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# SOCIAL IMPACT ASSESSMENT

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## REPORT



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This Report on the Social Impact  
Assessment Studies of LSETF Projects  
was prepared by:

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Figure 1: Iron triangle evaluation model

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# ACRONYMS

BCR	Benefit Cost Ratio
ERR	Economic Rate of Return
FGD	Focused Group Discussion
KPI(s)	Key Performance Indicator (s)
LASG	Lagos State Government
LIRS	Lagos Board of Internal Revenue
LGA	Local Government Area
LSETF	Lagos State Employment Trust Fund
ME	Micro Enterprise
M & E	Monitoring & Evaluation
MES	Micro Enterprise Start-Ups
MSMEs	Micro Small and Medium Enterprises
SIA	Social Impact Assessment
SME	Small and Medium Enterprise
WB	World Bank



## 25Billion seed fund

provided by the  
Lagos State Government

## 28,057 MSMEs

funded by 2019

Create at least  
**133,000** Direct  
& up to **218,000**  
Indirect jobs



Add over  
**150,000**  
New Tax Payers



Achieve sustainable funding  
by ensuring non-LASG sources  
contribute at least

**50% of total funding**  
by 2019

## ABOUT THE LSETF SUPPORTING ENTERPRISE CREATING JOBS

The Lagos State Employment Trust Fund ("LSETF"), was established by The Lagos State Employment Trust Fund Law 2016 to enable Lagos residents realize their aspiration by providing leverage and access to finance.

To achieve its mission, LSETF launched three key programmes:

### MICRO, SMALL AND MEDIUM ENTERPRISE (MSME) LOAN SCHEME

Through this scheme Lagos residents can apply for affordable loans to start or grow their businesses. Micro Enterprise start-ups can get a loan of up to N250,000; existing Micro-businesses can get a loan of up to N500,000; while registered small and medium sized businesses can get a loan of up to N5,000,000, all at 5% interest rate per annum ,and without collateral.

### EMPLOYABILITY PROGRAMME

The LSETF's Employability Programme aims to train and place unemployed Lagos residents in various strategic sectors within the state. The programme has started with the Lagos State Employability Support Project (LSESP), which is being implemented with the United Nations Development Programme (UNDP), to train and place 10,000 unemployed Lagos State residents in jobs by 2019.

### LAGOS INNOVATES

Lagos Innovates aims to ensure Lagos State is Africa's most vibrant technology start-up ecosystem. Under this programme, founders, operators of co-working spaces and talent within the ecosystem can apply for any of its programmes, which will launch in 2018.

# SUPPORT THE LSETF TO CREATE JOBS FOR UNEMPLOYED LAGOS RESIDENTS.

The Lagos State Employment Trust Fund (LSETF) aims to solve the problem of youth unemployment in Lagos State through provision of access to finance for MSMEs, training of unemployed youth and facilitating job placements.

## TESTIMONIAL FROM ONE OF OUR BENEFICIARIES



**Jand2Gidi**  
WORLDWIDE

**S**o this happened! #Jand2Gidi Worldwide has added to its fleet. We started off with 0 bikes, bought one, then another and two others. We had been doing deliveries all over Lagos with four bikes. Due to the volume of work we started offering #Gidi2Gidi services on a next day basis. 'Book today, for tomorrow'. Annoying right?

We realised this hindered some business owners and really needed more bikes. The @lsetf opportunity came along, we applied and hoped for the best. We were later called back for an interview and a few months down the line we received the funds we applied for.

Part of the funds have made this growth possible. We are now able to offer same day delivery services at various times during the day. Our #Gidi2Gidi operations have been radically changed by the increase in capacity. We also opened up operations in Abuja and Port Harcourt.

We invite you to join us.

### Here is how you can support us

#### 1 Donation

Committing to donate a specific amount and LSETF will match this sum and design a lending or an employability programme to support your target segment

#### 2 Grant

Make a grant towards LSETF's lending, employability or innovation programmes

#### 3 Employment

Commit to employ youths trained by LSETF or to admit LSETF's loan beneficiaries as vendors to serve your organization.

For further enquiries, please call: **09060000022**, or email: **akintunde.oyebode@lsetf.ng**

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[www.lsetf.ng](http://www.lsetf.ng)



# EXECUTIVE SUMMARY

This is the report of the Social Impact Assessment (SIA) of activities of the Lagos State Employment Trust Fund (LSETF) between 2017 and 2018. The main objective of the SIA was to evaluate the impact of LSETF activities on beneficiaries (entrepreneurship and innovation) based on jobs created and business growth and based on the LSETF's mandate to provide financial support to residents of Lagos State, for job and wealth creation and to tackle unemployment. The input to drive the objective was a commitment of N25 billion base capital. The fund would be a catalyst to business development and growth for Lagos residents. Entrepreneurship loans were made available in three categories of SMEs (up to N5 Million), Micro Enterprises (up to N500,000) and Micro Enterprise Startups (up to N250,000) and Workspace Vouchers (grants) were provided to innovators to support development of technological applications and products.

The LSETF entrepreneurship programme was based on a theory of change that when inputs of loans at single digit interest rate are advanced to businesses, the increase in capital would lead to increase in turn-over and expansion of businesses which would include employment generation and better outcomes for residents in Lagos State. For the Lagos Innovates program, the theory was that Government needed to catalyze the startup ecosystem, to allow outliers achieve geometric



growth, and also ensure the Lagos economy is ready for the future. If this was done, Lagos would be a leading innovation capital of the continent, and would attract and retain the best talent, creating high value jobs in return.

The SIA was commissioned on the 22<sup>nd</sup> of October 2018 at which time the LSETF project tenure still had one year to end of the term in 2019. Because of this, the Key Performance Indicators (KPIs) set at project commencement for the project at the end term had to be adjusted in proportion to values due in 2018 especially as the said KPIs formed the basis of evaluating performance of the LSETF.

The following represent the key findings of the SIA:

- The LSETF funded 7817 MSMEs as against the expected 18,705 by 2018 as per the first KPI. This represents 41.7% effectiveness. The LESTF had a surfeit of applications but paucity of funds meant that the Fund had to rationalise the interventions among the two sectors (entrepreneurship and innovation) to be able to impact on all sectors. Going forward and using the results

of the economic analysis of the SIA, the LSETF can make more informed judgements on the interventions that performed more efficiently adjust future interventions accordingly.

- The LSETF interventions created a total 10,550 direct jobs and 79,128 indirect jobs representing 11.89% and 54.44% of the targeted totals of 88,667 direct and 145,333 Indirect jobs by 2018. The low percentage of direct jobs is mainly as a result of inability to fund the expected number of MSMEs loans on account of paucity of funds.
- On the third KPI which is the expected addition of 100,000 new tax payers by 2018, the effectiveness rate was low on account of M & E inadequacy in not deploying an automated system of capturing tax registration of employees of beneficiaries through the PAYE system. In essence the 41,515 new tax payers recorded in the survey are the total number of applicants for all the LSETF interventions because being a tax payer was a condition precedent to applying for the LSETF intervention.
- Beneficiaries affirmed that the LSETF project improved their finances and personal life. 60.2% of beneficiaries recorded positive improvement across 15 indices that were tracked in the SIA. These included capacities to meet business and personal financial obligations; capacity to save; operating surpluses, increase in productivity, poverty alleviation etc. A further 11.7% recorded excellent improvement, making a total of 72% recording great improvement across board. Only 3.9% said their businesses were worse off, while about 24% said the businesses remained the same.
- Micro Enterprise sub-sector was most efficient with an efficiency rate of 65.7% and adding 6,367 and 47,751 direct and indirect jobs respectively within the two years. SME sub-sector had an efficiency rate of 60.1%, adding 1,478 and 11,087 direct and indirect jobs respectively.
- The cost of creating one SME job was N268,090.17, ME, N43,149.77, MES was N6,081.36 and Workspace vouchers was N17,882.35.
- The ERR for the Fund trends positive at 17% and BCR at 2.48. The result of the analysis showed that the intervention has wider economic benefits to the residents of Lagos through the beneficiaries. With an ERR greater than the lending rate (5%), the intervention is on a positive track, also with a BCR greater than 1, it means that the accrued benefits are greater than the total expenditure.
- Sensitivity analysis undertaken assumed three varied lending rates of 10%, 25% and 30% The 10% is representative of lending rate of the Bank of Industry, 25% representative of average of commercial banks' lending rate while the 30% is representative of some Microfinance banks' lending rate. Results of the Sensitivity Analysis in comparison to LSETF shows that the economic benefits to society is better served with the LSETF than with the others, although, if the LSETF loan were to go up to 10% the ERR and BCR would still trend positive. However, the ERR and BCR trends negative for loans of 25% and 30%.
- LSETF stands out for adhering faithfully to its core values as espoused in the acronym TRACEL. In all activities, processes and actions of LSETF, the core values were reflected. Staff integrity was prominent. No record of bribe taking or attempts to tilt the scales in favour of any beneficiary was noticed throughout survey and the discussions at the FGD confirmed the core value of inclusiveness. Specifically, non-Yoruba ethnic groups attested that there was no discrimination whatsoever in the process.

# 1. Introduction

This is the report of the Social Impact Assessment (SIA) study commissioned by the Lagos Employment Trust Fund (LSETF). Having operated for a period just over two years, the LSETF considered it imperative to conduct the SIA with the main objective of evaluating the impact of LSETF activities on beneficiaries (entrepreneurship, innovation and employment) based on jobs created and business growth. The Report provides timely feedback to the LSETF Board of Trustees and Directors on the performance of the Fund vis-à-vis the objectives and pre-set key performance indicators (KPIs). It also provides valuable insight into project effectiveness, efficiency, impact and sustainability.



## 1.1 Background

In 2016, when the Lagos State Government (LASG) established the LSETF by statute, the prevailing macro-economic indices in Nigeria in general and Lagos in particular were grim. The economy had fallen into recession, mid-2016, with consecutive negative growth rates of -0.36% and -2.06% in the first and second quarters respectively. GDP growth weakened to -2.24%. In addition, the harsh impact of lower government revenues and export earnings which had persisted since the fall in oil prices in 2014, put significant pressure on

the Naira, leading to a rapid loss of value compared to globally tradeable currencies. These factors impacted on unemployment which rose to 14%, while underemployment rose to 19%. This was the background in which the LSETF was born. By 2017, deriving data from the national figures of 2017, the Lagos State unemployment figure was 2.3 million in a total workforce of 7.1 million. This represented persons either unemployed or underemployed. The resultant percentage was 32.7%, 7% lower than the national average and the 10th lowest rate in the country, but still a significantly high rate.

## LSETF Mandate

The mandate of the LSETF is to provide financial support to residents of Lagos State, for job and wealth creation and to tackle unemployment. The critical input to drive the objective is the commitment of N25 billion, as base capital for deployment to Lagos residents in the Fund's intervention sectors below:

## 1.2 The Fund's Intervention Sectors

The LSETF fulfils its mandate through 3 components (see Table 1). The Entrepreneurship sector is designed to provide access to single digit interest rate loans to cause growth in MSMEs. The Lagos Innovates sector provides in-lieu of money, infrastructure and other inputs such as power, servers and the hub/network effect which allows cohorts to leverage on knowledge, skills and infrastructure.

TABLE 1: LSETF INTERVENTION SECTORS

Entrepreneurship Loan Programme	<p>Loans to MSMEs in 3 categories to drive business growth:</p> <ul style="list-style-type: none"><li>• Small and Medium Enterprise Owners – Loans of up to N5,000,000 per business;</li><li>• Micro Enterprise Owners – Loans of up to N500,000 per person</li><li>• Micro Enterprise Start-Up – Loans of up to N250,000 per person.</li></ul>
Lagos Innovates	<p>Strategy to create jobs through support to innovation driven enterprise ecosystems, consisting of businesses that show a geometric growth trajectory, usually driven by the use of advanced technology. Intervention support through:</p> <ul style="list-style-type: none"><li>• Workspace Vouchers,</li><li>• Hub Loans</li><li>• Events Sponsorship,</li></ul>
Employability Support	<p>Designed to help tackle the unemployment scourge among youths by helping them gain requisite knowledge and skills through vocational trainings and subsequently helping them get job placements.</p> <ul style="list-style-type: none"><li>• Employability Training</li><li>• Placement Support</li></ul>

## 1.3 LSETF Project theory, Logic Model and Outcomes of Interest

The LSETF entrepreneurship programme is based on a theory of change that when inputs such as loans at single digit interest rate (considerably lower than the bank's lending rate) are advanced to businesses, the increase in capital will lead to increase in capital turn-over, expansion of business, employment generation, and general better outcomes for residents in Lagos State.

For Lagos Innovates, the theory of change is that there is a great opportunity for job

creation in innovation driven enterprise ecosystem. Businesses in this sector show geometric growth trajectory, usually driven by the use of advanced technology and that by providing access to high quality infrastructure, learning, capital and networks, Lagos Innovates will confirm Lagos' position as the leading destination for start-ups in Africa and cause substantial job creation.

## 1.4 Logic Model

Table 2 contains the evaluation logic model that was used in the SIA to appraise the quality of delivery of the project by the LSETF.

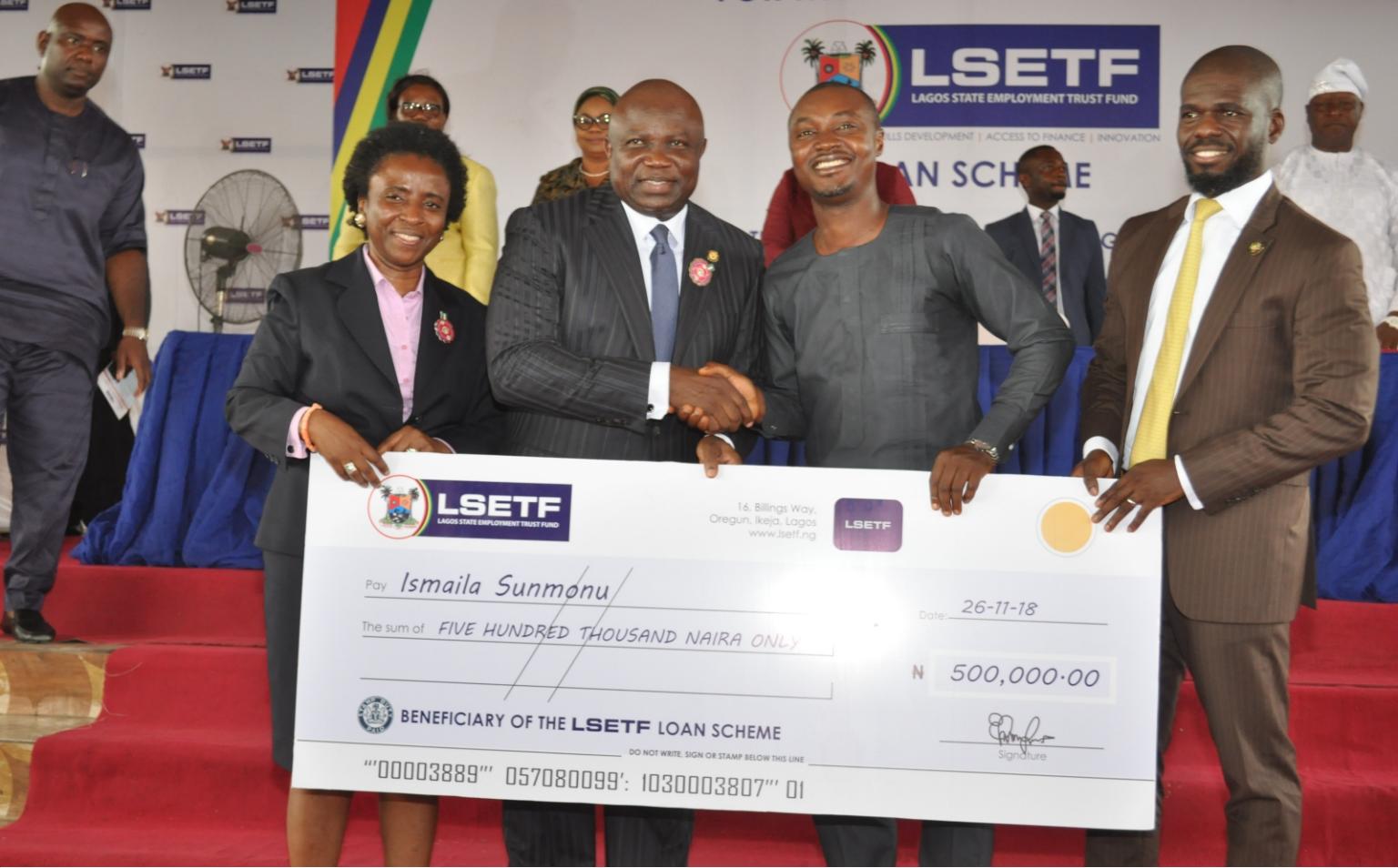
**TABLE 2: INSTITUTIONAL LOGIC MODEL AND IMPLEMENTATION STRATEGY**

	Stakeholders/ Enablers	Inputs Indicators	Outputs Indicators	Outcome Indicators
1	Fulfillment Partners	Value of funds contributed to LSETF	Total value of funds disbursed to LSETF Beneficiaries in different categories.	Number of direct jobs created Number of Indirect jobs created Number of MSMEs recording expanded capital. Number of Limited liability companies enrolled in PAYEE tax system
2	Business Development Service Providers (BDS)	Number of MSMEs offered BDS	Total number of successful MSMEs who received the loans after BDS in the 3 categories	Number of MSMEs new personal tax payers Number of MSMEs recording higher quality of life in form of affordability of essentials to business & private life Percentage of beneficiaries recording satisfaction with project.
3	Training Partners	Number of beneficiaries trained	Total number of certified, skilled, trained Individuals/ Artisans.	Number of trainees placed in employment (jobs) Number of trainees in self-employment. Number of employers who report satisfaction with quality of trainees Number of employers seeking placement from LSETF
4	Agencies (Fed & State)	Enabling policies delivered to LSETF		Whether implementation process recorded dynamism as a result of the agencies' presence
5	Partners (local & international)	Number of Entrepreneurship promotions		Number of linkages and support programmes recorded through the local & international partnerships
6	Local & international Funding Partners	Seed Funds	Number & value of funding partnerships recorded through international partnerships. Number & value of funding partnerships recorded through local partnerships	Number of MSMEs funded with seed funds Number of direct jobs created Number of indirect jobs created. Linkages fostered with the funding partners
7	Acceleration Partners	Number and types of acceleration programs		
8	Incubation Partners	Number of Incubations recorded		

## 1.5 SIA Objectives

1) To assess the impact of LSETF activities on beneficiaries (entrepreneurship and innovation) based on jobs created and business growth. The impact of employability training would be subject of another study at due time.

- 2) To identify ways that LSETF can improve its program delivery.
- 3) To identify fundamental areas where beneficiaries have benefitted the most and areas for potential future intervention.
- 4) To identify the socio-economic impact of LSETF activities.



- 5) To present the key findings in the form of an assessment report, highlighting key successes, challenges, lessons learned, recommendations and provide forward looking outlook on the development of LSETF with special attention to areas of improvement.
- 6) To evaluate the spread of the fund disbursement. Should there be a modification in the operational methods of the LSETF about its fund disbursement? Or a modification in its implementation policy?

## 1.6 Specific Issues/ Questions of the Consultancy

1. How many jobs were created both directly and indirectly from LSETF's intervention?
2. How much better off are beneficiaries because of the intervention?
3. Did the programs and activities of

LSETF deliver the value/type of intervention desired by the target Beneficiaries?

4. Does the intervention have a different impact on diverse groups by age, gender, location and business type?
5. Did the intervention lead to the desired outcomes, and if not, what are the areas of focus of LSETF based on the evidence gathered by the M&E Consultant?
6. Can the benefit be sustained for a longer period?
7. What would have happened if the intervention had not taken place?
8. What is the general perception of LSETF program?
9. Should there be modifications in the company's operational methods or implementation policies
10. Is the LSETF intervention inclusive (irrespective of gender, religion, tribe etc.)
11. Project efficiency

## 2. Methodology

The SIA was carried out as a desk study, and a field assessment. The literature review and field sampling programme were designed primarily as an evaluation study to provide information on project relevance, effectiveness, efficiency, impact and sustainability.

### 2.1 Literature Review

In-depth desk review of available project documents including Project Appraisal Documents, Annual Reports, internal and external appraisal reports. Desk review assisted in shaping the research issues as well as drafting of appropriate survey instruments and study design. Desk review was also invaluable to the following: Consideration of the different evaluation frameworks for social impact assessments and the selection of the most robust of them which would accommodate economic impact assessment and taking the decision on data gathering methodology for the SIA and development of survey instruments.



### 2.2 Field Work

The field work was organised in the following manner:

- A total of 15 seasoned field staff have been retained to undertake the questionnaire administration. The 20 LGAs have been distributed between them with 5 of this number allocated two LGAs each while 10 have 1 each. The distribution was made to ensure no enumerator is overburdened. The enumerators were allocated to LGAs contiguous to their

base. The enumerators have worked with Sages Consult for several years and are thus seasoned field staff with access to their personal resources of assistants that will also help in the questionnaire administration.

- The questionnaires were sent ahead by electronic mail to all the SME, Workspace Vouchers and Employability respondents because these categories are ICT capable. The field staff followed up with telephone calls to each of these respondents to ensure that mails were received and the instructions for completing the questionnaires are clear. As a quality control measure, for every respondent that is non-responsive after 24 hours such is substituted. This is to ensure that the response rate per LGA is 100%. For respondents who prefer in-person

administration, the field staff would ensure that they achieve this.

All Respondents in the ME and MES categories had in-person questionnaire administration. For efficiency, the field staff gathered the respondents in groups of 10 at different times during the survey and administered the questionnaire on each respondent. This was decided to be a better option to achieve maximum coverage in view of the time frame and the sample size which was substantial. The liaison officers were solicited to offer help in ensuring the cooperation of the respondents.

### 2.3 Sampling

The sample survey was designed to cover categorized enterprises as stratified below:

- a) SMEs
- b) MEs
- c) MEs start-up
- d) Employability Training
- e) Workspace Voucher

The register of the beneficiary enterprises and individuals obtained from the LSETF were used in drawing representative samples.

Coverage was based on Twenty Percent (20%) sample for SMEs, MEs, MES and Employment (Training). Workspace Voucher, due to the size was one hundred percent (100%) coverage and therefore not subjected to sampling.

The total number of beneficiary enterprises in each category were subjected to systematic sampling procedure and associated selected sample sizes were recorded as expected number of respondents. In the Systematic sampling procedure based on 20% sample size, a Raising Factor (RF) of 0.2 was applied and for SMEs with Total Population of 1088 enterprises yielded sample size of 218 beneficiary enterprises. Similarly, MEs of Total 6274 required 1,255

sample, MES of Total 584 requires 117 sample and Employability of Total 2868 require sample 574 enterprises.

In the systematic sampling procedure, the Consultant generated a sampling interval of 5 among whom a probability selection was made, and subsequent selection progressed after every 5 segments from the serialized list of total population. This exercise based on sampling interval of 5 was adjudged, would give a non-biased sample size as determined by 20% sample size required.

Given that the survey covered all the LGAs in the State, the distribution was subjected to total Number of beneficiary enterprises as categorized (Stratified). This was then applied to generate LGA Raising factor (RF) as proportion to size. Each LGA-RF was then dotted (multiplied) by the sample size for each enterprise stratum. The Distribution of samples drawn from each beneficiary enterprise stratum with LGA-RF.

The advantages of systematic sampling procedure include its error free and inclusiveness in coverage off every LGA. Other benefits include cost effectiveness and simplicity in adoption and management, especially as there is a good register of population. It must be pointed out that the systematic and stratified sampling gave way to mere random sampling in the instances where the selected respondents were non-responsive. In these instances, respondents were picked randomly from the Register as substitutes.

Table 3 below contains the planned sample size and distribution and the achieved percentage. Although 100% was planned, 91% was achieved overall. This was considered more than representative and justification for the findings following in Chapter 3.

**TABLE 3: SAMPLE SIZE-PLANNED AND ACHIEVED**

S/N	LGA	Survey Sample Questionnaire Administration		Distribution of Respondents across LSETF Intervention Sectors			Retrieval Rate (%)
		Planned	Achieved	MSMEs	Workspace Vouchers	Employability	
1	Agege	83	78	54	0	24	94
2	Ajeromi-Ifelodun	85	77	52	0	25	91
3	Alimosho	260	244	218	1	25	94
4	Amuwo-Odofin	85	76	48	0	28	89
5	Apapa	65	47	32	0	15	72
6	Badagry	80	73	47	1	25	91
7	Epe	120	115	91	0	24	96
8	Eti-Osa	82	73	48	2	23	89
9	Ibeju-Lekki	60	46	34	0	12	77
10	Ifako-Ijaye	125	120	91	0	29	96
11	Ikeja	115	99	77	2	20	86
12	Ikorodu	200	194	172	1	21	97
13	Kosofe	91	78	57	0	21	86
14	Lagos Island	101	95	71	4	20	94
15	Lagos Mainland	78	62	39	5	18	79
16	Mushin	164	153	122	1	30	93
17	Ojo	98	82	61	0	21	84
18	Oshodi-Isolo	130	124	101	1	22	95
19	Shomolu	81	72	51	0	21	89
20	Surulere	112	104	71	12	21	93
	Total	2215	2012	1537	30	445	91%

Note: All data collected in respect of Employability Training category are not subject of this report.

## 2.4 Non-beneficiary assessment

The non-beneficiaries of the LSETF intervention provided a basis for evaluating impact of the LSETF. The Consultant conducted a survey on a sample of this control group for the SI. The sample size was taken at 1% of the total sample planned and at 100% achievement, 22 persons in total were interviewed, one from each LGA and additional 2 from Amuwo-Odofin and Alimosho LGAs. The sample was drawn mainly from among applicants who had not yet been successful.

## 2.5 Data Collection Instruments.

The following instruments of data collection were used:

1. Semi-Structured Questionnaire comprising a mix of structured and unstructured questions. The questionnaires were administered on the beneficiaries. Structured aspects sought to obtain quantifiable data and in areas of qualitative type questions quantifiable aggregates were made extractable by a Likert Scale framework introduced as appropriate. The mix of questions also contained unstructured interview questions which allowed the respondents

to give their opinions in a free manner.

2. Structured interviews/Key Informant Interviews were used to obtain data on the project financial management and monitoring and evaluation processes, their adequacy or inadequacies. The structured interviews were also used for other project stakeholders such as the financial institutions (banks and MFBs) as well as Service providers.
3. Focus Group Discussions (FGD) were undertaken at state level in one central place-at the Lagos Chamber of Commerce and Industry Seminar room on the 22<sup>nd</sup> of November 2018. Participants for the FGD Entrepreneurship cadre were 60 in total, 3 per LGA and one each from the 3 entrepreneurship sub-categories. FGDs were not held with the Employability and Technology/ Innovation group because the issues that pertained to this two groups were sufficiently addressed by the respondents in the questionnaire's open-ended section comprising challenges and recommendations. The Logical Framework Approach (LFA) was used at the FGD and it made it possible to ascertain the causal linkage of project resources to project outputs and through this process, it would be possible to establish whether the project was relevant, effective, efficient and in particular sustainable. In particular the FGD gave valuable insight into the project challenges, lessons learned and recommendations for improvement of implementation.



## 2.6 Quality Assurance

The Consultant has ensured strict quality control measures for all stages of data collection in both quantitative and qualitative segments:

- The survey instrument has been pre-coded to guarantee quality of data entry and analyses.
- Field personnel have been adequately trained and will be supervised every inch of the process. Interview guides were used to conduct interviews and during translations.
- Questionnaire notes have been prepared and given to all field staff to give clarity to some of the questions in the instrument.
- Each LGA set of questionnaires is numbered such that the number of respondents will coincide with the number expected.
- Survey must record 100% of sample thus a back-up Respondent Bank of names have been provided to field staff to substitute non-respondents within their LGAs.

### 3. Findings on Research Questions

#### 3.1 Project Inputs, Activities and Outputs

Table 4 contains data on project inputs and activities. The inputs are the direct funding to the project. There are other inputs which are contributed to the LSETF as an institution such as inputs from all Stakeholders, fulfilment partners, BDS and Training partners. Those are not captured under this SIA because the consultancy relates to the LSETF intervention and not to the Institution. Thus, overheads of the institution and capital costs are not considered as inputs to the intervention.

**TABLE 4: PROJECT INPUTS AND OUTPUTS**

Intervention	Inputs	Activities	Output	Outcomes
SME Loan	3,368,751,834.64	<ul style="list-style-type: none"><li>● Entrepreneurship Training</li><li>● Loans</li><li>● BDS</li></ul>	1,005	The outcomes indicators specified by the Fund is the number of jobs that have been created from all the interventions and the number of new tax payers added to LASG. The results are contained further below under Project Economic Analysis
ME Loan	2,335,154,731.00	<ul style="list-style-type: none"><li>● Entrepreneurship Training</li><li>● Loans</li><li>● BDS</li></ul>	6230	
MES Loan	126,918,889.13	<ul style="list-style-type: none"><li>● Entrepreneurship Training</li><li>● Loans</li><li>● BDS</li></ul>	582	
Workspace Vouchers	38,000,000.00	Workspace Vouchers in lieu of Cash	50	Raise the survival rates of tech start-ups in Lagos State.
<b>Total</b>	<b>5,868,825,454.77</b>		<b>7,867</b>	

#### 3.2 Project Effectiveness

“Effectiveness is a measure of the extent to which the intervention's intended outcomes, i.e. its specific objectives – intermediate results – have been achieved.” Effectiveness can be seen as the causal relationship between the intervention's outputs, that is, the products and the outcomes which usually are the intended benefits for a particular target group of beneficiaries. The LSETF intervention will thus be considered effective when its outputs produce the desired outcomes.

In order to ascertain whether the LSETF interventions are effective at this stage of the SIA, it is important to set out the key

performance indicators (KPIs) of the LSETF. What did the LSETF set out to accomplish and for which they invested the inputs (resources) of money, labour, time and conducted all the activities of sensitisation, training, monitoring etc.

An evaluation of effectiveness will also necessitate a consideration of the major factors influencing the achievement or non-achievement of the objectives?

The effectiveness of the KPIs will be assessed for the two years of loan disbursements since the project term still has one more year to end-term. Thus, only two-thirds of the planned KPIs will be assessed at this stage.

## **BOX 1: PROJECT KPIS BY END TERM IN 2019**

The KPIs for effectiveness as set by the LSETF are as follows:

1. To fund 28,057 (Twenty-Eight Thousand and Fifty-Seven) MSMEs by 2019.
2. Create at least 133,000 Direct and 218,000 Indirect jobs by 2019
3. Add over 150,000 New Tax Payers.
4. Achieve sustainable funding by ensuring non-LASG sources contribute at

## **BOX 2: PROJECT KPIS EXPECTED BY 2018**

By 2018 and at the time of the SIA LSETF is expected to have achieved the following KPIs (two-thirds of the end-term project KPIs):

1. To fund 18,705 (Eighteen Thousand, Seven Hundred and MSMEs.
2. Create at least 88,667 Direct Jobs
3. Create at least 145,333 Indirect jobs.
4. Add over 100,000 New Tax Payers.
5. Achieve sustainable funding by ensuring non-LASG sources contribute at least 35% of total funding.

### **3.2.1 Effectiveness of KPI One: Number of Loans to MSMEs**

**TABLE 5: EFFECTIVENESS RATE OF LOANS DISBURSEMENTS**

KPIs	Planned 2019	Achieved	Effectiveness
Loans to MSMEs by 2018	18,705	7,817	41.8%

With an effectiveness of 41.8%, the fund has achieved less than half of planned disbursements by 2018 and projecting forwards this will make the attainment of the planned 28,057 by 2019 dicey. The reason attributed for the less than optimum performance is inadequacy of funds.

Paucity of funds impacted effectiveness in two ways. First, the LASG was unable to release funds to the project optimally and at the expected periods. Second, the demand for loans by Lagos residents far exceeded the total supply of seed funds available for each year which meant that LSETF had to rationalise disbursements to cover as many beneficiaries as possible. In the first year of disbursement, SME loans which are the more high-value loans (SMEs) were accorded

some advantage but this meant that fewer number of beneficiaries were granted loans than would have been granted if the lower-valued loans in the ME and MES categories had been given loans.

Table 6 shows a comparison of number of applications received in the three MSME categories and the number of loans given. The result confirms that demand was exceedingly high and that only a relatively small percentage could be provided loans by the LSETF. This confirms that more funds are required to meet the demand. This is a positive indicator that the LSETF MSME intervention is addressing a real need of Lagos residents.

**TABLE 6: RATE OF APPLICATIONS**

Intervention Sector	MSME Applications	MSME Loans Granted	Percentage
SME	6439	1005	27.86%
MEs	29,716		20.96%
MESs	5360	582	10.85%
Totals	41,515	7817	18.82%

### 3.2.2 Effectiveness of KPI Two: Number of Direct and Indirect Jobs Created

Direct jobs are employments that are a consequence of a particular intervention, that is, workers employed by as a result of the LSETF funds to MSMEs and placement jobs created as a result of employability training and placement. By contrast, indirect employment refers to job creation and business growth in the local economy as a result of demand created by the project and its direct employees. Data on direct jobs for the MSMEs were further disaggregated into Management and Administrative positions and into gender.

It is expected that when the MSMEs received the loans, business activities would immediately be stimulated within and outside their environment. Activities within their enterprises would lead to direct jobs and

indirect jobs would result around the local economy of Lagos State. For example, the International Finance Corporation found that a milk processing plant it funded in Bangladesh starting in 2008 directly employed 300 workers after three years. The IFC also found that the project stimulated local businesses and the creation of 2,200 indirect jobs for agricultural workers, milk collectors and distributors over the same period, multiplying the project's impact on the local economy and employment. The Consultant employed the World Bank/IFC models for the economic analysis on job creation, cost of job creation and the results are contained under economic analysis in Chapter 3.6. The following table is an extract of the results for purposes of reporting on effectiveness of the project. Issues of efficiency is contained in Chapter 3.6.

**TABLE 7: EFFECTIVENESS RATE OF DIRECT AND INDIRECT JOBS**

KPIs	Planned By 2018	Achieved	Effectiveness
Direct Jobs created	88,667	10,550	11.89%
Indirect Jobs created	145,333	79,128	54.44%

### 3.2.3 Effectiveness of KPI Four: New Tax Payers

**TABLE 8: NEW TAX PAYERS**

KPIs	Planned By 2019	Achieved	Effectiveness
New Tax Payers	100,000	41,515	41.51%

### **3: REMARKS ON KPI 4 ON NEW TAX PAYERS**

A technologically driven system should be deployed to link beneficiaries' companies to LIRS PAYE system. Presently only the beneficiaries are tracked as tax payers because since possessing a Tax ID was a prerequisite for the application and registration process. LIRS should be invited to enrol the beneficiaries in the PAYE system such that the intent of this KPI will be fulfilled in a manner that can be tracked.

### **3.3 How much better off are beneficiaries because of the intervention?**

#### **3.3.1 Beneficiary Assessment of Impact of MSME Loans**

The survey assessed impact across a range of fifteen (15) indicators that related both to business and personal life such as capacities to meet business and personal financial obligations; to save; operating surpluses, increase in productivity, poverty alleviation etc. A Likert scale evaluation was adopted to judge beneficiary business health post intervention. The judgement scale was criteria was whether with the grant of the loans, business operation of the enterprises was worse off, remained the same (unchanged), became better or became excellent. The factors for testing business health were carefully chosen to reflect only those that could actually determine business health. There were 15 such factors as shown in Chart 3.

The results trend positive largely. 60.2% of the average counts across the 15 indices showed business health as better. When this percentage is combined with the 11.7% that recorded excellent improvement, a total of 72% record great improvement across board. Only 3.9% said their businesses are worse off, while about 24% say the businesses

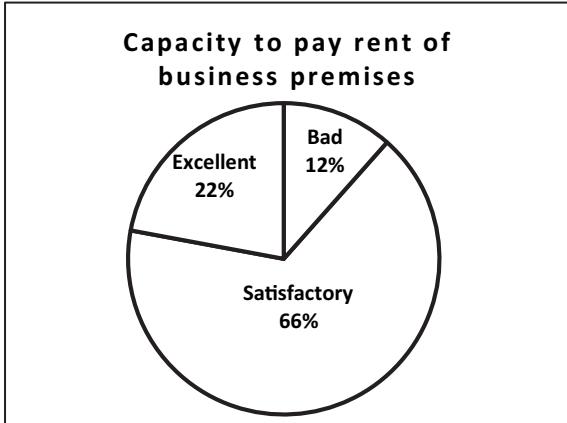
have remained the same. In a total 1,537 MSMEs in the survey sample, those whose businesses are worse are about 60 in number. Looking deeper into the survey, SMEs recorded 83% of this subset and the explanations given ranged from factors of misfortune such as accidents that incapacitated the business owners from overseeing the businesses, some claimed they were defrauded, and some diverted the funds into businesses different from what they had obtained the loan for and ran into difficulties.

Some of the subset along with those whose businesses remained the same had scant integrity. They never intended paying back in the first instance. The fund must ensure that there is no political hijack of the project going forward. This is because, so beneficiaries alluded to having become aware of the LSETF through political affiliations

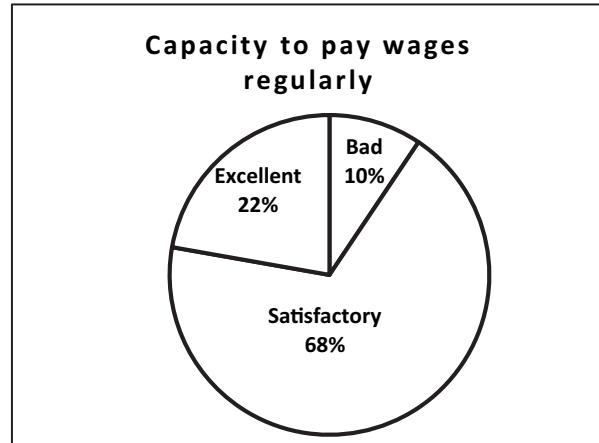
#### **CHART1: CAPACITY TO PAY RENT**

The notable improvements (combined better and excellent) are as follows: Improved business and self-esteem (82.4%); productivity greatly improved (78.1%); poverty alleviation (78%); profitability increased (75.2%); potential for expansion (74.9%); sustainability of Income and profitability (74.3%); increasing transition from informal to formal business operations

**CHART 1: CAPACITY TO PAY RENT**



**CHART 2: CAPACITY TO PAY WAGES**



(71.7%); ability to attract more credit or investment (credit worthiness) (71.4%); ability to meet business and personal financial obligations (70.5%) each; capacity to pay taxes (67.6%) and payment of taxes (66.6%) and employment generation (64.8%).

There was marked improvement in the capacity to pay rent of business premises and in payment of wages and salaries.



**LSETF**  
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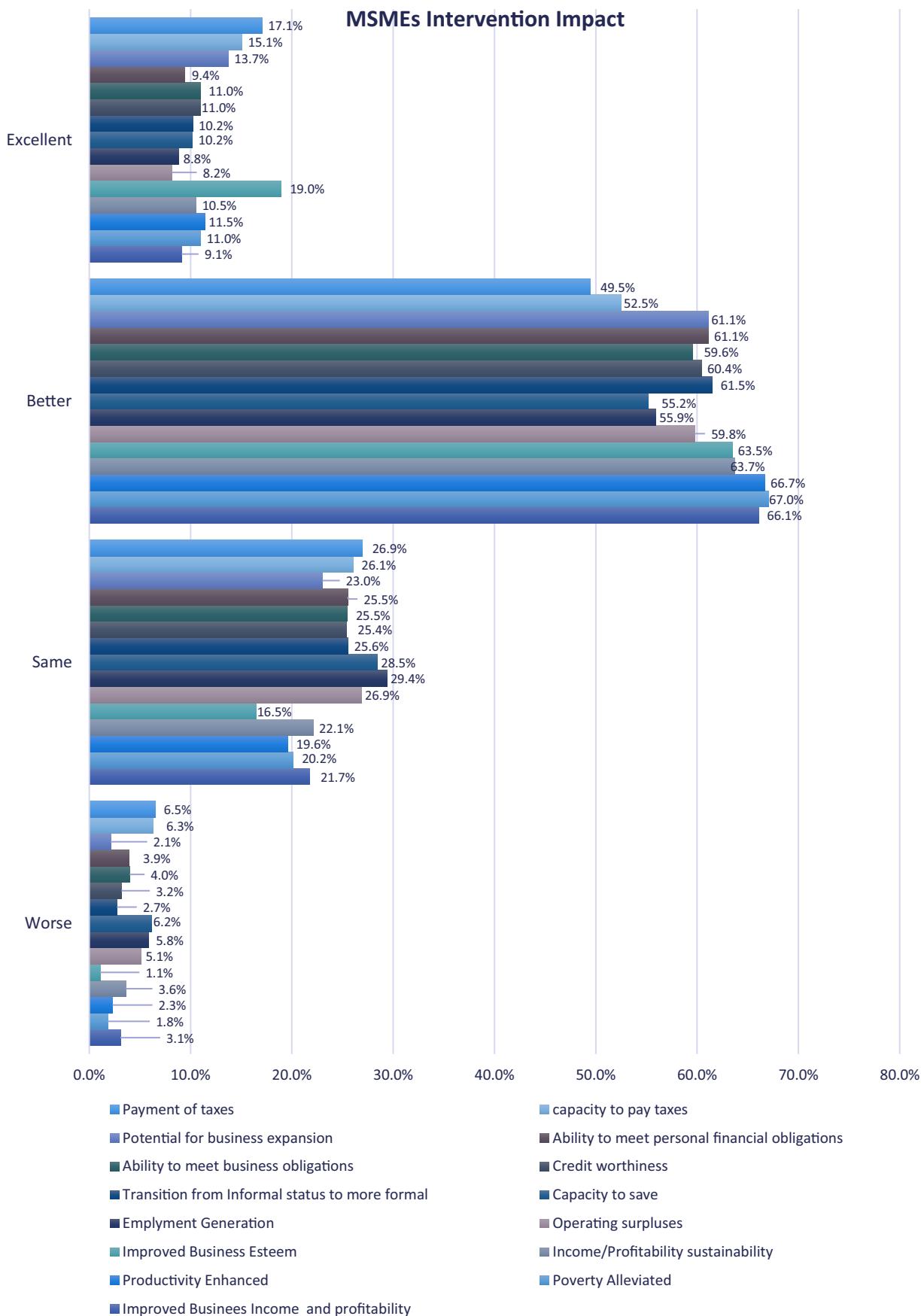
**LSETF**

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**22**

The sum of FOUR HUNDRED AND EIGHT THOUSAND, EIGHT HUNDRED

**CHART 3: INTERVENTION IMPACT ACROSS 15 INDICATORS**



### 3.3.2 Ability to repay the loan from Business Proceeds

**CHART 4: Loan Repayment Sources**

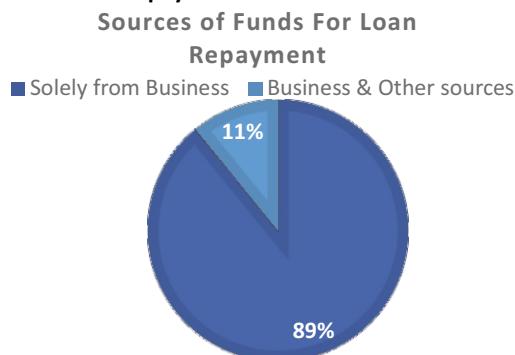


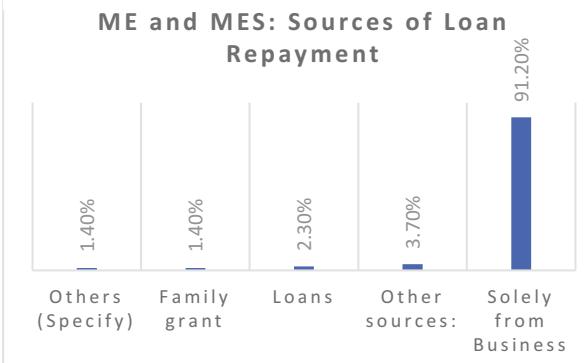
Chart 2 shows that 89% of beneficiaries are repaying the MSME loans solely from the business proceeds while a mere 11% have had to use both business proceeds and other sources. This suggests that the business turnover increased. Some respondents also stated that for the first couple of months repayment was from the loan itself since some part of the loan was for working capital. The number of this subset was less than 3% of the 89% and as such not substantial.

The favoured reason for the repayment was the interest rate of 5%. This is perhaps the singular best factor in the LSETF intervention because the rate is the best comparatively in the financial market. Some beneficiaries hitherto had obtained loans from Micro Finance Banks (MFBs) which granted loans at between 37-35% and the loan repayment terms were said to be onerous and borrowers and their guarantors endured much harassment from the lender's in the event of default. The 5% interest was very affordable. Comparatively, LSETF loans were not onerous and the tenure was deemed appropriate across the three MSME categories.

A range of reasons were adduced by the 11% sample subset that needed help to pay back the loan. Most had help from family members. The SMEs are more prevalent in the subset making up about 70% and the explanation for this ranges from the prevailing poor economic conditions in Nigeria which compromised purchasing power of consumers, ill-advised large stock of inventory and finally to the disparity in the

loan sought and the loan granted by LSETF. Many said that they were unable to attain or achieve the purpose for which they sought the loan because what was given was inadequate.

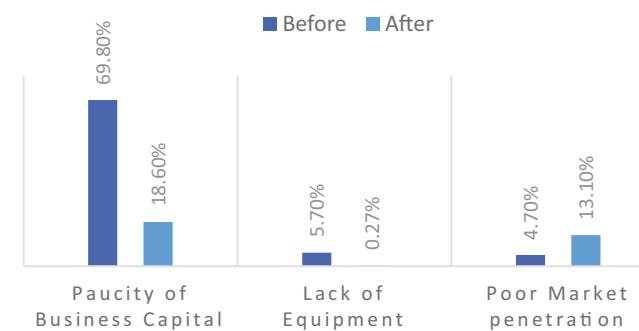
**CHART 5: LOAN REPAYMENT ME & MES**



Digging deeper into the data, there are slight differences in the sources of funds for the repayment among the three entrepreneurship categories. 91% each of the ME and MES repay their loan solely from the business. It should be pointed out that a majority of the ME are in commerce and turnover improved with the injection of capital into their business. Many of the MES are also involved in commerce with some of them bearing minimal overheads as they maintain online stores and use technology to advantage. The SME cadre records that 86% repay solely from the business.

### 3.3.3 Differences in Growth Factors Before and After Intervention

**CHART 6: GROWTH IMPACT**



From Chart 3, 70% of beneficiaries said the most severe factor militating business growth & profitability was lack of capital prior to the loan. After the loan only 19% of them still have

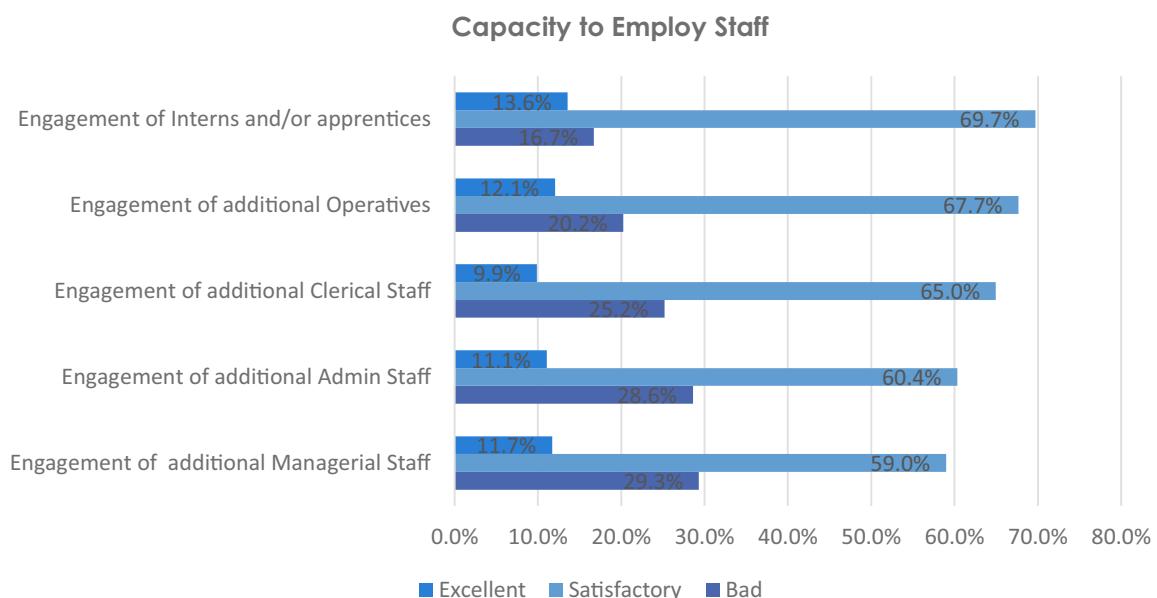
a severe need for capital. This shows that the intervention solved the problem that was prevalent.

The 2<sup>nd</sup> most severe factor before the loan was lack of equipment and machines. This factor was however not as severe as lack of capital. At nearly 6% incidence before the loan the factor reduced almost totally to less than half percent (0.27).

An outlier occurrence was observed in the aspect of market penetration with more people (13.10%) reporting poor market penetration after the loan, an increase of about 9% above those who found the condition severe before the loan. At the FGD, the reason adduced was that with more money invested, more goods were produced into a market that was not receptive because of weak consumer purchase power.

### 3.3.4 Capacity to Employ Additional staff

CHART 7: CAPACITY TO EMPLOY STAFF



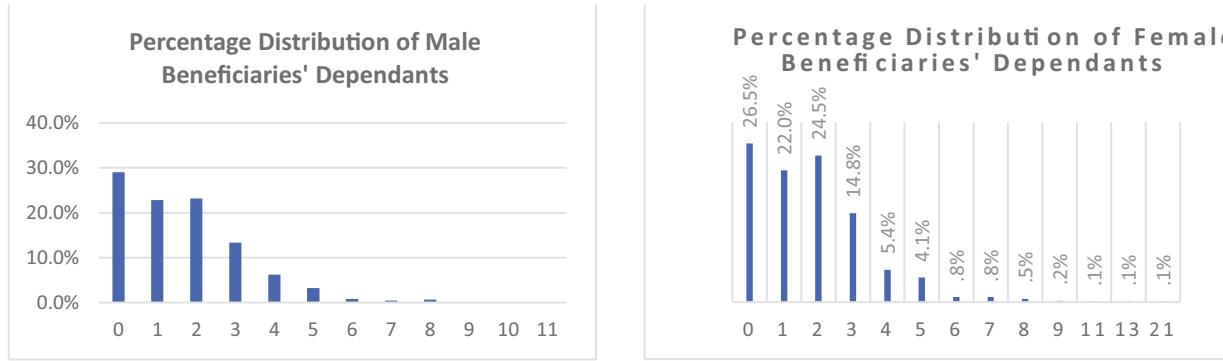
Beneficiaries' capacity to employ staff of different cadre was boosted by the loan. The impact was almost at par across all the cadres for Management and Administrative staff and lowest for operatives. This is expected as the respondents are themselves the management staff of their respective enterprises and management staff are higher paid staff, an expense that the business should not need to absorb with its present indebtedness. The SMEs were the subset that hired Management cadre staff and the new staff were middle management staff rather than top management. The hire

of interns and apprentices was also prevalent among the SMEs while clerical staff and ad-hoc was common with the MEs and MES.

### 3.3.5 Capacity to cater for dependants

It was very important to the Female beneficiaries that they were able to cater for their dependants and as the charts below show, the Female beneficiaries also had a good number of dependants. 26% of the female cohort had no dependants while about 60% had between 1-3 dependants.

**CHART 8: CAPACITY TO CATER FOR DEPENDANTS**



Female beneficiaries in the sample have an average of 5 dependants each while their male counterparts have an average of 4. This means that about 2000 beneficiaries are actually responsible for at least 10,000 persons.

### 3.4 Did the programs and activities of LSETF deliver the value and/or type of intervention desired by the target Beneficiaries?

#### 3.4.1 Project Relevance

Relevance of a project "is a measure of the extent to which the development interventions meet population needs and also country priorities." The intervention must relate to the needs of the people it is meant to serve and must also meet the goals of the donor of the intervention.

In the case of the LSETF, relevance relates to the following:

- What is the rationale for giving loans at 5% to resident MSMEs of Lagos State?
- What is the rationale of training the unemployed and placing them in jobs after the training?
- What is the rationale of setting up

young innovators with Workspace vouchers that entitles them to tenancy of a technology hub?

- What areas of felt need led to these interventions and how do the interventions advance the course of LASG?
- Were the interventions to serve a political agenda of a few or genuinely to serve the needs of the people?
- How do the interventions serve the interest of larger society such as Nigeria?
- Will the interventions be relevant for a long while or will they just endure in the short term? These questions should be addressed at various levels with reference to the partner country:

The LASG's rationale for the LSETF is based on sound doctrine and supported by statistics. LASG is concerned that LASG houses a sizeable number of the unemployed in Nigeria and that many of them are youths who are known to be restive. By 2017, deriving data from the national figures of 2017, the Lagos State unemployment figure was 2.3 million in a total workforce of 7.1 million. This represented persons either unemployed or underemployed. The resultant percentage was 32.7%, 7% lower

than the national average and the 10th lowest rate in the country. Unemployment thus was and remains a problem. But can the LSETF interventions as constructed drive employment which means create jobs?

**How Relevant was Project to the needs of the Beneficiaries?**

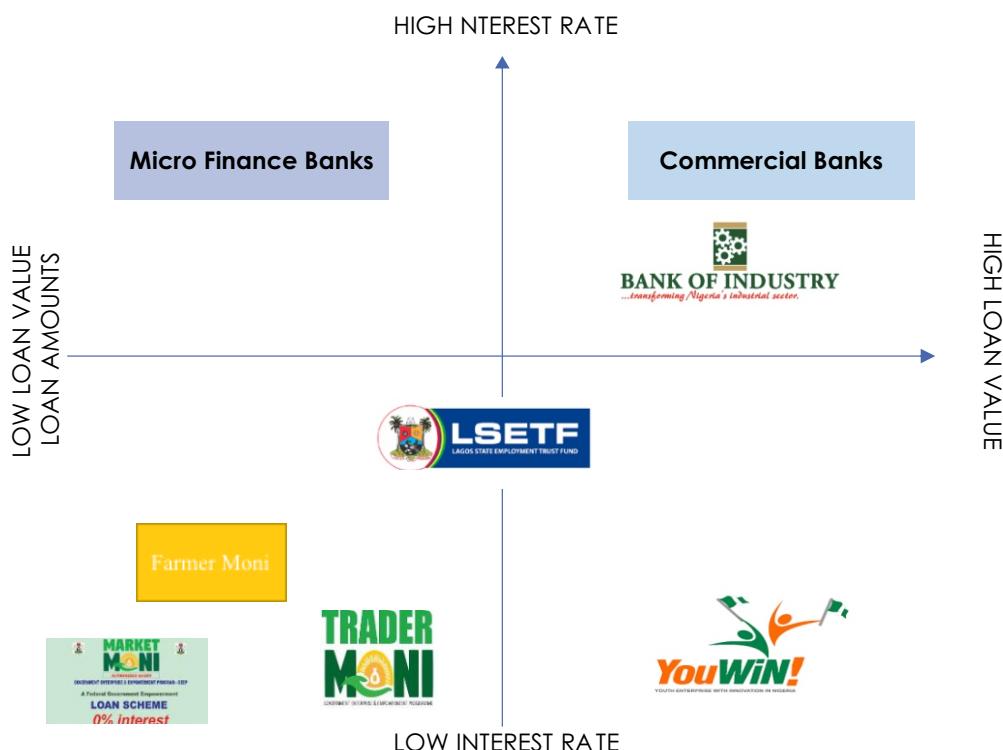
### 3.4.1.1 Relevance of Entrepreneurship Loans

The LASG believes that funding of businesses is critical to performance of the businesses and that a business will expand and employ more persons if it has adequate funding. While capital is available in Nigeria from commercial banks and a myriad of other financial institutions the problem had always been the interest rate. The lending rate of commercial banks have remained high for decades historically averaging between 23-27%. The FGN interventions through the Bank of Industry excludes many MSMEs because of requirement for collateral and documentation. Micro Finance Banks that were set up with the mandate of lending to

Micro-Enterprises have interest rates sometimes higher than the commercial banks. While stakeholders the pivotal role of small businesses in driving Nigerian growth and GDP, it has always eluded them how best to provide impetus to the sector to drive growth.

The LSETF's intervention unique selling proposition (USP) thus is in the single digit (5%) interest loans for MSMEs. Other USP components include; no collateral requirement and the fact that Micro enterprise start-ups can access relatively small business capital and be introduced gently into the world of self-employment. To test the issue of project relevance, a comparative analysis is contained in the positioning map below between similar interventions targeted at the MSMEs in Nigeria. The aim is to see the relative/comparative advantage that the LSETF to others, if any.

**FIGURE 1: LSETF POSITIONING MAP**



LSETF unique delivery platforms that makes it dynamic. The lowest entry point is the MES where loans from have a maximum of N250, 000. What this means is that beneficiaries can access N0-250,000. Indeed, field survey showed beneficiaries who received loans of N87,000 and N105,000. In this category, LSETF compares with the FGN's Market-Moni save that the latter is interest free and the tenure is 6 months. The LSETF MES is for a duration of one year and attracts 5%. It is noteworthy also that the MES seeks to develop the business capacities of the beneficiaries by the entrepreneurship training given prior to the grant of the loan. The two interventions do not rule out the possibility of a follow up loan if the beneficiary is diligent in paying back the first loan. While Market-Moni uses this as a bait, LSETF MES is not vocal on this.

The ME which has a minimum of N250,000 and maximum of N500,000 compares with the FGN's Farmer-Moni loans especially as Farmers are also enterprises that LSETF gives loans to. The LSETF SME loans has between N500,000 to 5,000,000 on offer. At this level it is in between YOUWIN and BOI loans. The 5% interest rate means that it is the better option for any business owner who needs low amount of loans. The USP of LSETF is the fact that the alternatives the business owners have to LSETF are the Microfinance Banks and the Commercial Banks and the interest rates are astronomical.

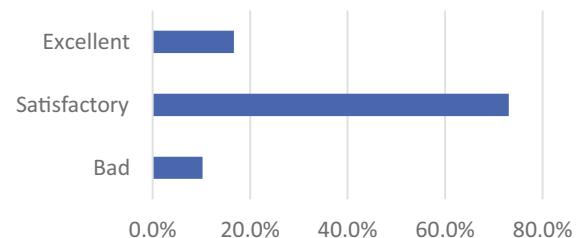
### **3.4.1.2 Relevance of Workspace Vouchers**

Workspace Vouchers are aimed at supporting very early stage founders and start-ups (ideation to seed stage) by providing them facilities in lieu of money. The facilities comprise well-equipped workspaces and collaborative environments. Provision of ideal and conducive workplaces free the beneficiaries

from burden of funding individual workplaces which stifles them from money for ideation and development of the businesses and allows them to focus quickly on building their ventures. The vouchers do not cover total costs of the workspaces, rather they contribute to the total by defraying between 30-50% of the total monthly cost of workspaces.

Workspace Vouchers are in two categories of Individual and Team. There are three types of Vouchers within the 2 categories. Individuals can be granted either Voucher Type A or B. Type A voucher is for a maximum of 3 months at the value of N12,000 per month, while Type B is for a duration of 6 months with a monthly value of N20,000. Voucher Type C is reserved for Teams and it is for a duration of 12 maximum at the monthly value of N150,000.

**CHART 9: WORKSPACE VOUCHERS**



The number of vouchers to be granted during project tenure was 250 (100, 100 and 50 Types A, B and C respectively). At the time of the SIA the LSETF had granted 50 Vouchers. This represents 20% effectiveness. The reason for the less than optimum performance is the inadequacy of funds which saw LSETF pragmatically rationing output across the intervention sectors.

One key M & E aspect that the LSETF will need to review is the absence of performance indicators for the beneficiaries. The beneficiaries must be evaluated at intervals within the project and so also should the Hubs that provide the workspaces. This issue was tackled the FGD with beneficiaries and recommendations are contained in the beneficiary assessment of Workspace voucher below.



Lagos State Governor, Mr. Akinwunmi Ambode (2nd left); with one of the beneficiaries of the Lagos State Employment Trust Fund (LSETF) Loan Programme, Mrs. Victoria Adeyemi (right); Commissioner for wealth creation and Employment, Pharm (Mrs) Uzamat Akinbile-Yusuf (left) and Chairman, Board of Trustees, Lagos State Employment Trust Fund (LSETF), Mrs. Ifueko Omoigui Okauru (2nd right) during the LSETF Cheque presentation ceremony at Blue Roof, Agidingbi, Ikeja, on Monday, November 26, 2018.

### 3.4.2 Beneficiary Assessment of the Value of LSETF MSME Interventions

Beneficiary Assessment of value of the interventions was undertaken at the FGD. The beneficiaries were able to give insight into how satisfied they were with the project and the areas of most value. A Likert Scale Traffic Light Model was used as evaluation scale. Issues of the FGD were discussed one after the other and participants were asked to give a score between 1-3 for each issue individually. The scores were collated, and averages derived, and the final score was ranked as follows:



A score of 1 is ranked red signifying poor performance

A score between 2 is ranked amber signifying average performance but in the right trajectory

A score of 3 is ranked green which signifies excellent performance

The results from the FGD are contained in the Table below:

**TABLE 9: BENEFICIARY ASSESSMENT OF THE VALUE OF LSETF MSMIE INTERVENTIONS**

S/N	Issue	Discussion Points	Output/Outcome & Effectiveness		What can be improved?	Efficiency	Recommendations for Improving
			Performance Score	What was done right?			
1	Did the intervention lead to the desired outcomes? and if not, what are the areas of focus for LSETF	Robustness of selection criteria & process.		No collateral requirement. Online process was pragmatic & with no stress. Process was transparent and fair Documents needed are easily attainable.	Process of verification can be made more sacrosanct especially for manufacturing and agriculture applicants. Inspection report would give a good picture of the rationale for loan amount requested.		Selection panel should include specialists in agriculture and practicing manufacturers, so they will understand the applicant and can judge loan request credibly.
	Pre-disbursement training (BDS)			Training is fit for purpose which is to introduce applicants to the essentials in running a successful enterprise.	Training is not comprehensive enough especially for those who have been running enterprises. Duration is too short. Sector specific training may be more advantageous than the general training.	Longer duration for training Introduce 2 days of sectoral training. This means a 3- day general training and a 2 -day sector-specific training	
	Post disbursement BDS				Site visits Mentoring MSME Clinics	Introduce mentoring into the process. Pair enterprises to more established entrepreneurs in related fields as mentors to whom the Mentees can refer issues to. Organise follow-up workshops (MSME) Clinic and conduct troubleshooting sessions so members can solve problems as a group.	
	Loan adequacy			Fair Between 50 to 70% approval rate	Loan insufficiency is rife because loans requested are reduced by approving panel Lack of working capital.	SMEs should be made to develop Business/Feasibility plans in a uniform template to be provided by LSETF.	

		Criteria used to judge ability to pay back which is bank account records (turnover) should not be the only criteria used Loans of specific amount for development projects become inefficient when they are cut to a level, they become inadequate for the request.	Panel approving loans must have as members industry practitioners, so they can understand the business case for the loan amount requested.
Interest rate	<input checked="" type="checkbox"/>	Extremely good	Rate is perfect
Loan repayment terms	<input checked="" type="checkbox"/>	Very fair and considerate	Commencement of repayment almost immediately the loan is given If default occurs a period of grace should be considered
Interface with Banks	<input checked="" type="checkbox"/>	Banks are professional and supportive. Some like Stanbic IBTC also gave some Entrepreneurship training and starter packs	Banks should allow repayment to be within a duration of 3 days before considering the payment as late.
Interactions with LSETF	<input checked="" type="checkbox"/>	Staff are ethical, pleasant and are not biased or seeking to benefit from the applicants in any way	The interface with LSETF Office sometimes difficult especially during the application process as it is tedious to get explanations.
2 Is the LSETF intervention inclusive (irrespective of gender, religion, tribe etc.)	How fair was LSETF's selection processes as regards:  Ethnicity		To make process even more inclusive minority tribes could also be drawn in.  In a Yoruba speaking state, it was truly amazing to see that non-Yoruba had equal treatment. No bias experienced on account of tribe.
	Gender	Female gender was adequately considered	Consider affirmative action to draw in a percentage of minority ethnic groups in Lagos State  Widows should be especially considered for MES loans

	Religion	No bias on the grounds of religion reported.	few women had their loans taken over by their husbands
3	Should there be modifications in the company's operational methods or implementation policies.	<p>Efficiency of application process in respect of time</p> <p>Online application makes the process faster and more efficient</p> <p>Turn-around time are longer for some than others. Paper process for those unable to complete online should be disuaded as this may compromise the neutrality of staff</p> <p>FAQ should be provided for all applicants to reduce provide better communication and support for the application process.</p>	<p>LSETF should continue to be gender, ethnicity and religion neutral.</p> <p>Turn-around time should be short and uniform. If applicants do not meet turn-around time, then application should be considered invalid and another commenced.</p>
	Loan term	MES, ME and SME tenure are adequate and fair	<p>There is no support for beneficiaries who encounter difficulties in payment during the term</p> <p>An interface desk should be maintained for report of human instances of accidents and emergencies or act of God situations beyond the beneficiaries' control which may delay some installments</p>
	Moratorium	Some SMEs got moratorium	<p>Many were required to start paying back immediately (second month of loan)</p> <p>Moratorium should be granted to all beneficiaries.</p>
	Working capital requirements		<p>Consider approving some percentage of the loan as working capital especially for the SMEs.</p> <p>Loan was approved lump-sum without details of working capital and CAPEX. This left the beneficiaries to adjust CAPEX and sometimes in a manner detrimental to the objective for which loan was taken</p>
4	Guarantors	Guarantors are not harassed unduly	<p>Consider holding a workshop for guarantors and incorporate them into a monitoring framework of the loan recovery process as stakeholders.</p>
4	How do we ensure that the gains from the	Capping up process?	<p>Just like the FGN's Trader_Moni, it should be automatic that beneficiaries who successfully paid</p> <p>Cap-up loans should be allowed as of right.</p>

	interventions are sustained		loans after paying back but this is not formalized	back first loan should have ready access to cap up loans
	Appeals process		Ad-hoc and non-formal appeals process in case of loan default	Establish a more formal appeals' process or loan defaulters
	Marketing support		LSETF invites beneficiaries to Trade fairs without any cost to beneficiaries	Not all beneficiaries get invites to these promotional fairs. LASG does not offer market/sales support linkages.
5	What would have happened if the intervention had not taken place?		How does the LSETF loan compare with other sources of funds before intervention:	Lowest interest rate around
6	How much better off are beneficiaries because of the intervention?		Business health prior to and after loan: Did the loan improve turnover? Did the loan improve profitability?	Turnover improved after loan Profitability would have been very poor without the loan
	Did the loan cause staffing to expand?		Ability to hire and pay staff improved with the loan	Moratorium Interest free moratorium Do more legally to promote ease of doing business in Lagos State.
				Consider granting some tax rebate for the proprietors of manufacturing companies. Help with the application for NAFDAC/SCN etc by acting as agent to the beneficiaries.
				Facilitate a training for beneficiaries to be provided by LIRS to teach tax education and enlightenment.

	Did the loan cause a boost in self-esteem & hope for the future?	Self-confidence is boosted	Encourage and facilitate the setting up of Social Media Groups along sector lines so that peer to peer support can become one of the best practices of the LSETF. Cooperative Society could also be established for LSETF cohort which can in turn lead to a funding vehicle for future loans.
7	What is the general perception of LSETF program?	<p>On term of the loan</p> <p>On the repayment terms?</p>	<p>Some banks have provided training.</p> <p>Fair tenure and fair monthly installments</p>
	On the due diligence undertaken prior to loan	Credible process. The enumerators truly verified the applicants	Consider graduating the monthly installments such that if moratorium is not granted the repayment for the first 2 months would be reduced and later increased over a period to still end in the one-year term.
	On the ethical considerations- (corruption allegations?)	Ethics were very high across all the processes of the loan application.	Maintain the process.
			This is the best practice of the LSETF and should be guarded.

### **3.4.3 Beneficiary Assessment of Workspace Vouchers**

An FGD was held with the beneficiaries of Workspace Vouchers to get feedback on the issues around the vouchers and especially about outputs. Including job creation, investors, product development stages, impact of the vouchers, challenges encountered and how the LSETF may review the project for greater impact.

Some of the key findings are as follows:

- The voucher solved one of the biggest challenges the grantees were faced with which were infrastructure specifically suited for innovation including workspaces, power, internet, collegiate/cohort peer support and accommodation for.
- The voucher freed up money of the grantees for other input into their ventures.
- The application and selection processes were fair and unbiased in all material respects. Process was conducted online, and grantees selected on merit of their applications.
- The workplaces are conducive, and facilities are generally satisfactory, and has helped business growth.
- The peer support has helped in translating concept into products because of there is a cohort that grantees brainstorm with and challenges are discussed, and solutions become apparent. Also, meaningful relationships leading to business partnerships have developed.
- Grantees have been able to employ staff and interns because the money that would have gone into provision of facilities have been channelled to staffing.
- Having a great workspace that is open 24-7-365 with electricity and internet access has been quite beneficial to operations and to engineering teams.
- Grantees especially of type B and C vouchers have completed product development and have launched and earning income.
- Securing Investors has not been quite successful but at least 76% of Beneficiaries believe they are ready to pitch their product to investors. 18% believe they have excellent chances of investor funding to marketing of their innovations.
- Beneficiaries have created on the average, 4 jobs per person.
- The potential for job creation in technology is high. Some of the products developed such as the Teaching application that engages persons to teach students on hourly basis has enrolled thousands of teachers, but this have not been counted as jobs because of the adopted definition of jobs as 30-40 hours per week.

The result of the beneficiary assessment of the Workspace Voucher is contained in the matrix following:

**TABLE 10: BENEFICIARY ASSESSMENT OF WORKSPACE VOUCHERS**

Issue	Discussion Points	Evaluation	What did we do right?	What can we improve on?	Recommendations for improving
1 Sensitization discussion	a) How well did LSETF convey the WPV project objectives to beneficiaries at the application stage  b) Presently, what is your assessment of the project objectives vis-à-vis the reality of the WPV as you have experienced it in practice. Does reality align objective		Communication on website was effective: objective spelt out clearly and instructions for application simple and clear Online application process was effective and efficient	Allow for more testimonial (peer to peer) communication lines to attract the right 'fit' beneficiaries.	Present beneficiary testimonials at stakeholder awareness programmes of LSETF and on the website
2 Objective 1: Facilitating easy access to High quality workspaces and infrastructure	a) Adequacy of tech infrastructure b) Quality of Facility (location, conductiveness) c) Sustained quality (Downtimes for infrastructure) d) Power supply e) Maintenance		Project objective achieved Workplaces provided have been of benefit to beneficiaries.	Communication could be better by highlighting the distinctions between each of the 3 categories of grants Monitoring of project should be improved	LSETF should interact more with beneficiaries after grant and visit hubs for spot checks Hubs should be evaluated periodically
3 Did the intervention lead to the desired	a) Development of tech product (application, software, solutions)		Vouchers provided access to quality workspaces with power supply and adequate work areas.  Vouchers are emailed to beneficiaries at the start of every month	Vouchers provided access to quality workspaces with power supply and adequate work areas.  Vouchers could be moving bands (upgrades) such that as beneficiaries advance from startup to product development higher value vouchers could be granted.	Add more Hub locations so that there is even spread out around the Lagos metropolis. Find and contract with tech infrastructure hubs that offer hardware workspaces, or Facilitate the inclusion by hub owners of workplaces for hardware within their existing facilities such as in the garage of new outdoor spaces. Undertake periodic monitoring visits to the hubs to ensure facilities meet standards.
			Vouchers provided office space and infrastructure that beneficiaries were not able to afford prior to the grant	Create funding opportunities for scale-up of beneficiaries' businesses after end of grant.	LSETF should facilitate the development of a special purpose vehicle (SPV) or

	<p>outcomes, and if not, what are the areas of focus for LSETF</p> <p>Impact of access to WPV on finances</p> <p>c) Ability to continue to pay for WP after grant cessation</p> <p>d) Availability of cohort tech support</p> <p>e) Availability of technical development training/support</p> <p>f) Adequacy of term of WPV (months)</p> <p>g) Availability and Adequacy of LSETF support/interactions</p>	<p>Vouchers released funds that were being paid on infrastructure (rent, power, internet) and made it possible to divert such money into product development.</p> <p>Working in silos was supportive of work output as peer support and networking was available. Workplaces gave beneficiaries credibility and helped in branding their products.</p> <p>LSETF has given start-ups market visibility.</p> <p>Hubs have extended working hours because some operate 24 hours service.</p>	<p>These opportunities could include:</p> <ul style="list-style-type: none"> <li>○ Eligibility for loans under LSETF</li> <li>○ Linkages to Investors via forums</li> </ul> <p>Provide training support to teach product pitching skills to beneficiaries so they can make effective presentations to investors</p> <p>More constant follow-ups with beneficiaries.</p> <p>Showcase beneficiaries &amp; products more to potential customers (Government agencies and private sector).</p>	<p>Investor fund for tech startups and scale ups.</p> <p>Develop capacity building component (Master Class) for Lagos Innovates where beneficiaries will be taught skills to move product from innovation to market</p> <p>Run investment clinics/ seminars where multinationals can meet the Lagos Innovates beneficiary and see products Create platforms for high level knowledge sharing.</p> <p>Facilitate the matching of products of beneficiaries to companies or potential users.</p>
4	Is the LSETF intervention inclusive (irrespective of gender, religion, tribe etc.)	a) How fair was LSETF's selection processes as regards: <ul style="list-style-type: none"> <li>i. Ethnicity</li> <li>ii. Gender</li> <li>iii. Religion</li> </ul>	Online (blind) application thus devoid of corruption, influence pandering, nepotism and/or discrimination of any form.	
5	Should there be modification in LSETF's operational methods or implementation policies.	<p>a) Project Idea logic and implementation results</p> <p>b) Efficiency of application process in respect of time</p> <p>c) Operational methods or implementation policies.</p> <p>d) Adequacy of Voucher term (months)</p> <p>e) Extension of voucher?</p> <p>f) Sustainability (follow-up interventions)</p>	<p>The logic idea of Lagos Innovates is plausible.</p> <p>The online application process is seamless and efficient.</p> <p>The implementation modalities is also credible as it is fair and just.</p>	<p>Set up a system for the evaluation of beneficiaries throughout the grant cycle to encourage performance and results.</p> <p>Evaluation should lead to some progression of the beneficiaries to other interventions such as loans or access to another cycle of grant or referral to clients</p> <p>Vouchers to beneficiaries should be renewable at least</p> <p>Define KPIs for Voucher beneficiaries to be used as evaluation tool.</p> <p>Design a system that allows progression of within grants and tailored to the needs of grantees for scale up.</p> <p>Create linkages with startups and potential corporate institutions in affiliated business sectors.</p> <p>Include grantees in all outreach and capacity building/training programmes</p>

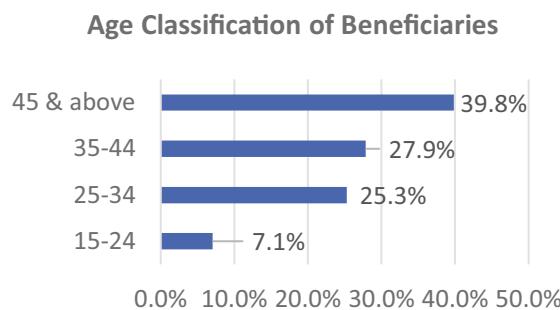
			of LSETF such as tax seminars, webinars, advertisements etc. Track results/outputs of the beneficiaries through a robust M & E framework & system
		once such that beneficiaries enjoy two cycles and not one. Develop an exit strategy and communicate this clearly to beneficiaries. Make grant category upgrade possible such that a N12K voucher can upgrade to N20k as the product develops. Create a platform for high level knowledge sharing for Lagos innovates. Provide access to markets. Provide marketing training or linkages to marketing companies.	
6	What would have happened if the intervention had not taken place?	a) How does the LSETF voucher intervention compare with activities of beneficiaries in developing products with versus without the vouchers	Vouchers reduced substantially the gestation period between ideation and startup. Provided critical infrastructure and funds which had hindered productivity. Vouchers enabled hiring of staff. Enabled proximity of Workspace and home thereby reducing cost of transportation Afforded opportunity of networking and crucial peer support for product development.
7	How much better off are beneficiaries	Business health prior to and after intervention:	All beneficiaries attest to the positive benefits of the Vouchers

	because of the intervention?	a) Did the WPV improve prospect for business startup? b) Did WPV lead to job creation? c) Did the WPV improve tech proficiency? d) Did the WPV cause a boost in self-esteem & hope for the future?	Peer network and support helped to give encouragement to all Job creation was enabled Testimonies of success from many participants.	purpose of linking innovation to market users.
Issue	Discussion Points		What are the real problems around the topics	How they can be solved (solutions) What can LSETF do to help?
8	Can the benefit be sustained for a longer period?	a) What are the deficiencies still persisting in your businesses that the WPV did not address? i. Financial ii. Non-Financial iii. Capacity Building iv. Ease of doing Business v. Taxation vi. Investors vii. Marketing viii. Human resources ix. Others	Paucity of Angel Investor opportunities mean that beneficiaries can't scale up and/or market products. Lack of hubs with hardware development space & facilities Despite vouchers, taxation still is a problem.	Organise Lagos Innovates "Trade Fairs", invite corporations such that beneficiaries have an opportunity to present their products to the potential market. Provide training in marketing LSETF should facilitate getting the LASG to patronize beneficiaries Design a system of access to funds for beneficiaries within the LSETF project.

### 3.4 Does the intervention have a different impact on diverse groups by age, gender, location and business type?

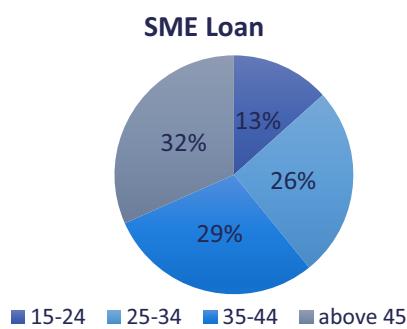
#### 3.5.1 Age Profile and Impact

CHART 10: AGE CLASSIFICATION



The Fund has 40% of its beneficiaries the age bracket of above 45-year-olds. When this figure is cross-tabulated with the intervention sectors it becomes clear that they are concentrated in every intervention save Technology and Innovation. This fact suggest that the economic down turn has had greater impact on those above 45 and the intervention has reached the targeted cohort. The cohort are also those who are likely to be established in business and as such are able to provide the track record of bank turnover and experience needed for qualifying for SME loans.

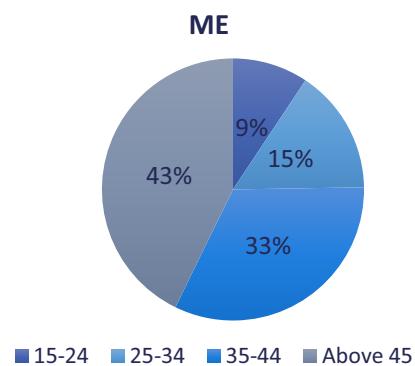
CHART 11: DISTRIBUTION OF SME LOANS



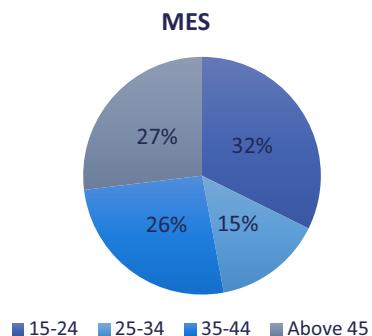
SME loans are between N500,000 to N5 Million. The Age distribution among SME beneficiaries show that 32=% are over 45 and 29% are between 25-44. This means that a total of two -thirds of all SME loans are

granted to more mature age groups. This is also in keeping with reality-that it takes a while for a business to become established with the track records that is convincing to financial loan analysts. However, on a positive side, the fact that one-third of the SME loans are granted to person between 15-34 shows that entrepreneurship for self-employment is taking root in Lagos State. This is something worth promoting by LSETF.

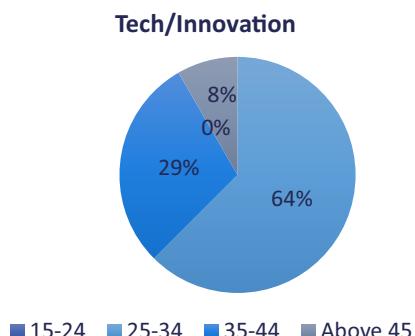
CHART 12: DISTRIBUTION OF ME LOANS



In the ME cadre the over 45-year-old category again dominates at 43%. This is even higher than the SME beneficiaries. At this level where loan is capped at N500,000 there is a suggestion or a hint that this group are crowding out the growth area of the young ones. It may suggest that another sub-category of ME could be created that would have a capping of N1 Million so that there will be room for the younger age groups to dominate the MEs. This view is buttressed from the interviews with the beneficiaries during the questionnaire administration and at the FGD. Most of the older beneficiaries had finished paying off and wanted the loan doubled.

**CHART 13: DISTRIBUTION OF MES LOANS**

As to be expected the age bracket that dominates the MES cadre from the sample is the youngest bracket of 15-24. This is keeping with the objective of the MES which is for start-ups. There are still a large cohort of over 45year-olds in this cadre as well suggestive of persons who are starting up businesses at a mature age. The fact that the Fund does not discriminate against any age group is in keeping with its code of ethics. It is also important to note that allowing older cadre to tap into the MES goes a long way in poverty alleviation because these cadre are not easily employable in paid employment

**CHART 14: INNOVATION DISTRIBUTION**

As to be expected the age bracket that dominates the MES cadre from the sample is the youngest bracket of 15-24. This is keeping with the objective of the MES which is for start-ups. There are still a large cohort of over 45year-olds in this cadre as well suggestive of persons who are starting up businesses at a mature age. The fact that the Fund does not discriminate against any age group is in keeping with its code of ethics. It is also important to note that allowing older cadre to tap into the MES goes a long way in poverty alleviation because these cadre are not easily employable in paid employment

### **3.6 Project Economic Impact Analysis**

Economic Analysis of projects is as important as other analysis as shows the impact of the intervention on an individual and how it translates to the larger Society. These impacts have direct and indirect influence on the growth of economy of its immediate locality of Lagos State and the larger society of Nigeria thereby reflecting the prosperity of the citizens.

#### **Background to the WB Notes**

"In the past, job creation and labour productivity growth – and the corresponding gains in earnings - have normally been viewed as a by-product of economic growth. So, the emphasis was on policies to address constraints to investment and innovation. In the well-known "Growth Diagnostics" framework these are broken down into: (a) market or regulatory failures that reduce

In undertaking the economic analysis, the Consultant, leaned heavily on the World Bank's Guidance Notes on Economic Analysis of Jobs Investment Projects . The Guidance notes was published in 2017 and it follows a former Guidance notes of Economic Impact Analysis of most projects. This particular note is specific for Jobs Investments such as the LSETF interventions.

private rates of return on investments; (b) obstacles to the appropriation of returns by investors; and (c) financial market deficiencies that preclude access to the capital needed to finance potentially profitable investments. Common interventions suggested by this framework include: fiscal and monetary policies that promote macroeconomic stability; reforms to

business regulations to promote competition and innovation; developing adequate infrastructure to reduce transactions costs; institutional reforms to strengthen governance and property rights; and investments in human capital.

However, the link between private sector investments, growth and jobs remains poorly understood. Policies that increase investment and maximize the returns to capital do not necessarily generate the type or distribution of jobs needed to address problems such as youth unemployment, low female participation rates, inequality or poverty. In different sectors, a given amount of investment generates different numbers of jobs (which can even be negative); and different compositions of jobs, in terms of the workers' age, gender and skills.

The WB 2017 Guidance Notes argues that a major reason for the disappointing jobs outcomes of traditional pro-growth policies is that they ignore at least 2 major externalities linked to the creation of better jobs. First there are social externalities related to jobs. For instance, if society has preferences for reducing poverty and/or inequality, sustainable jobs for poor people will have a social externality. Similarly, there can be social externalities linked to jobs for young men,

which reduce the risks of criminality and radicalization and contribute to social stability. Jobs for young women can also produce externalities, by deviating from the opportunity cost of labour, generating a "labour externality" facilitating human capital accumulation in their children, partly through reduced fecundity, which leads to health and nutrition gains for children, and partly through increased women-controlled incomes, leading to more spending on early childhood development. Finally, when having a job leads to skill acquisition through "on the job learning", society benefits from increased future production capacity.

The second persuading externality is that, in the presence of high unemployment and/or underemployment, the market price of labour can. Firms considering a new investment calculate the internal rate of return based on the market wages they expect to pay. But when many workers are unemployed or underemployed, the economic opportunity cost of labour can be well below market wages. The difference can be considered a "labour externality" – that is, the firm doesn't take into account the social benefits of not having labour resources idle; including the benefits to workers whose incomes would rise due to the investment."

### 3.6.1 Analysis Models

#### 3.6.1.1 Cost Benefit Analysis

"The analytical paradigm for CBA builds out from a financial analysis of the project, which computes an internal rate of return based on the projected net cash flow. CBA then adjusts the financial rate of return to generate an estimate of the economic rate of return (ERR) or social rate of return (SRR). It first adjusts the project's financial costs to reflect social opportunity costs of the inputs, and it then incorporates a full measure of the social benefits or costs that are not captured or paid by private investors. It then further takes into account the value of indirect and induced jobs. Indirect jobs are those created by the

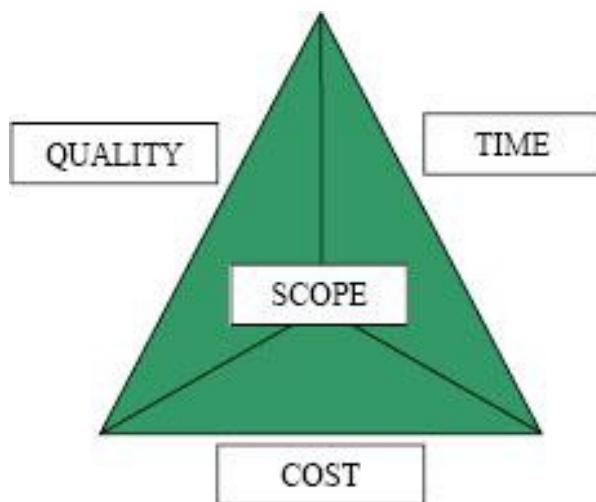
production of inputs or downstream value chain transformations that are triggered by the main investment.

If these adjustments lead to an SRR which is above a reference benchmark rate, then public policy would support its implementation, even if it is not privately profitable. The benchmark rate should reflect the economic opportunity cost of capital, consistent with the economy's macroeconomic constraints. The economic analysis also needs to show that the project is using the least-cost option to generate the identified benefit stream.

### 3.6.1.2 Iron Triangle of Project Evaluation

The Consultant also used the age-old Iron Triangle of project evaluation to measure the impact of the intervention on the society. This approach measures project performance on three (3) main factors. The factors are: TIME, COST and QUALITY of impact. The quality of work done was assessed within the specified time period in relation to the amount spent. The analysis measured on quantitative mode certain indicators such as cost of creating jobs in different categories, the Economic Rate of Return (ERR), the number of Direct and indirect jobs created, Benefit-Cost (BC) Ratio and the impact of the intervention on diverse intervention groups

FIGURE 1: IRON TRIANGLE EVALUATION MODEL



Expediency demanded the use of both primary and secondary datasets. The results from the sample in the field survey was extrapolated to the full population of beneficiaries in LSETF's database of all beneficiaries. These data are instrumental in drawing conclusions and helps in the decision-making process.

To effectively understand the analysis, it is important to state the various parameters

used in the analysis. These parameters will be identified under each category of subject to be appraised.

### 3.6.2 Project Efficiency

#### 3.6.2.1 Number of jobs created in each category

Direct jobs are the net additionality of jobs created. The analysis on the number of jobs created measures the additional jobs created in each sector as a result of the intervention. The analysis takes in consideration the number of Direct and Indirect jobs created. The number of jobs created was measured over the time frame of the different sector. The assumptions, formulae and calculations of the direct and indirect jobs created, the cost of creating jobs and the SRR are contained in Appendix 1.

Assumptions:

- MSME jobs created were all derived from primary survey. Beneficiaries gave data on staff strength before and after the intervention.
- During the survey, it was apparent that the respondents were under-declaring jobs created especially among the SMEs. A range of reasons accompanied this. Some did not count their ad-hoc staffs and operatives as permanent staffs, but these staff constituted a substantial number and the hours worked cumulatively amounted to full-time hours over periods. An assumption was made for undeclared jobs from the cumulative hours of temporary and ad-hoc of 1:1.5 ratio

SRR means the fully adjusted economic return to society of a given activity, incorporating appropriate corrections for market failures. The term Economic Rate of Return (ERR) can be used interchangeably with the term Social Rate of Return (SRR).

- In order to calculate indirect jobs created, a multiplier was derived using a combination of multipliers calculator from other economies and a best of judgement assessment. This is because Nigeria does not have a country multiplier calculator. This was confirmed from the National Bureau of Statistics. The Consultant assumed a multiplier of 7.5. This number is comparative to Kenya and Ghana.
- All the beneficiaries of MSME Startups and Workspace Vouchers were taken as jobs created in themselves by LSETF since their jobs or companies had not been in existence prior to the intervention. These group also created direct and indirect jobs.

The following tables show the sector performance on number of Jobs created. Table 12 contains data from the survey and also data extrapolated for the entire population. Table 13 is the summary table for jobs created.

**Number of Jobs Created in Entrepreneurship**

**TABLE 11: JOB CREATION**

Entrepreneurship						
Data from the Field	<b>Before LSETF</b>					
		<b>SME</b>	<b>ME</b>	<b>MES</b>	<b>Total</b>	
	Number of Respondents	310	615	320	1245	
	Jobs (Before LSETF)	759	957	0	1716	
	<b>After LSETF</b>					
Data for the Entire Beneficiaries		<b>SME</b>	<b>ME</b>	<b>MES</b>	<b>Total</b>	
	Number of Respondents	310	615	320	1245	
	Jobs (After LSETF)	810	1057	580	2447	
	<b>Additional Direct Jobs Created</b>	<b>51</b>	<b>100</b>	<b>580</b>	<b>731</b>	
	<b>Programmes</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Total</b>	
SME	N/A	961	44	1005		
ME	N/A	5372	858	6230		
MES	N/A	325	257	582		
	<b>SME</b>	<b>ME</b>	<b>MES</b>	<b>Total</b>		
Number of Beneficiaries	1005	6230	582	7,817		
Scale up factor	3.2	10.1	1.8			
Jobs (After LSETF)	2,626	10,707	1,637	14,970		
Jobs (Before LSETF)	2,461	9,694	-	12,155		
<b>Total Direct Jobs (After LSETF)</b>	3,939	16,061	2,455	22,456		
<b>Jobs Created (Direct)</b>	1,478	6,367	2,455	10,300		

	<b>Jobs Created (Indirect)</b>	11,087	47,751	18,415	77,253
	<b>Total jobs Created</b>	12,566	54,117	20,870	<b>87,553</b>
<b>Work Place Voucher</b>					
	Direct jobs created			250	
	Indirect jobs created			1875	
	Total jobs created			2,125	<b>2125</b>
Grand Total Jobs Created					<b>89,678</b>

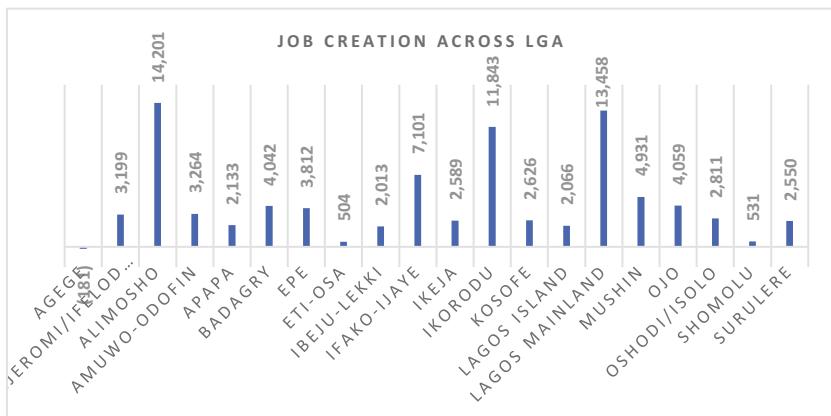
### 3.6.2.2 Which sector created jobs with highest efficiency?

SME	No of Jobs before LSETF	2461
	Incremental no of Jobs	1478
	Efficiency Rate	60.1%
ME	No of Jobs before LSETF	9694
	Incremental no of Jobs	6367
	Efficiency Rate	65.7%
Work Place Voucher	Incremental no of Jobs	2455
	Efficiency Rate	#DIV/0!
	No of Jobs before LSETF	0
Work Place Voucher	Incremental no of Jobs	2125
	Efficiency Rate	#DIV/0!

- SME improved employment numbers by 60.1% within the period under Review, adding 1,478 jobs in about an average of 1.5 years.
- ME yielded 65.7% job growth adding 6,367 additional jobs.
- MES and Workspace Vouchers sectors have no efficiency ratio because there is no indicator for comparison since they are all newly created jobs
- The ME sector performed as most efficient. This means the sector created the highest value for money in creating more jobs with less investment than SMEs.

### 3.6.2.3 Total Jobs created across LGAs

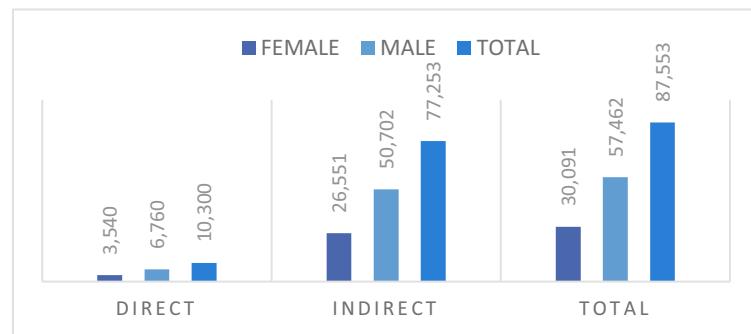
CHART 15: LGA JOB CREATION



Alimosho, Lagos Mainland, Ikorodu, Ifako-Ijaiye and Mushin recorded the highest number of total jobs created with 14,201, 13,458, 11,843 and 4931 jobs respectively. Agege recorded no job creation while Shomolu and Eti-Osa recorded 531 and 504 jobs respectively. These 3 LGAs created the least number of jobs.

### 3.6.2.4 Gender distribution of Job Creation

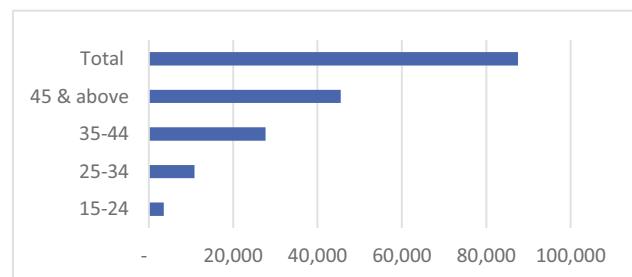
CHART 16: GENDER DISTRIBUTION ACROSS MSMEs



More jobs were created among the male gender than the female gender. In the SME category the percentage of male to female is 61% to 39%. In the ME category the percentage is 68% to 32% while in the MES category the percentage is 72% to 28%.

### 3.6.2.5 Job creation in Entrepreneurship by Age Category

CHART 17: AGE DISTRIBUTION OF JOB CREATION



More jobs were created in the entrepreneurship cadre by the 45 years and above category creating a total of 45,470 direct and indirect jobs. This was followed by the 35-44 age group which created 27,694 jobs. The youngest age group of 15-24 created the least number of jobs

### 3.6.2.6 Job creation among control group

Before LSETF	
	SME
Number of Respondents	40
Jobs (Before LSETF)	12
After LSETF	
	MSME
Number of Respondents	40
Jobs (After LSETF)	21
Additional Direct Jobs Created	9
	MSME
Number of Beneficiaries	40
Jobs (After LSETF)	21
Jobs (Before LSETF)	12
<b>Total Direct Jobs (After LSETF)</b>	<b>33</b>
Jobs Created (Direct)	21
Jobs Created (Indirect)	96
<b>Total jobs Created</b>	<b>117</b>
<b>Efficiency ratio</b>	<b>10.25%</b>

Job creation among the control group was substantially lower than with the sample and with a much lower efficiency ratio of 10.25%. This when compared with the three sub-categories of MSME among beneficiaries show that the beneficiaries were able to create jobs at a more substantial rate than those who did not benefit from the loans. The Control group were not disaggregated into subcategories of MSMEs and this is the limitation of the data.

### 3.6.3 Cost of creating jobs in the different categories of intervention

In calculating the cost of creating jobs the Consultant was persuaded by the European Union's Study on Measuring Employment Effects prepared by the Centre for Strategy and Evaluation Studies, which gives the formula for the cost of creating jobs as: **Financial input/number of jobs created.**

The table below shows the cost of creating jobs per sector:

#### 3.6.3.1 Entrepreneurship

TABLE 12: COST OF CREATING JOBS MSME

Job Creation Profile				
	SME	ME	MES	Total
Additional Direct Jobs Created	1,478		2,455	10,300
Additional Indirect Jobs Created	11,087	47,751	18,415	77,253
Total Jobs Created	12,566	54,117	20,870	87,553
Funds Disbursement Profile				
Programmes	2016	2017	2018	Total
SME	N/A	3,222,876,834.64	145,875,000.00	3,368,751,834.64
ME	N/A	2,040,258,909.00	294,895,822.00	2,335,154,731.00
MES	N/A	69,676,229.81	57,242,659.32	126,918,889.13
	Total			5,830,825,454.77

TABLE 13: COST PER JOB IN ENTREPRENEURSHIP

Category of Entrepreneurship	Cost per Job
SME	268,090.17
ME	43,149.77
MES	6,081.36

From the cost of job above the following deductions are made:

It cost a lot more to create jobs in SME than other sectors. The cost of creating the MES jobs is least among the three but as it has been shown above, the ME category shows more efficiency with creating jobs. It is important to state here that the cost of creating jobs does not measure the effectiveness of businesses. In the SME category, a lot of human labour could have been replaced with machines or processes.

These activities will definitely increase the productivity of the business; however, there will be a reduction in the use of humans in the dispatch of duties and thus labour deficit. Apart from this, the economic climate with Nigeria coming out of recession has impacted negatively on purchasing power thus many SMEs that are manufacturing have had some inventory retention on account of weak consumer interest. Many could not afford to hire labour and some had to retrench.

### 3.6.32 Lagos Innovates Workspace Vouchers

TABLE 14: COST OF TECH JOBS

Jobs Created	2,125
Lagos Innovates Cost	38,000,000
Cost of Creating jobs	17,882.35

#### 3.6.4 Economic Rate of Return and Benefit Cost Ratio

The Economic Rate of Return will give credence to project implementation by providing answer to the general question: What happens if project is undertaken and if it is not? Then it will speak to the following specific issues:

- Answer the fundamental question that concerns a counterfactual: Consider a situation what the community will look like with project or without project.
- What is the impact of the projects on various groups of the society and details of cost and benefits.
- It will spot bad projects, and bad project components and assist in the decision whether or not to proceed with a particular component of the project.
- The with/without comparison measures the incremental benefits arising from the project.
- Will allow a graph to be plotted of Net benefits against Years.
- Use of a sensitivity analysis which allows the modification of assumptions and observation of the effects of the modifications on the project's returns

Economic analysis compares the difference in incomes or value-added between the two scenarios, (counterfactual) factoring in the timing of accrued costs and benefits. Since the value of a benefit accruing to people sooner is greater than the value of the same benefit accruing later, benefits and costs are discounted over time. The ERR is expressed in

percentage terms and represents the discount rate at which benefits equal costs after discounting.

In estimating the ERR for the LSETF project, the economic benefits and cost associated with the intervention appropriated and monetary value attached to them. Then the Benefit Cost Ratio (BCR) also a measure of project viability and impact was also calculated as the ratio of the benefits of the intervention, expressed in monetary terms, relative to its costs, also expressed in monetary terms. A BCR greater than 1 shows that the intervention has a positive impact while a BCR less than 1 shows that the BCR has a negative impact.

For the LSETF interventions, the identified economic benefits are those that accrue to the beneficiaries, accrue to employment benefits and those that accrue to the Government. To the beneficiaries, the benefits captured include improved productivity (training benefits); Sustainability benefits (business creation). To the Government, improvement in tax remittance played an important role. Other benefits are those that are new employment benefits; these are benefits arising from improvement in business operations which required hiring of new personnel.

The introduction of the intervention gave rise to the benefits which have direct and indirect impact on the larger economy.

To estimate the benefits, some assumptions were made. These assumptions are:

- Evaluation duration: 2 years (Intervention duration till date)
- LSETF Training value: N350,000 (Average market price of training)
- Income Tax: 14% (LIRS income tax rate)
- Discount rate: 5% (Lending rate)
- Business Owner Value: N43,200 (Average returns value of a Business owner for 1 month based on value of time).

The table below shows the result of the analysis on the valuation for the Intervention on the Entrepreneurship category showing the ERR and the BCR. The detailed analysis is contained in the Appendix 1 of this Report.

**TABLE 15: ERR/BCR FOR THE FUND BASE ANALYSIS**

Results of the Economic Appraisal of the Fund	
ERR	17.0%
BCR	2.48

The result of the analysis showed that the intervention has wider economic benefits to the residents of Lagos through the beneficiaries. With an ERR greater than the lending rate, the intervention is on a positive track, also with a BCR greater than 1, it means that the accrued benefits are greater than the total expenditure.

### 3.7 Sensitivity Analysis

The independent variable used in the sensitivity analysis is the lending rate. Three lending rates of 10%, 25% and 30% were used. The 10% is used to represent funds from the Bank of Industry which has interest rate of between up to 10% depending on the source of the funding. The interest rate of 25% was used to represent an average of commercial banks' lending rate while the 30% is representative of some Microfinance banks' lending rate. The anomaly of the latter's lending rate was confirmed by participants at the FGD.

The results of the analysis are as follows in comparison to LSETF. It shows that the economic benefits to society is better served with the LSETF than with the others, although if the LSETF loan were to go up to 10% the ERR and BCR would still trend positive.

**TABLE 16: SENSITIVITY ANALYSIS FOR THE FUND**

	LSETF (5%)	10%	25%	30%
ERR	15.2%	11.7%	-1.70%	-5.5%
BCR	2.3	1.74	0.94	0.83

### 3.8 Did the intervention lead to the desired outcomes and impacts, and if not, what are the areas of focus of LSETF?

The LSETF interventions led to desired outcomes in areas which are judged green in the Likert scale ranking model. There are only two of such excellent ratings and they relate to the beneficiary satisfaction with the impact of the intervention on their lives and livelihood. These relate to the percentage of beneficiaries recording satisfaction with project and the percentage of MSMEs recording higher quality of life in form of affordability of essentials to business & private life. Unfortunately, the performance in respect of the KPIs are less than satisfactory.

### 3.8.1 Impact Evaluation

**TABLE 17: EVALUATION OF PERFORMANCE INDICATORS**

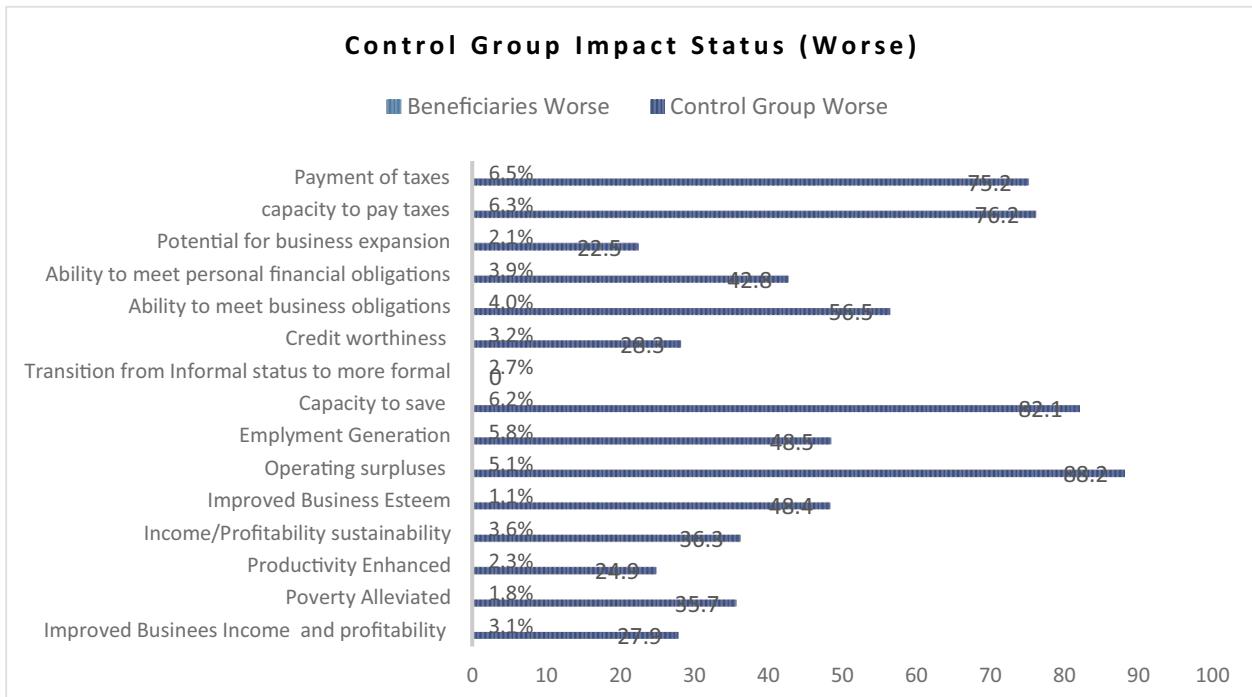
1	Outcome Indicators	Outcomes evaluation logic/parameters	Expected 2018	Achieved 2018	% Achieved	Evaluation
2	Number of direct jobs created	The Fund planned a total of 133,000 direct jobs by 2019 from 2017 when it commenced disbursements. One third of this number has been removed to get the expected job creation figures for the year of the SIA (current)	88,667	10,550	11.89	
3	Number of Indirect jobs created	Similarly, the Fund planned a total of 218,000 indirect jobs by 2019 giving a two-third expectation for 2018	145,333		54.44	
4	Number of MSMEs funded with seed funds	A total of 28,057 was planned for 2019 thus a logic expectation is that two-thirds of that number should have been achieved by 2018	18,705		41.97	
5	Number of MSMEs recording expanded capital.	This outcome would have achieved excellent rating if the MSMEs that were funded had met the planned total of 28,057. Before the project, lack of capital was the most militating factor from almost 100% of the sample and after the intervention, 18% still record lack of capital as the most hindering factor in their businesses. This means that 82% have recorded expanded capital. Thus 82% of the 7817 MSMEs funded gives 5417 MSMEs recording expanded capital. This figure is put upon the number of 2018 expected outcomes and a percentage of achievement derived. An amber rating has been given because within the subset of 7817, 70% recorded expansion of capital.	18,705	6410	34.26	
6	Number of companies enrolled in PAYEE tax system	This indicator has no clear means of verification of the indicator as there is no linkage established with the LIRS that would enable easy tracking. Although all the respondents alluded to having Tax cards, this just means personal tax of the individual promoters and not staff tax (PAYE)	-	-	-	-
7	Number of MSMEs new personal tax payers	It was a prerequisite of the loan application process that applicants must have a tax card showing enrolment into LIRS. Thus, there is a total achievement on this indicator. An evaluation value of Amber is given despite the 100% attainment because the targeted numbers of MSMEs were not achieved thus 100% of number achieved cannot equate 100% of planned population. Whether or not these MSMEs (promoters) actually pay tax is not a part of the SIA. Although at least 84% of the MSMEs say that they pay tax.	7817	7817	100	
8	Number of MSMEs recording higher quality of life in form of affordability	This indicator was extremely positive. 72% of beneficiaries confirm that the loan has had positive outcomes and impacts. The impacts include higher self-esteem, affordability of	7817	5628	72%	

	essentials to business & private life	necessities of life, ability to pay on obligations and to cater for dependents among others.				
9	Percentage of beneficiaries recording satisfaction with project.	At least 91% of ALL beneficiaries in all categories of intervention expressed satisfaction with the project. Those who have reservations are outliers and the regret is due to factors external to the LSETF intervention such as economic downturn or overreaching in their finances. The only area of reservation as regards LSETF is in the reduction of fund request.	10734	9767	91%	
10	Number of linkages and support programmes recorded through international partnerships	The Fund secured a UNDP grant of \$1million to the Lagos State Employability Support Project. The sum used \$500,000 for the project in 2018. Also, the Fund secured a Ford Foundation \$50,000 Grant in Quarter 3 of 2018 as well as a GIZ grant.	-	3	-	
11	Number of linkages and support programmes recorded through Local partnerships	The Fund secured from the Wale Raji Foundation (Honourable Raji is a member of the Federal House of Representatives, representing Epe Federal Constituency) the matching funds of N10 million, (LSETF matched the sum with N10 million). Mr Raji's funds was to be used to pay the 5% interest on the loans of all Epe Constituency MSMEs beneficiaries. This means that the loans to his constituency members were provided interest free to them. Mr Raji did not have any involvement with the application & selection process of qualifying beneficiaries thus ethics of LSETF remained sacrosanct.  The Fund also have other LGA linkages such as the TAMFUND.	-	2	-	

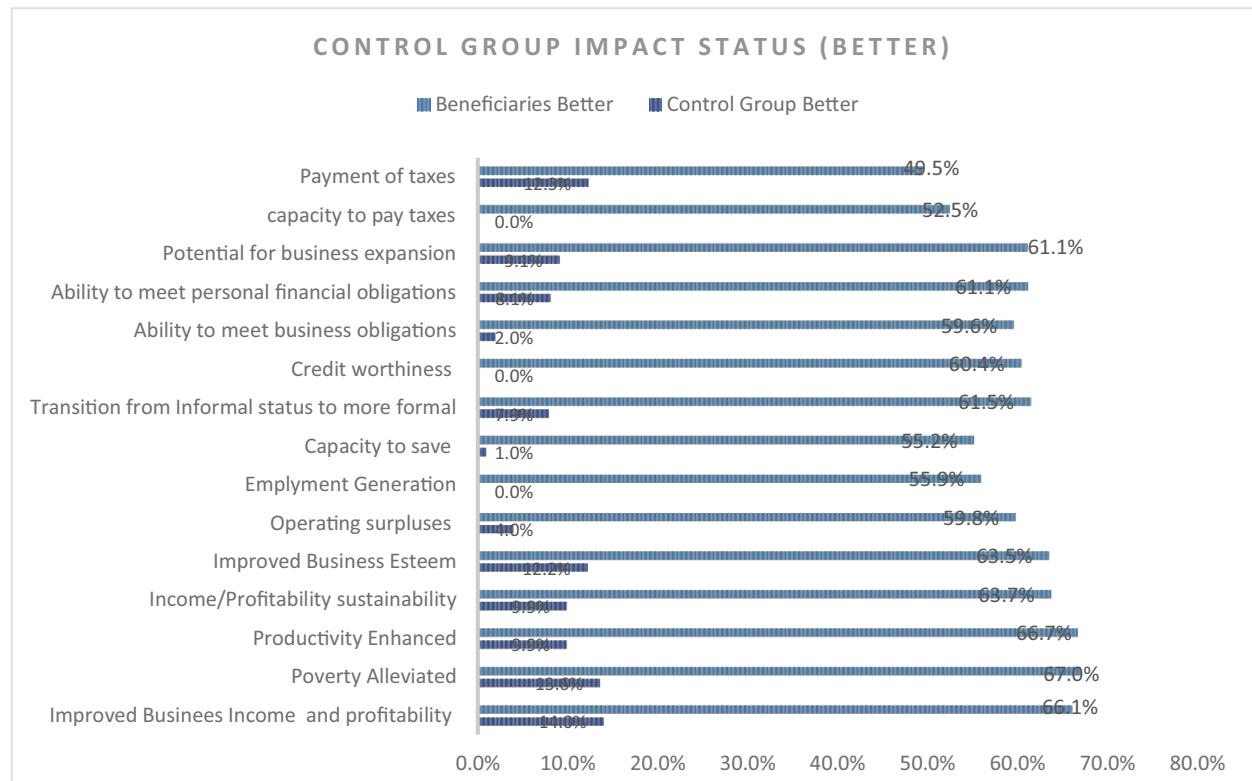
### 3.8.2 Project Impact Beneficiaries Vs Control Group

As part of the impact evaluation, an assessment of a control group of those who did not benefit from the fund was done to see how they fared in comparison to those who got the loans. The control group was made up of mainly those who applied for the loan and were not given for various reasons. The results are contained in Chart below:

**CHART 18: CONTROL GROUP IMPACT 1**



**CHART 19: CONTROL GROUP IMPACT 2**



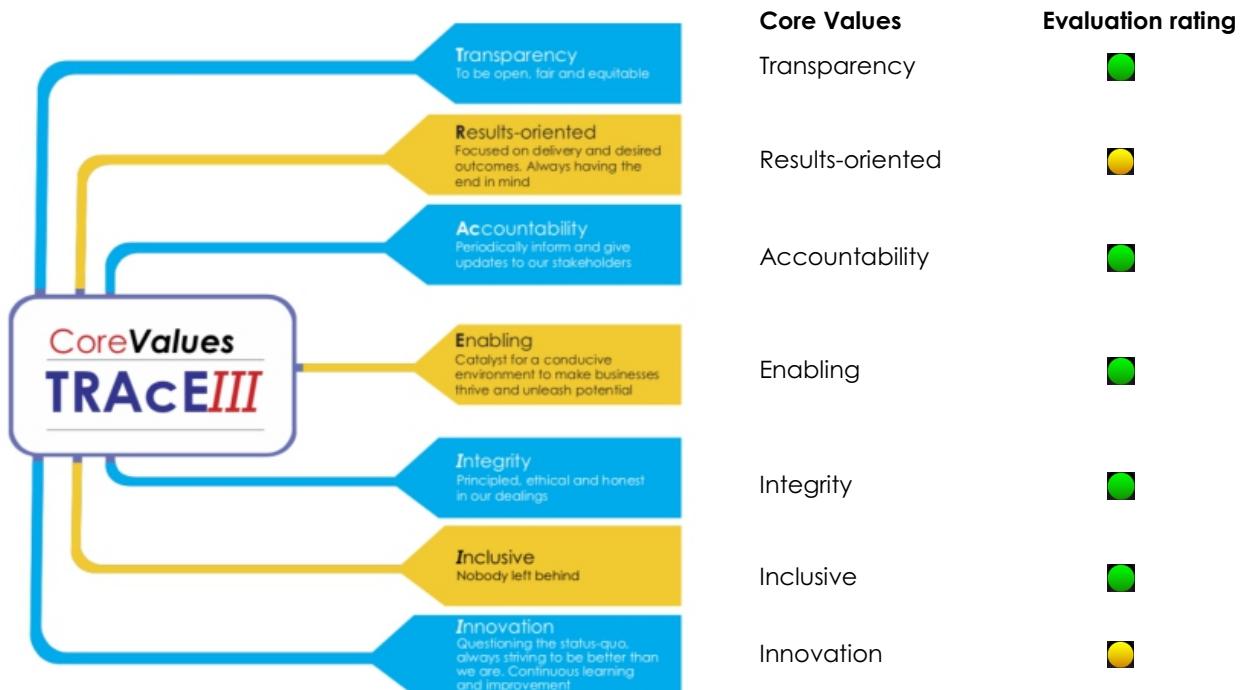
In a total of 15 impact factors, the control group fared much worse than the beneficiaries. 27.9% compared to 3.1% of the Beneficiaries said their business income and profitability is worse

### 3.9 LSETF Best Practices

LSETF stands out for adhering faithfully to its core values as espoused in the acronym TRAcE<sup>III</sup>. The Consultant found that in all activities, processes and actions of LSETF, the core values are reflected. Staff integrity is prominent. No record of bribe taking or attempts to tilt the scales in favour of any

beneficiary was noticed throughout survey and the discussions at the FGD confirmed the core value of inclusiveness. Specifically, non-Yoruba ethnic groups attested to the fact that there was no discrimination whatsoever in the process.

The ratings below are a combination of scores given at the FGD and the Consultant's ratings from observations and interviews with project staff. The amber ratings given in respect of "results-oriented" and "Innovation" is as a result of the low achievements of the KPIs as regards job creation and low disbursement level of loans as against the number planned.



# SUPPORT THE LSETF TO CREATE JOBS FOR UNEMPLOYED LAGOS RESIDENTS.

The Lagos State Employment Trust Fund (LSETF) aims to solve the problem of youth unemployment in Lagos State through provision of access to finance for MSMEs, training of unemployed youth and facilitating job placements.

## TESTIMONIAL FROM ONE OF OUR BENEFICIARIES



**G**uys, so one of the most amazing things that happened to me this year was getting a loan from Lagos state. @lselft. My friend Omilola was the one who told me about the scheme and encouraged me to apply. I was a little bit scared but I went ahead and applied. In fact I was so scared that I missed my deadline twice. I thank God because when something is for you, everything will be working together for your good. The application form was quite easy to complete. No funny trick questions. Amazingly I got a text saying my application was successful and I was invited to come for an interview a week later . At the interview

one of the men said ohh so you want to be the Louis Vuitton of cake makers.

I am like hold up holdup backtrack!!! I am the Louis Vuitton of cake makers. ♦♦. (I didn't really say that). I said yes and no. So I said well that's not what my loan application is for. I don't need 5 million naira to sell cake. If that's the end goal all I need is wisdom and favour. I need this ish... for another arm of my business. Come and see questions, they were just firing me left, right and center, but Mama Deola is my mother and it is impossible to outsmart her so I gave it my best shot. Two weeks later I got a text saying that my application had been successful. I mean God works in mysterious ways ohh because the day before I was telling my friend Omilola that I only had peanuts left in my account. To be honest the whole process was super easy right up till when they handed me my Cheque. Infact the way the guys @lselft talk to you and treat you. It's like they are the ones doing you a favour.

The repayment plan is easy and straight forward For my loan I have to pay a small amount every month for three years which is not so bad. We also get training sessions and sometimes they call you to check up on your progress. I tell you it was the best decision ever.

We invite you to join us.

## Here is how you can support us

### 1 Donation

Committing to donate a specific amount and LSETF will match this sum and design a lending or an employability programme to support your target segment

### 2 Grant

Make a grant towards LSETF's lending, employability or innovation programmes

### 3 Employment

Commit to employ youths trained by LSETF or to admit LSETF's loan beneficiaries as vendors to serve your organization.

For further enquiries, please call: 09060000022, or email: [akintunde.oyebode@lsetf.ng](mailto:akintunde.oyebode@lsetf.ng)

Follow/engage us on /Lsetf  
[www.lsetf.ng](http://www.lsetf.ng)



## 4. Recommendations

The following recommendations are made:

- There appears to be some key aspects of the project implementation that are outsourced. While this gives bite to the transparency in the **TRAcEIII** core values, data on their activities need to be linked to a central database resident in LSETF so as to strengthen M & E of the performance of the Fund.
- The issue of moratorium appears to be important to beneficiaries. Though most MSMEs beneficiaries are going concerns when they applied for the loan, they claim they still require a period of time that allows them to utilise the loan for the purpose they obtained it before being required to start loan repayment. The recommendation is that there should be a moratorium of one month for the loans of one-year duration and 3 months for the loans of 3 years duration. Consider graduating the monthly instalments such that if moratorium is not granted the repayment for the first 2 months would be reduced and later increased over a period to still end in the one-year term.
- The loan approval/selection panel should include agriculture experts and manufacturers as they will appreciate the cost elements to projects in the two areas and give need to do so as to give even more value to the selection process as more objectivity may result from practitioners on amount of loan that should be approved.
- The Entrepreneurship Training appear to be basic level training for some SMEs beneficiaries. LSETF should consider having sub-sectoral training sessions with the basic level for ME and MES and a more advanced training for SMEs which should include teaching on how to spot projects that are going bad.
- Beneficiaries recommend inclusion of a mentoring component into entrepreneurship. Pair enterprises to more established entrepreneurs in related fields as mentors to whom the mentees can refer issues to as they arise. This will help to stop problems before they become intractable.
- Organise follow-up workshops (MSME) Clinic and conduct troubleshooting sessions so members can solve problems as a group.
- SMEs should be made to develop Feasibility plans in a uniform template to be provided by LSETF. A feasibility plan is better than a Business plan because it will let the evaluators see the likely break-even point and they will know the value of loan that will give the enterprise a fighting chance of survival.
- Encourage banks to run & invite beneficiaries to MSME clinics occasionally.
- Introduce a help-desk either at the liaison office or head office where issues that may affect repayment can be recorded and detailed for resolution.
- LSETF should facilitate linkages between the market and the beneficiaries. Consider linking producers of oils and oil products to

LASG hospitals where baby oils are used. Also consider linking agriculture beneficiaries to LASG boarding schools.

- LSETF should facilitate the organisation of market clusters such as Sunday Markets where LSETF beneficiaries can sell their goods.
- Help with the application for NAFDAC/SON etc by acting as agent to the beneficiaries.
- Facilitate a training for beneficiaries to be provided by LIRS to teach tax education and enlightenment.
- Encourage and facilitate the setting up of Social Media Groups along sectoral lines so that peer to peer support can become one of the best practices of the LSETF.
- Cooperative Society could also be established for LSETF cohort which can in turn lead to a funding vehicle for future loans.
- Turn-around time for loan applications should be short and uniform. If applicants do not meet turn-around time, then application should be considered invalid and another commenced.

- An interface desk should be maintained for report of human instances of accidents and emergencies or act of God situations beyond the beneficiaries' control which may delay payment of loan instalments
- Consider approving some percentage of loan to MSMEs as working capital especially for the SMEs.
- Consider allowing access to cap up loans for beneficiaries who successfully pay back first loan.
- Facilitate the inclusion by hub owners of workplaces for hardware within their existing facilities such as in the garage of new outdoor spaces.
- Undertake periodic monitoring visits to the hubs to ensure facilities meet standards.
- LSETF should facilitate the development of a special purpose vehicle (SPV) or Investor Fund for tech startups and scale ups.
- Add more Hub locations so that there is even spread out around the Lagos metropolis.

## 5. Conclusion

The Consultant believes that the LSETF is a laudable project with relevance to the needs of Lagos State residents and that the economic benefits to the society at large and to Nigeria is immense. Although the job creation has been below expectation, it must be stated that the SIA is being undertaken at a time when the project is a mere two years old and given the natural course of business life, teething problems always ensue in SMEs.

It is expected that as the economy improves overall, job creation will improve. The ERR and BCR are sharply in the positive helped mainly because the low lending rate. This low lending rate justifies the theory of change of the project which is that to cause job-creation the parameters of commercial enterprises cannot be adopted and the economic benefits to society and Government of low interest rate loans are immense

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<sup>i</sup> David Robalino and Ian Walker. 2017. "Guidance Note on the Economic Analysis of Jobs Investment Projects." World Bank, Washington, DC. License: Creative Commons Attribution CC BY 3.0 IGO.

# TO HELP LAGOS BECOME A GLOBAL CENTRE FOR TECH STARTUPS, THE LAGOS STATE GOVERNMENT IS INVESTING ITS CAPITAL IN THE LAGOS TECH ECOSYSTEM,



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Covers 30% to 75% of membership costs at any of our Partner Hubs for 3 to 12 months.

## HUB LOANS

Provides capital to high-performing, outcome-focused workspace providers in Lagos State to fund expansion or improvement of their existing facility.

## EVENTS SPONSORSHIP

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## CO-INVESTMENTS

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## PROGRAM VOUCHERS

Supports capacity development by funding up to 50% of the cost of the program attendance.

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An initiative of LSSETT



# 44%

of Nigeria's productive populations are either unemployed or underemployed

## The LSETF IS DOING SOMETHING ABOUT THIS

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₦4.9B approved for 6,548 small businesses

### Employability Programme



10,000 Youths to benefit from trainings & job placements

### Start-Up Support



₦61M approved for trained youths to start own business



**LSETF**  
LAGOS STATE EMPLOYMENT TRUST FUND

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