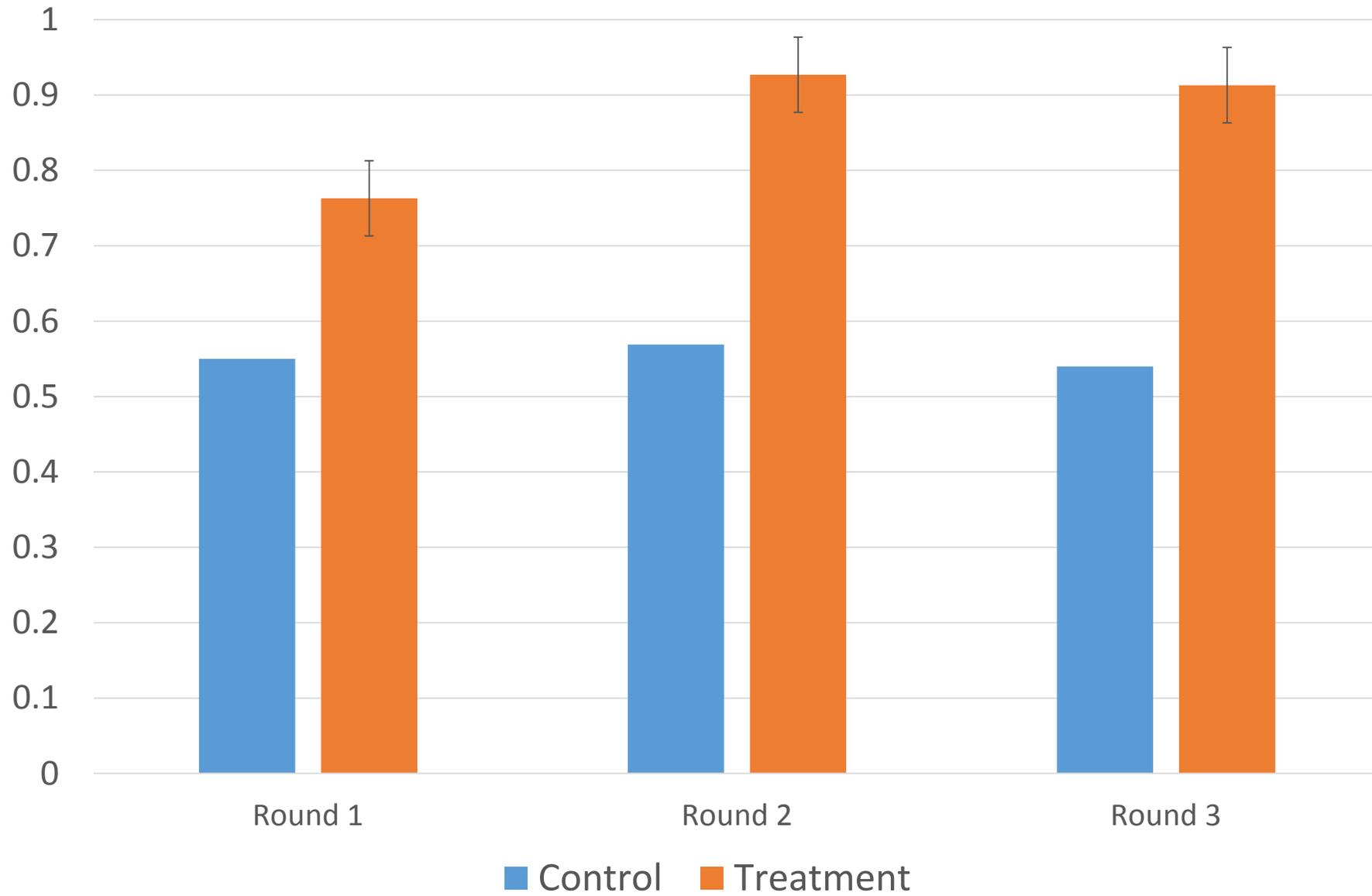
50 million potential youth applicants



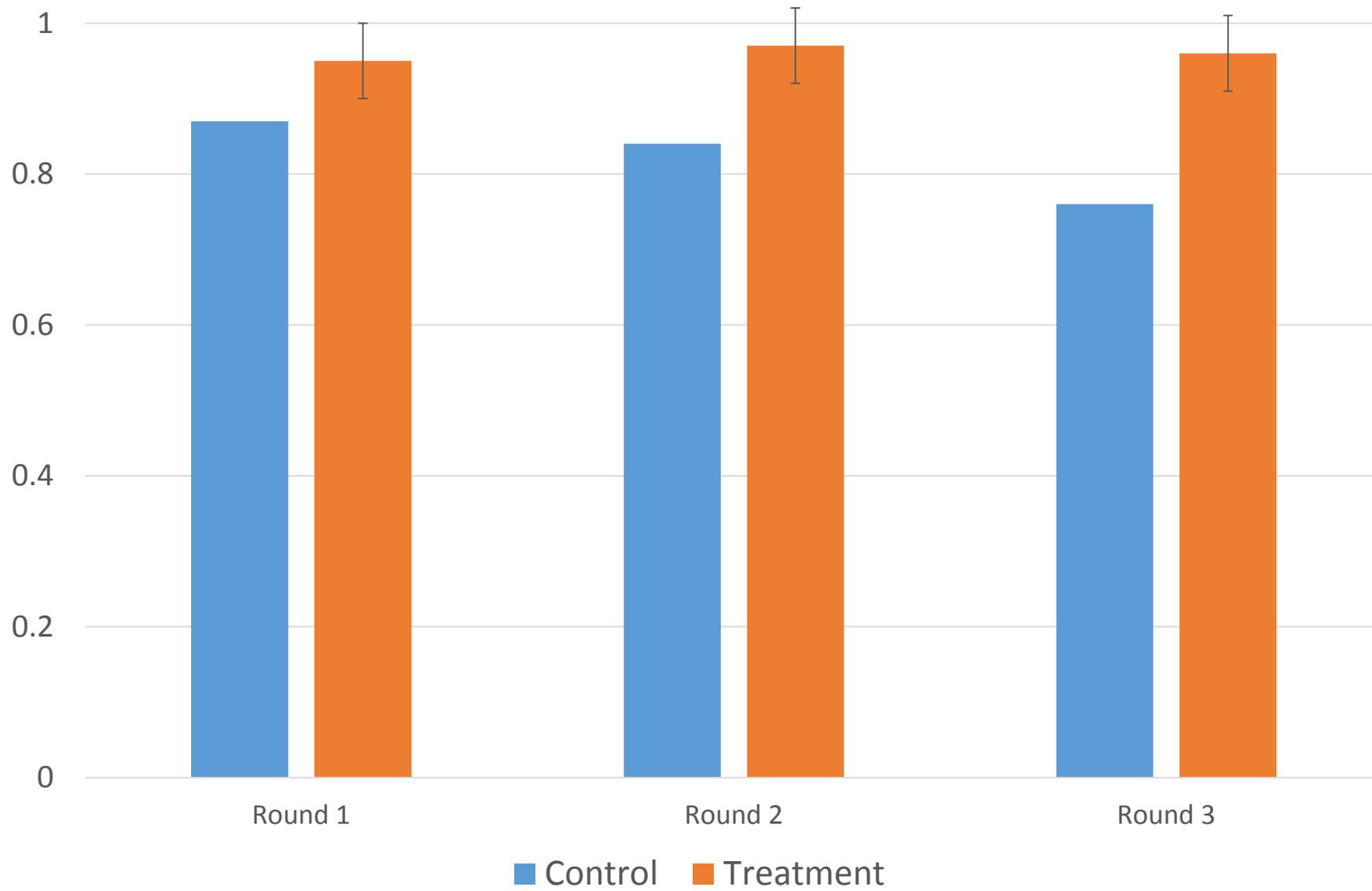
The competition helps new female entrepreneurs to catch-up



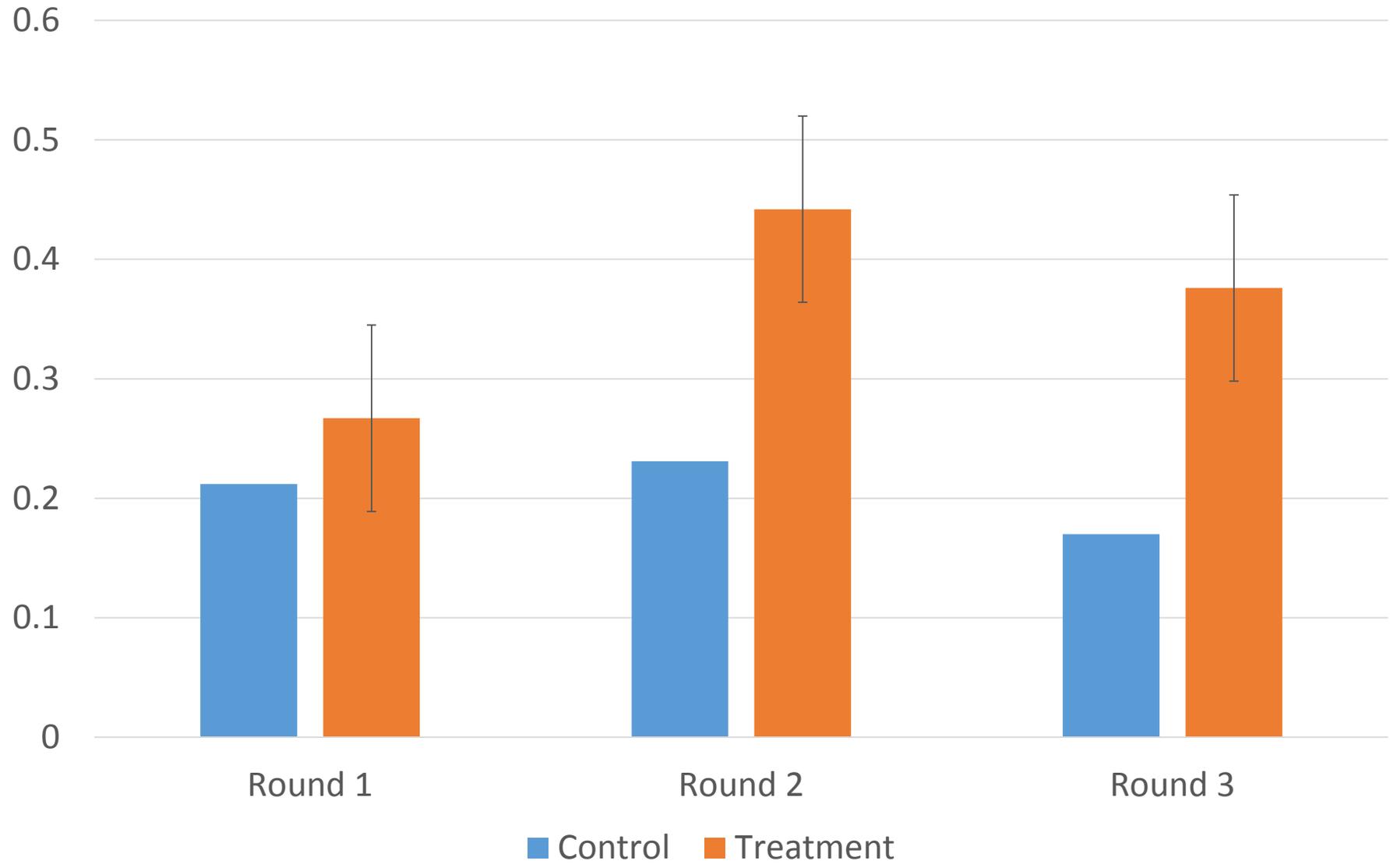
New Firms 37 p.p. increase in start-up



Existing Firms 20 p.p. increase in survival rate



Existing Firms 21 p.p. increase in firms with 10+ workers and more,



Additional findings



- Young Entrepreneurs hire other young people;
- Only 5% related to the owner;
- Start-ups outperformed existing business;
- At least additional 7000 jobs;
- Employment effects will continue to grow;
- Higher productivity and higher earnings for entrepreneurs;
- Firms are innovating more;



Economic Development Days

Workshop, June 2016

WU (Vienna University of Economics and Business)