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# NIGERIA EXPANDED TRADE AND TRANSPORT PROGRAM (NEXTTT) QUARTERLY PROGRESS REPORT Q2 (Y2)

JANUARY 2014 – MARCH 2014

**April 2014**

**This publication was produced for review by USAID|Nigeria and prepared by CARANA Corporation**

# NIGERIA EXPANDED TRADE AND TRANSPORT PROGRAM (NEXTT)

## QUARTERLY PROGRESS REPORT

Contract No. AID-620-C-13-00002

### **DISCLAIMER**

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# ACRONYMS & ABBREVIATIONS

ACA	African Cashew Alliance
AfDB	African Development Bank
AGOA	African Growth and Opportunity Act
ALTTFP	Abidjan-Lagos Trade and Transport Facilitation Project
APS	Annual Program Statement
BDS	Business Development Services
BLP	Nigerian Better Life Program
CBN	Central Bank of Nigeria
CMG	Corridor Management Group
COP	Chief of Party
CRFFN	Council for the Registration of Freight Forwarders of Nigeria
DFID	Department for International Development
DIV	Development Innovation Ventures
ECOWAS	Economic Community of West African States
EDC	Entrepreneurship Development Centre
EMMP	Environmental Mitigation and Monitoring Plan
FERMA	Federal Roads Maintenance Agency
FMT&I	Federal Ministry of Trade and Investment
FTF	Feed the Future Initiative
GCCA	Global Cold Chain Alliance
GDP	Gross Domestic Product
Gmp	Good Manufacturing Practices
GON	Government of Nigeria
ICT	Information and Communications Technology
LAKAJI	Lagos-Kano-Jibiya Corridor
Ltd	Limited
MAN	Manufacturers Association of Nigeria
MARKETS	Maximizing Agricultural Revenue in Key Enterprises in Targeted Sites Program
MOU	Memorandum Of Understanding
MSME	Micro, Small and Medium Enterprise
NAFDAC	National Agency for Food and Drug Administration and Control
NAQS	Nigerian Agricultural Quarantine Services

NCS	Nigeria Customs Service
NEEP	Nigeria Expanded Exports Program
NEPC	Nigerian Export Promotion Council
NFSMC	National Food Safety Management Committee
NEXTT	Nigeria Expanded Trade and Transport Program
PMP	performance management plan
PPP	public-private partnership
RAMP	Rural Access and Mobility Project
SME	Small and Medium Enterprise
SMS	Short Message Service
SON	Standards Organization of Nigeria
SPS	Sanitary-Phytosanitary
TFTF	Trade Facilitation Task Force
TPAC	Trade Policy Advisory Council
UEMOA	West African Economic and Monetary Union
UN	United Nations
US	United States
USAID	United States Agency for International Development
VC	Value Chain
WATH	West Africa Trade Hub
WTO	World Trade Organization

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# EXECUTIVE SUMMARY

In the second quarter of USAID NEXTT's second year (January - March 2014), the project implemented a number of activities aimed at building effective institutions, stimulating investment in trade-related infrastructure and services, reforming trade policies and procedures, and improving the position of Nigerian firms in global and regional markets.

The project continued to build upon the momentum generated to date toward the creation of effective corridor institutions. With diverse and cohesive advocacy bodies strengthened in Q1- the LAKAJI Corridor Advisory Council (LCAC) and Corridor Management Group (CMG) - NEXTT focused efforts on improving the functionality of these institutions and laying the ground work for new agricultural investment on the LAKAJI Corridor. NEXTT continued to build linkages between the LAKAJI CMG and LAKAJI Corridor Advisory Council (LCAC), and strengthened the institutional framework of both groups through the creation of a Steering Committee. NEXTT delved deeper into some of the highest priority investments in project's investment pipeline, and liaised with project promoters to detail the next steps required to finalize these. This reconnaissance has laid important groundwork for investment facilitation efforts in Q3. This quarter NEXTT also supported the three LCAC working groups to begin implementing strategies to facilitate new investment, support transport improvements, and strengthen the enabling environment.

In support of NEXTT's Trade Policy and Trade Facilitation work, NEXTT made important strides building relationships with its public institutional partners and facilitated knowledge transfer on key trade policy frameworks. NEXTT established a working relationship with the Federal Ministry of Finance and the Office of the Chief Economic Adviser to the President, which has already led to an improved environment for collaboration. NEXTT also conducted a training workshop on trade and tariff analysis for the Federal Ministry of Finance, and provided technical support to the FMITI to re-ignite the redesign of the Trade Facilitation Task Force.

Under the project's Export Development mandate, NEXTT continued to execute its three-pronged export support strategy: establishing a viable BDS market, building capacity within export promotion bodies, and providing technical support to export firms. NEXTT issued performance based contracts with two (2) initial BDS providers specializing in transaction facilitation, and has linked these firms with the project promoters of high-priority exporting firms. We expect that competitively-selected BDS providers will facilitate \$5 million in finance to exporting firms by the end of FY 2014. Relationships with key institutional partners were also strengthened: this quarter NEXTT formalized its partnership with NEPC through the signing of an MOU with NEPC, USAID Nigeria, and NEXTT. In addition, effective engagement with the Nigeria Investment Promotion Commission (NIPC) has resulted in the creation of a dedicated desk within the Commission to support investment on the LAKAJI Corridor. This quarter NEXTT also continued to develop the project's pipeline of exporting firms, providing technical assistance to an additional 11 firms.

Moving forward in Q3, NEXTT will be re-doubling efforts to facilitate new investment and exports for firms on the LAKAJI Corridor. NEXTT will also be focused on building cross-component collaboration across NEXTT's three focus areas, for example, by leveraging the dynamic private sector members of the LCAC to support Component 2 trade policy and customs improvements.

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# BACKGROUND

The Nigeria Expanded Trade and Transport (NEXTT) Program was initiated in October 2012. NEXTT aims to support the Nigerian government's efforts to expand trade domestically, within the ECOWAS sub-region and beyond, and improve its efficiency so that trade, particularly in agricultural products, can provide inclusive economic growth and development of Nigeria. Using an integrated approach to trade and transport competitiveness, NEXTT builds upon Government of Nigeria (GoN) and prior USAID efforts, including the Maximizing Agriculture Revenue in Key Enterprise and Target Sites (MARKETS) Project, and the Nigeria Expanded Exports Program (NEEP), in order to stimulate investment in trade-related infrastructure and services, reform trade policies and procedures, and improve the position of Nigerian firms in global and regional markets.

Over the 4-year project lifespan, NEXTT is expected to leverage past and current efforts toward realizing the following outcomes:

- \$25 million in new investments in projects along the LAKAJI Corridor;
- A 30% reduction in transport costs along the LAKAJI corridor;
- Dynamic trade policy coordination mechanisms that integrate public and private sector priorities into a strategic framework for engagement with trading partners;
- Modernization of customs procedures and systems for meeting international standards for agricultural goods; and
- \$30 million in additional exports as a result of more strategic positioning of Nigerian exporters by export promotion institutions and industry groups.

These outcomes are expected to lead to further and lasting impacts in the form of reduced costs and higher quality of food available in the domestic market, as well as jobs and income generation opportunities for people linked to firms exporting goods abroad.

Realizing this vision involves strategic deployment of NEXTT resources and capacity, leveraging and building the capacity of existing platforms such as the LAKAJI Corridor Management Group (CMG), the Trade Policy Advisory Council (TPAC), the Trade Facilitation Task Force (TFTF), and the National Food Safety Management Committee (NFSMC). NEXTT is sponsoring new initiatives, including the growth of a business development services (BDS) provider network targeting firms in non-oil export industries, and the development of a LAKAJI Agricultural Growth Corridor Initiative that defines and coordinates priority investments in critical agricultural infrastructure, services and other related projects along the corridor.

The NEXTT project's role includes contributing technical assistance toward the development and impact of these initiatives through a combination of analyses (investment/export opportunities, corridor constraints) and direct support (training, expert consulting) to Nigerian partners. Throughout the life of the project, NEXTT will build the capacity of Nigerian partners to continue the sort of analysis, training and expert consulting provided by NEXTT experts.

# PERFORMANCE INDICATORS

Task	Indicator	Unit of Measure	Baseline	YEAR 2 PERFORMANCE RESULTS				
				Q1 Achieved	Q2 Achieved	Y2 Achieved TOTAL	Y2 Target	Y2 % Achieved
<b>Component 1: LAKAJI Corridor Improvement</b>								
<b>1.1: Provide Technical Capacity and Support to the Lagos-Kano-Jibiya Transport Corridor Management Group (LAKAJI CMG)</b>	1.1.1 Reduction in the cost to trade goods across border as a result of US assistance	US Dollars	Import: \$4,737 Export: \$3,041	0%	0%	0%	0%**	100%
	1.1.2 Reduction in the number of days required to trade goods across borders as a result of US assistance	Days	Import: 19.5 Export: 12.5	0%	0%	0%	0%**	100%
	1.1.3 Reduction in the cost to move goods between Kano and Lagos as a result of US assistance	US Dollars	Lagos-Kano: \$1,548 Kano-Lagos: \$837	0%	0%	0%	0%**	100%
	1.1.4 Reduction in the time required to move goods between Kano and Lagos as a result of US assistance	Days	Lagos-Kano: 4 Kano-Lagos: 4	0%	0%	0%	0%**	100%
	1.1.5 Increase in membership of CMG	Members	7	0%	0%	0%	15%	0%
<b>1.2: LAKAJI Agricultural Growth Corridor</b>	1.2.1 Number of new agribusinesses established along LAKAJI Corridor as result of project support	Enterprises	0	0	0	0	5	0%
	1.2.2 Value of new agricultural investments facilitated along the LAKAJI Corridor as a result of project support.	US Dollars	0	0	\$8,714	\$8,714	\$1,250,000	0.70%
	1.2.3 Number of Development Innovation Venture proposals submitted	Proposals	0	0	0	0	2	0%
	1.2.4 Value of investments mobilized by project development facility	US Dollars	0	0	0	0	\$5,000,000	0%
<b>Component 2: Trade Policy and Trade Facilitation Support</b>								
<b>2.1: Provide technical capacity and support to the Federal Ministry of Trade and Investment</b>	2.1.1 Number of legal, regulatory, or institutional actions taken to improve implementation or compliance with international trade and investment agreements due to support from USG-assisted organization	Actions	0	2	2	4	2	200%
	2.1.2 Number of participants in trade and investment trainings	Individuals	0	50	10	60	40	150%
				M-39 F-11	M: 8 F: 2	M: 70 F: 29		
	2.1.3. Person hours of training completed in trade and investment capacity building supported by USG assistance	Hours	0	1743	280	2023	4500	45%
				M:1,357 W: 386	M: 224 W: 56	M: 1,581 W: 442		
2.1.4. Number of days of USG supported technical assistance in trade and investment capacity provided to counterparts or stakeholders.	Days	0	82.5	100	183	150	122%	

\*\* As established in NEXTT's Y2 work plan, NEXTT will not be conducting a transport and logistics assessment on the time and cost to trade goods in Y2. Accordingly, performance targets for Indicators 1.1.1., 1.1.2, 1.1.3, and 1.1.4. have been set to zero for Y2. Y3 and Y4 targets remain as established in NEXTT's PMP.

Task	Indicator	Unit of Measure	Baseline	YEAR 2 PERFORMANCE RESULTS				
				Q1 Achieved	Q2 Achieved	Y2 Achieved TOTAL	Y2 Target	Y2 % Achieved
<b>Component 2: Trade Policy and Trade Facilitation Support</b>								
<b>2.2: Support Customs Modernization</b>	<b>2.2.1</b> Number of Customs harmonization procedures implemented in accordance with internationally accepted standards as a result of US assistance	Procedures	0	0	0	<b>0</b>	2	0%
<b>2.3: Institutional Capacity Building: Standards Infrastructure for Food and Agricultural Products</b>	<b>2.3.1</b> Number of public and private sector standards-setting bodies that have adopted internationally accepted guidelines for standard setting as a result of USG assistance	Number of standards-setting bodies	0	1	0	<b>1</b>	2	50%
<b>Component 3: Expanded Export Support</b>								
<b>3.1: Increased capacity of public export promotion bodies to coordinate and implement national export strategies.</b>	<b>3.1.1</b> Number of firms receiving capacity building assistance to export	Firms	0	37	11	<b>48</b>	100	48%
	<b>3.1.2</b> Number of Trade and Investment capacity building diagnostics conducted	Diagnostics conducted	0	0	0	<b>0</b>	1	0%
	<b>3.1.3</b> Number of participants in USG supported trade and investment capacity building trainings	Individuals	0	37 M-31 F-6	0	<b>37</b>	40	93%
<b>3.2: Establishment of a viable network of BDS providers for export and agricultural enterprises</b>	<b>3.2.1</b> Number of Capacity Building Service Providers receiving USG assistance	Service Providers	0	2	1	<b>3</b>	25	12%
	<b>3.2.2</b> Number of firms receiving USG assistance that obtain certification with international quality control, environmental and other process, voluntary standards or regulation	Firms	0	0	0	<b>0</b>	3	0%
<b>3.3: Increased competitiveness of exporters in target value chains</b>	<b>3.3.1</b> Value of exports by NEXTT client firms facilitated as result of project assistance	US Dollars	0	\$2,468.75	\$12,217	<b>\$14,686</b>	6,000,000	0.24%
	<b>3.3.2</b> Value of investments in NEXTT client firms facilitated as a result of project assistance	US Dollars	0	0	\$93,947	<b>\$93,947</b>	5,000,000	2%

# SUMMARY OF NEXTT ACTIVITIES

## JANUARY 2014 – MARCH 2014

The following chart lists activities undertaken by NEXTT this quarter. All tasks listed were completed in preparation for required activities and milestones.

### COMPONENT 1: LAKAJI CORRIDOR IMPROVEMENT

Activity	Date
<b>Task 1 - Provide Technical capacity and support to the Lagos-Kano-Jibiya Transport Corridor management and development</b>	
Continued to support the CMG to develop an action plan to institute corridor improvements related to rail	Jan-Feb 2014
Hosted issue specific working group meetings among the CMG to develop action plans for corridor improvement	Jan-March 2014
Supported Nigeria Chapter of Borderless Alliance to host 2014 Global Conference in Nigeria	Feb. 2014
Supported Borderless Alliance of Nigeria to expand membership.	Jan – Mar 2014
<b>Task 2 - LAKAJI Agricultural Growth Corridor</b>	
Hosted working group meetings on various topics (e.g., rail, connectivity, SCPZs, etc.)	Jan – Mar 2014
Continued to support LCAC to expand membership.	Jan – Mar 2014
Supported the LCAC to establish Steering Committee	Mar 2014
Conducted follow-on assessment of Corridor Investment Opportunities and developed SOWs for STTA/Subcontracts to provide business development/investment facilitation support.	Feb-Mar 2014
Began designing Project Development Fund tenders in anticipation of the PDF launch	March 2014

### COMPONENT 2: TRADE POLICY AND TRADE FACILITATION SUPPORT

<b>Component 2: Trade Policy and Trade Facilitation Support</b>	
<b>Task 1: Provide technical Supports to the Federal Ministry of Industry</b>	<b>Date</b>
Worked with FMIT&I to establish small secretariat for coordination of TPP	February 2014
Coordinated with FMIT&I to hold meetings of the TPP Committee and ENFP/TPAC Secretariat	March 2014
Coordinate with the NCS and Nigeria Shipper Council to redesign TFTF	February 2014
Provide technical assistance to FMIT&I to develop an AGOA Implementation Strategy (with qualification of agricultural exports for AGOA)	January – March 2014

Conducted second module of training on trade and tariff analysis for the Federal Ministry of Finance, Office of the Chief Economic advisor to the President of Nigeria	March 2014
Hold TPP working group meetings of public and private stakeholders	February – March Sep. 2014
Engage GON to review trade training priorities and provide regular assistance on implementation of trade policy, trade strategy and trade facilitation issues.	January – Mar 2014
<b>Task 2: Support Customs Modernization</b>	<b>Date</b>
Provided technical assistance to NCS in implementing its own TTF and ensuring that all procedures are compliant with the new CEMA, when ratified	January – March 2014
Provided technical assistance to NCS in developing the Post Clearance Audit capability	February – March 2014
Provided mentoring support to the NCS risk Management Unit, in enhancing core function	March 2014
Developed the NCS intelligence capability	February 2014
Provided mentoring support to help NCS identify capability gaps, develop enhancements and implement changes	February – March 2014
Undertook AEO cost benefit analysis	February-March 2014
Assess the Fast Track clearance process operating in Lagos Port and evaluate as a pilot in the transition to implementation of AEO	February 2014
Continued to conduct sensitization workshops between NCS and private sector to publicize changes in customs clearance procedures, changes in practice and other relevant news	January – March 2014
Provide mentoring support to help NCS HQ Policy Unit identify capability gaps, develop enhancement and implement changes	February – March 2014
Provide technical assistance to NCS to influence and provide input to training initiatives underway in the Nigerian Shippers Council and Freight Forwarders Association	January – March 2014
<b>Task 3: Provide Institutional Capacity Building on Standards Infrastructure for Food Agricultural Trade</b>	<b>Date</b>
Submitted recommendations to NFSM Committee and relevant agencies on process improvements and streamlining	February 2014
Followed up with relevant agencies of the GON to facilitate adoption of National Policy on Food Safety and its implementation plan	February 2014
Facilitated the Minister of Health's approval of the National Food Safety Policy	March 2014
Facilitated agreement on the institutional home of the National Food Safety Committee	March 2014

### COMPONENT 3: EXPANDED EXPORT SUPPORT

Activity	Date
Completed procurement process and hired (through competitive process) 2 BDS providers as financial facilitators to support client SMEs with access to finance	March 2014
Initiated partnership with key GoN institutions involved in export development and investment facilitation. USAID NEXTT developed MOUs with the Bank of Industry (BOI) and Nigeria Investment Promotion Commission (NIPC)	February – March 2014
Expanded Pipeline of exporters and confirm demand for export service provision	Jan – March 2014
Provided technical assistance and other support to facilitate export transactions	Jan – March 2014
Engaged an Investment Advisor to undertake an audit of the existing pipeline of investment opportunities and identify low hanging fruit which can be immediately harvested	February 2014
Launched the formal partnership of USAID NEXTT project and the Nigeria Export Promotion Council with an official signing ceremony.	February 2014
Co-sponsored the Global Shea Alliance 2014 annual meeting, which delivered technical assistance and training to dozens of Shea entrepreneurs, and business development providers	March 2014

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# **COMPONENT I: LAGOS-KANO-JIBIYA (LAKAJI) CORRIDOR IMPROVEMENT**

## **OVERVIEW**

Component I of the NEXTT project aims to strengthen transport corridor governance and development planning which will support the improvement of transport infrastructure and services along the LAKAJI Corridor, and increase investment in agricultural production and processing. Through NEXTT's support of the LAKAJI CMG (Task 1) and the Agricultural Corridor Initiative (Task 2), NEXTT is bringing together public and private sector stakeholders into efficient institutions that can advocate for Corridor improvements, propose solutions to reduce transport inefficiencies, monitor improvements, and facilitate new private investment.

With a cohesive advocacy group for Corridor improvement established in Q1, this quarter NEXTT focused efforts on strengthening the functionality of LAKAJI Institutions and laying the ground work for new agricultural investment on the Corridor. NEXTT continued to build strong linkages between the LAKAJI CMG and LAKAJI Corridor Advisory Council (LCAC), and strengthened the institutional framework of both groups through the creating of a Steering Committee. Through public/private dialogue and partnership, these institutions are developing solutions focused on:

- Reducing time, cost and other inefficiencies to transit goods along the Corridor;
- Triggering a more competitive enabling environment on the Corridor; and
- Supporting business investment along the Corridor.

## **TASK 1: PROVIDE TECHNICAL CAPACITY AND SUPPORT TO THE LAKAJI TRANSPORT CORRIDOR MANAGEMENT GROUP (CMG)**

Central to NEXTT's strategy to improve the flow of goods along the Corridor is to strengthen the capacity of the LAKAJI CMG to address corridor governance and improvement efforts. NEXTT intends to ensure that the CMG is functioning optimally as a sustainable Public-Private-Partnership (PPP) with a strong management framework and platform for dialogue to be able to identify, implement, monitor and evaluate Corridor improvement initiatives.

In Q2 of Y2, NEXTT conducted activities in support of this task in the areas of:

- Operationalizing the CMG governance structure
- Finalizing state government commitments
- Supporting the CMG to carry out corridor improvement actions
- Building capacity for stakeholder advocacy through a strong Nigerian Borderless Alliance Chapter

## RESULTS

### OPERATIONALIZE GOVERNANCE STRUCTURE

This quarter NEXT implemented activities aimed at ensuring the CMG's inclusion in the broader framework of the LAKAJI Agricultural Growth Corridor Initiative, in order to improve the CMG's functionality, increase its credibility, and diversify its member base.

NEXTT nominated the CMG for inclusion into the LCAC Steering Committee, thereby ensuring that the CMG will have an influential role in shaping the initiative, and ensuring a focus on corridor governance and reform that will reduce the time and cost of doing business on the corridor. As members of the LCAC Steering Committee, the CMG is now perceived as a significant player on the LAKAJI Corridor, and is empowered to pursue its mandate with the support of the entire LCAC movement. This new posture makes the CMG more attractive to other stakeholders, who have been increasingly inquiring about how to get involved. This will positively impact the Project's *Performance Indicator 1.1.5: Increase in membership of CMG*.

The CMG participated in the Abuja Plenary of the LCAC in February (discussed further under Task 2 of Component 1), and formally presented the CMG's Certificate of Registration.

The CMG is now also playing an active role in the Enabling Environment Working Group of the LCAC—an important platform for prioritizing the most important issues in transport and logistics that can be effectively addressed in the immediate term. Through the Enabling Environment Working Group, the CMG is hosting issue specific working group meetings which will result in action plans for corridor improvements.

Among the highest priority issues discussed this quarter is the development of Nigeria's freight rail system. A detailed Scope of Work was created for an international rail PPP expert charged with evaluating the potential for full or partial privatization of the rail system. The working group has decided that, prior to engaging this expert, a socio-economic impact assessment is needed to quantify the business potential along the corridor. The assessment, planned for Q3, will be used as an advocacy tool that will enable the CMG and LCAC Enabling Environment Working Group to make the case for rail development.

This quarter NEXTT also worked to improve the operations of the CMG. NEXTT hosted a series of meetings with the CMG in Q2, in order to discuss how NEXTT can support the Group to set up its operational base in Abuja, now that the institution is formally registered. Now that the LCAC has given the CMG stronger credibility among relevant stakeholders, NEXTT was able to mobilize original members of the CMG who had not been participating in the initiative to date. National Association of Road Transport Owners (NARTO) and the National Association of Nigerian Traders (NANTS) were present for the first time since the Project started in October 2012. The CMG is working to build out its office at the Nigerian Shippers Council in Abuja, and NEXTT is evaluating how the project can support this process. It is intended that the CMG office will be used as a meeting space for LCAC Working Groups and the Steering Committee meetings. In simple terms, the office will double as the



Mr. Mike Jukwe at the LCAC Abuja Plenary, with the CMG's Certificate of Incorporation

CMG Secretariat and Program Management Office (PMO) for the LCAC in the upper corridor, while NEXTT's Lagos office will serve as the interim Program Management Office for the LCAC.

## MOUS WITH STATE GOVERNMENTS

At the end of Q2 NEXTT engaged a local consultant who is working to seal the commitments of the Corridor States to the Agricultural Growth Corridor Initiative/CMG through MOUs with the Executive Governors of each state. NEXTT has focused efforts on obtaining an MOU with the Lagos State Government as a pilot (and key) state. These MOUs will give the LCAC and CMG leverage to push for infrastructure improvements and reforms that will enable increased agricultural investment on the corridor, and reduce the time and cost of trading goods. NEXTT intends to hold a LAKAJI Summit in the coming months, with high-level representatives from the Federal and State Governments and the Private Sector, where a 'LAKAJI Protocol' will be signed, serving as a super-MOU between the states and federal government.

## CORRIDOR PERFORMANCE MONITORING AND ACTION

This quarter NEXTT obtained agreement on the scope of a socio-economic impact assessment that will be used to quantify the full business potential along the corridor. This tool, in the hands of the LCAC/CMG, will be a strong bargaining chip to trigger public sector action on priority issues. It is intended that this will help NEXTT achieve positive results for *Performance Indicators 1.1.1, 1.1.2, 1.1.3, and 1.1.4* through large-scale reductions in the time and cost to trade goods along the LAKAJI Corridor. NEXTT is planning training plenaries for members of the CMG on NEXTT's transport and logistics assessment methodology for measuring the time and cost to trade goods. These trainings, which will be held at the end of Year 2, will build the capacity of the CMG to be able to undertake the transport and logistics assessment in Year 3.

## SUPPORT BORDERLESS ALLIANCE

This quarter **NEXTT supported the Nigeria Chapter of the Borderless Alliance to host the 2014 Global Conference in Lagos**, held on Feb 26-28. The Conference, under the theme "Enabling Growth," was attended by more than 160 participants from 15 countries. Participants included trade experts, transport and logistics specialists, border security officials, development partners, national governments, supply chain professionals, multinational companies, port management officials and investors.

At the conference NEXTT participated on a panel discussion on Issues in Corridor Management in West Africa. NEXTT discussed the issues that are contributing to the high cost of doing business in Nigeria, including the lack of coordination and communication between the public sector agencies that should be working together, between members of the private sector, and between the public and private sector. NEXTT also highlighted the interconnection between policy reform and investment, and the strategy the project has taken for corridor management, pursuing both areas – policy and investment - simultaneously. NEXTT also emphasized the role of the CMG in corridor management in Nigeria, bringing the institution to the forefront of this important stakeholder group.



Five CMG members were present at the Borderless Alliance Conference: CRFFN, Nigerian Shippers Council, Inside Watch Africa, New Dawn Africa and CVS Consulting.

## **ANALYSIS**

The benefits of integrating the CMG into the broader umbrella of the LCAC became clearly apparent this quarter, with broader acceptance and support of the Group from private sector players. In Q2 NEXTT was able to mobilize original members of the CMG who had not been participating in the initiative to date, including NANTS and NARTO, due to the CMG's association with the LCAC and thus its enhanced legitimacy. The CMG is now playing an active role in the Enabling Environment Working Group of the LCAC, and has been formally nominated as a member of the LCAC steering committee. Given the CMG's prominent role in the LCAC, the institution will be able to push forward evidence-based advocacy to reduce time and cost inefficiencies in trading goods along the corridor, and better realize its mandate. The CMG's seat on the Steering Committee of LCAC will make it possible for the Group to play a leading role in the development of the entire transport sector in Nigeria, including road, freight rail, ports, inland waterways, border posts, freight airports, terminals, ICDs, communication systems and other related facilities.

Now that the CMG is officially registered, NEXTT is also turning its attention to helping the institution build its operational capacity. Moving forward NEXTT will be working to help the CMG improve its functionality and navigate its role within the broader LCAC umbrella.

## **TASK 2: PROVIDE TECHNICAL CAPACITY AND SUPPORT TO THE LAKAJI TRANSPORT CORRIDOR MANAGEMENT GROUP (CMG)**

The LAKAJI Agricultural Growth Corridor Initiative (AGCI) aims to facilitate and coordinate investments in processing, aggregation and related infrastructure in targeted clusters on the LAKAJI corridor. Ramping up trade and processing activity along the Corridor will depend heavily on investment in logistics services, as well as hard and soft infrastructure that link the production and processing areas in the foods industries with each other through the main truck route. To date, more than 100 private and public sector stakeholders have joined the LAKAJI Corridor Advisory Council (LCAC), which will guide the initiative as it aims to maximize the potential of the LAKAJI corridor as a conduit for agricultural development.

This quarter NEXTT supported the LCAC to formalize its structure by instituting a Steering Committee which will oversee the initiative. NEXTT also facilitated monthly meetings of the LCAC working groups, and continued to build a pipeline of immediately viable investment opportunities across multiple agricultural value chains.

### **RESULTS**

#### **BUILDING THE AGCI INSTITUTIONAL PLATFORM**

**NEXTT supported the LCAC to formally establish a Steering Committee to lead the Corridor Initiative.**

This quarter NEXTT supported the LCAC to finalize the group's Steering Committee (referred to as 'Executive Committee' in NEXTT's Y2 Work Plan). The Steering Committee is constituted by the Chairman and Secretary of the three Working Groups, along with public sector representatives from the Nigeria Investments Promotion Council (NIPC), Nigeria Export Promotion Council (NEPC), the Federal Ministry of Finance, and the Corridor Management Group (CMG). Key points to note regarding this outcome are listed below:

- The Steering Committee is an amalgam of the private sector and the public sector, which are now committed to work together to improve the LAKAJI Corridor.
- The finalization of the Steering Committee represents the formal launch of public-private dialogue and partnership and joint-guidance for LAKAJI Corridor development.
- The Steering Committee will promote inclusiveness to ensure as many interests as possible along the corridor are accommodated. In this vein, the CMGs role is being strengthened by inclusion.
- The Ministry of Finance, also the coordinating ministry for the Nigerian economy, has committed itself to doing whatever it takes to provide and advance leadership on the public sector side. Together with other public sector agencies, they are proposing a public sector summit on the corridor which NEXTT will arrange and they will facilitate.
- The Steering Committee's first priority is a study to quantify the economic potential of the corridor so as to provide the LCAC with a strong bargaining chip to trigger public sector action. This is followed by a laundry list of actions required of the public sector by the private sector (including a high priority on rail privatization).
- The public sector seeks quantifiable evidence of the readiness and commitment of the private sector to rapidly pick up on any initiatives or incentives put in place by the state.
- Another priority is a communication strategy/'virtual' space to ensure close coordination of all public / private activities.

- Both private and public sector players are keen to mobilize a Project Management Office with NEXTT support, as soon as possible.
- A new name for LCAC is in the offing from the next Steering Committee to capture the ‘big tent’ nature of the body.

Q2 pushed the structuring agenda for LAKAJI, Inc. beyond meetings of the three Working Groups, which have taken the form of regular monthly gatherings.

**NEXTT supported the three LCAC Working Groups to develop priorities for action and host meetings on various topics.**

The three LCAC working groups – Investment Facilitation, Transport, and Enabling Environment- are fully established and operational. The Working Groups are now meeting monthly.

Highlights from recent Working Group meetings are listed below:

**Investment Facilitation Working Group (IFWG)**

- Reached out to economic and investment departments of corridor states for leads on ongoing projects.
- Highlighted need for communication tools and strategy for the LAKAJI Advisory Council, including importance of public sector understanding of the benefits of the goals of LCAC.
- Seeks involvement in meetings of other working groups.
- Hosted guest speakers to share experience; e.g. MD/CEO of Pedro Farms, Lagos, Ms. Valentina Orji who shared her experience as a corridor business which illustrated the challenges of the infrastructural, logistical and financial constraints which the LAKAJI Corridor program aims to address.
- Provided inputs on secretariat for LAKAJI Advisory Council.
- Is extending IFWG network to large multinationals and other companies.
- Engaging with the Bureau for Public Enterprises (BPE) on Corridor opportunities particularly with regards to rail.
- Invited the Nigeria Customs Service to speak at a joint meeting of the working groups.

**Transport Working Group (TWG)**

- Engaging local research expert to carry out socio-economic impact assessment to quantify the business and investment potential of the LAKAJI Corridor.
- Accenture Development Partnership is exploring areas for partnership with the Working Group, including the possibility of helping to raise funds for corridor development. Following the meeting, Accenture confirmed their commitment to participate and help fund the corridor project.
- The Working Group developed a SOW for a rail PPP expert, which has since tabled as the group puts immediate emphasis on quantifying the full economic potential of the corridor so they have a tool with which to trigger public sector action.
- Working with the Lagos State government to identify priorities for corridor improvement in the Lagos ‘black spot’ area.
- Assisting the structuring of LAKAJI Corridor management for more effectiveness – Steering Committee, links with CMG etc.
- Inputs provided on Steering Group, project monitoring office, as well as appointment of a Czar.
- Distributed and evaluated the new railway bill to enable them make meaningful contributions on rail privatization.

#### Enabling Environment Working Group

- Group yet to fully operationalize due to streams of mishap - two deaths in the family of Chairperson within Q2.
- New players constituted to take the reins.

### OPERATIONALIZING THE PROJECT DEVELOPMENT FUND

NEXTT received a draft proposal from USAID on the Project Development Fund at the start of Q3. NEXTT will be providing input and suggestions on the proposal for USAID's review. If final approval of the facility occurs in Q3, NEXTT will be able to use the PDF to catalyze new investment before the end of the project year. The PDF could potentially be very effective in 'closing the gap' between emergent investments and bankable projects.

NEXTT's LAKAJI Corridor Assessment Team Leader conducted a follow-on assignment in Q2 on Corridor investment opportunities, and developed scopes of work for high-priority projects that could be finalized in the short-term through performance-based contracts with BDS providers. In Q2 NEXTT began developing tenders using these SOWs, which will be released for PDF funding once the PDF is fully operationalized. Additional information on high-priority investment opportunities is provided in the section below.

### SUPPORTING CONTINUED CORRIDOR INVESTMENT

In Q2 NEXTT's LAKAJI Corridor Assessment Team Leader delved deeper into some of the highest priority investments in NEXTT's pipeline, and liaised with project promoters to detail the next steps required to finalize these, with the goal of mobilizing at least \$5M in investment/financing in Y2. It is anticipated that the PDF will be used to finance some of the technical assistance (TA) required to facilitate these investments. However, NEXTT conducted this scoping in advance, in order to be able to move forward quickly when the PDF is rolled out, or utilize existing project resources to provide technical assistance in the short-term, and thus meet Y2 investment targets.

NEXTT's 8 criteria for prioritization of agricultural investment opportunities are outlined in the table below:

Table 1: Criteria for Investment Prioritization

	CRITERIA	EXPLANATION
1	Connection to SMEs	The focus has been, and continues to be, on identifying and assisting SMEs that could be connected with supplying goods or services to larger companies, if in fact they were not producing the final product
2	Catalytic Potential	The potential to add value and spur growth in their own and associated value chains, and hence reinforce the need for a LAKAJI Corridor, whereby investments are "crowded in" the growth corridor as a way to incentivize focused infrastructure provision and trade up and down the corridor.
3	Diversity of Value Chain Stages	Opportunities were sought all along the agro-allied value chain, whether the investment was a green field start up or expansion that opened up opportunities for the SMEs. NEXTT is seeking opportunities in production, processing, packaging, input supply, and logistics, which can be linked together and re-enforce the effectiveness of investments.
4	Commercial Viability	Investment Opportunities must be commercially viable.

5	Gender Impact	Special efforts were made to identify and profile women owned businesses
6	Existence of Market Demand	Strong market demand either for the domestic market or export market
7	Export potential	Given NEXTT's target of increasing exports by \$X prior to the close of Y2, particular focus was also added on the potential that the targeted SMEs could export their goods either directly, or via additional processing through a larger company
8	Quick-wins	The greatest effort went into selecting and doing a deeper dive on those investment opportunities that were closest to fruition and for which NEXTT intervention, whether through existing BDS services or a future PDF window, could make a difference

Based on the above criteria, 8 prospects were selected for immediate/short term assistance by the NEXTT team, 5 potential investments were identified for the medium term (2015) and 10 prospects were defined for the longer term (2015-16). The eight short term/immediate opportunities are targeted for some form of closure in the next six months with the concerted assistance of NEXTT, existing BDS resources and the proposed PDF. The five medium term prospects will require further discussions to align interests and identify the requirements for bringing them to closure by early 2015. Finally, a list of 10 potential longer term investments were profiled that NEXTT will need to have continued discussions with over the course of 2015 to see if and where they could be facilitated to bring them to closure. The potential impact of PDF funds, if successfully utilized in support of the short-term and medium-term opportunities profiled, is over USD 32,600,000 (see table below)

Table 2: Short-term and medium term investment opportunities prioritized by NEXTT

NAME OF PARTNER	VALUE CHAIN	STATE	INVESTMENT OPPORTUNITY	MODE OF INTERVENTION	IMPACT (INVESTMENT USD)
<b>Short Term Targets:</b>					
CDMA Projects	Cassava	Ogun	4000 ha cassava farm/offtake agreement with Thai Farms	Conduct feasibility study and develop business plan for PPP development	4,000,000
Lisabi Mills	Maize, Bean Flour	Lagos	Rehabilitation and upgrade of maize custard and bean flour processing mill	Market study and business plan development	1,500,000
Wilbahi Industries	Horticulture	FCT	Veggie conditioning/handling center	Update business plan and identify "pad" for industrial site	10,000,000
A&Shine Honey	Honey	FCT	Establish bee farm for honey production	Conduct pre-feasibility study for greenfield investment	1,000,000
Nelsag	Shea	Niger	Expansion of shea butter processing	BDS provision for operating capital and equipment purchase	300,000

Strange Industries	Shea	FCT	Expansion of shea butter processing	BDS provision for operating capital	500,000
Dantata Industries	Sesame Seed	FCT/ Kano	Greenfield investment in sesame seed oil processing mills	Feasibility study/Business Plan for greenfield investment	5,000,000
DANSA	Tomato	Kano	Develop small holder tomato farm scheme for Dansa tomato processing facility	Scoping study and business plan development to support growth of tomato producer coops	3,000,000
<b>TOTAL</b>					<b>25,300,000</b>
<b>Medium Term Targets:</b>					
Doreo Partners	Maize	Kaduna	Expand "Franchised Farming" in maize	Finance one coop/franchise; training of trainers TA; ICT applications	300,000
Shoprite	Horticulture	National	Expand sourcing of local produce	Survey prod. & supply parameters for 30+ new stores	1,000,000
Olam	Cashew	Oyo	Expansion of cashew processing plant in Ilorin	Business plan for new cashew plantations/improved varieties	2,500,000
Multi Trex	Cocoa	Ogun	Cocoa consumer products	Structure advertising campaign for Moor & Frangada products	3,000,000
Access Mobile	Poultry	Oyo	Digital platform poultry industry	Feasibility study/Identification of early adopters	500,000
<b>TOTAL</b>					<b>7,300,000</b>

### Highlights of NEXTT-supported corridor investments this quarter

NEXTT is directly supporting a number of agribusiness investments on the LAKAJI Corridor, several of which are highlighted below. Through these investments, NEXTT places an emphasis on developing ICT solutions for enhanced agricultural productivity and streamline of operations.

#### AVM FarmNet Virtual Commodities Exchange and Vanu-Africa

In NEXTT's first year, the project facilitated the creation of a new agribusiness on the LAKAJI Corridor: the AVM FarmNet Virtual Commodities Exchange. NEXTT has continued to nurture this investment in Y2. This quarter NEXTT signed an MOU with AVM Consults formalizing the project's support of the investment.

In Q2, NEXTT, through implementing partner, Integra, assisted AVM to refine its business strategy. AVM has decided to classify FarmNet as a trading platform rather than an exchange, meaning that they

can operate as a spot market only. AVM also produced a refined justification for the platform and complete description of the model.

NEXTT brokered a relationship between AVM and Vanu Inc, a US-based telecommunications company. The agreement will allow AVM sites to connect to the internet, provide Vanu with sites for its rural telecoms equipment, and allow AVM an additional revenue stream from managing Vanu's equipment.

A specialized solar powered stand-alone tower will bring cellular and internet connectivity to a Niger State community thanks to a US\$50,000 investment from Vanu, which should be finalized in early Q3. Vanu and AVM Consults are piloting the approach, which is expected to lead to the construction of as many as 90 such nodes over the next five years – extending connectivity to tens of thousands of people in rural communities. The total investment could reach US\$4.5 million, and will increase the competitiveness of outgrowers along the LAKAJI Corridor.



### Catarina De Medici Africa



**NEXTT COP, Alf Monaghan, CDMA Principal Partner, Ms. Folu Michael and Ogun State Commissioner for Agriculture, Mrs Ronke Sokefun, at the CDMA Cassava Farm launch in Ikenne, Ogun State**

NEXTT is supporting Caterina de' Medici Africa (CDMA) to establish a 4,000 ha cassava farm in Ogun State. A pilot farm of 10 ha was launched this quarter as a prelude to the larger \$4 million project, which is expected to provide employment for 500 farmers & 100 laborers. NEXTT is supporting CDMA to access investment capital, and cultivate a relationship with a key off-taker, Thai Farms, an off-shoot of Nigerian Flour Mills. The initial investment of USD 8,714 has been counted toward indicator 1.2.2 : *Value of new agricultural investments facilitated along the LAKAJI Corridor as a result of project support.*

In early Q3, NEXTT organized a media event to generate buzz around the initiative that can be leveraged to entice investors – in particular, highlighting the Ogun State Government's commitment to supporting the farm. More information on the launch event will be included in NEXTT's Q3 report.

NEXTT is also supporting CDMA to acquire an ICT system for managing their independent farmers.

### Access Mobile

NEXTT is supporting Access Mobile, a mobile supply chain management solutions provider active in East Africa, to invest in a new company in Nigeria in the poultry value chain. NEXTT is connecting Access Mobile with potential resources in the poultry sector in Nigeria who can help them develop their entry strategy. If the PDF is rolled-out in the near term, Access Mobile is an ideal candidate for receiving PDF

funds, which could be used (on a cost-share basis) to conduct requisite due diligence and develop a business plan for their investment to the tune of \$500,000.

### IBM Cashew Extension Initiative

NEXTT has developed an initiative in partnership with Technoserve and IBM to create and pilot voice activated extension services via a software platform to cashew farmers. This is a crosscutting initiative which also supports NEXTT's Component 3 objective of facilitating new investment in the cashew sector which can lead to increased exports.

In Q1 of Y2, NEXTT's implementing partner, Integra, identified the IT need in discussion with cashew processors in Nigeria, and approached IBM to develop the software, and Technoserve to provide technical extension data. IBM's research lab in Nigeria is developing the software platform for this technology, which will serve to provide appropriate extension services to improve the quality and quantity of raw cashews required by buyers and processors, thereby increasing the value of cashews sold to these, as well as improving the sourcing possibilities among processors for high quality cashew nuts. The technology has the potential to be rolled out to cashew processors throughout the region as a method to improve the supply of high quality cashews to processors, a problem plaguing cashew processors internationally.

This quarter NEXTT continued to support the development of this initiative. A draft concept note was developed in January and further refined in February. NEXTT is working to find a commercial strategy for this innovation, in order to ensure a market for IBM and entice them to develop a prototype. In the coming months NEXTT will be socializing this innovation with more likely customers and working to build a market for IBM.

### Esoko Nigeria Re-Launch

NEXTT is supporting Esoko to re-launch their operations in Nigeria. Esoko offers a mobile and web platform for agricultural information management, which they sell directly in some markets (Ghana) and sell through licensed "resellers" in others (including Nigeria). Their services provide data market prices, farmer messaging, and buyer-seller matching. Licensed resellers are local firms which market the product and develop sales, and in-turn receives technical support from Esoko's Ghana team. Esoko had to terminate their relationship with their previous reseller in Nigeria, and NEXTT is helping them to identify a new local partner. NEXTT also brokered a relationship with CDMA, a potential client for the firm.

### **NEXTT is supporting the LCAC Working Groups to pursue investment related to their objectives**

Following the establishment the three Working Groups in Q1, they swung into action in Q2 identifying, promoting and coordinating investment along the LAKAJI Corridor. The Investment Facilitation Working Group is focused on promoting three separate types of investments, namely: Greenfield investments, Brownfield investments, and upgrade of existing projects. The Transport and Logistics Working Group is focusing on the privatization of rail and the development of inter-modal and multi-modal means of the transport to strengthen the transport and logistics sector in Nigeria. The Enabling Environment Working Group is focused on supporting investment at the ports and improvements to customs operations.

Additionally, NEXTT is working directly with the public sector to establish avenues to support investment on the LAKAJI Corridor:

- NEXTT met with the Director of Cargo Development, Federal Airports Authority of Nigeria (FAAN) who agreed to commit his Directorate's latest cargo initiative (promotion of 14 new cargo terminals) and to work with the NEXTT Project to create a socio-economic value chain for the country.
- The Chief Executive Officer, of the National Competitiveness Council of Nigeria (NCCN), sees the NEXTT Project as aligned with the aims of the council - contributing to improved competitiveness of Nigeria, supporting a pro-business enabling environment and increased productivity of Nigerian companies.
- The Director of Economic Research and Policy Management at the Federal Ministry of Finance, Mr. Gabriel Aduda, has proposed a summit of the appropriate Ministries to harmonize public sector strategy on the LAKAJI Corridor. The Director, who participated in the Abuja Plenary of the LAKAJI Corridor Advisory Council (LCAC) in February 2014, said that he is committed to supporting the NEXTT Project to implement a public sector strategy for the Corridor.

## EXPANDED COMMUNICATIONS AND BRANDING STRATEGY FOR THE CORRIDOR

In Q2 NEXTT began developing a communications and branding strategy for the LCAC/Agricultural Growth Corridor Initiative. NEXTT's Communications Advisor consulted with key LCAC members at the Abuja plenary and began sketching an initial communications strategy and site map for the LCAC website. Now that the LCAC has a Steering Committee established and a clearer overall vision, NEXTT will be working with this group in Q3 to finalize the branding of the initiative and ensure a website is launched in the coming months.

## ANALYSIS

With the institutional structure of the LCAC on strong-footing, NEXTT turned its attention in Q2 to facilitating investment on the Corridor. In anticipation of the launch of the PDF, NEXTT completed in-depth analysis of investment opportunities which can be launched in the coming months, and developed scopes of work for consultants or subcontractors to provide this support. NEXTT will continue to support these opportunities with existing project resources, however the PDF, once operational, will allow NEXTT to scale its impact and generate significant amounts of investment in Nigeria's agricultural sector.

Now that the Steering Committee of the LCAC is in place, the platform for public/private dialogue and partnership for LAKAJI Corridor's development has been established. The Steering Committee is putting immediate emphasis on a number of areas they consider critical to setting the scene for rail PPP and other transport and logistics initiatives. Through the socio-economic impact assessment planned for Q3, which will quantify full business potential along the LAKAJI Corridor, the group will be armed with an important tool to trigger public sector action. It is intended that this assessment will generate a list of actions required of the public sector by the private sector and vice versa, setting the stage for actionable public-private cooperation on implementation.

In Q2, the public sector also showed its commitment to the corridor and its willingness to partner with the private sector. It began to establish its own agenda by seeking demonstrated evidence of the readiness and commitment of the private sector to rapidly respond to any initiatives or incentives put in place by the state. NEXTT is working with the Steering Committee to help align public and private expectations. A key relationship has been built with the Ministry of Finance, which is also the coordinating ministry for the Nigerian economy. The Ministry of Finance has committed to doing

whatever it takes to provide and advance leadership on the public sector side for the Corridor Initiative. Together, with other public sector agencies in the LCAC, they are proposing a public sector summit on the corridor which NEXTT will arrange and they will facilitate in Q3.

A key and immediate priority that came out of Q2 is the need for a corridor communications strategy to avoid development of silos and promote convergence and common understanding in holding the entire corridor together. The areas for immediate attention are the media, newsletter, website, promotional items; flyers, pull-ups, signage, branding, video conferencing etc. The NEXTT team is supporting the Steering Committee to realize this.

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# COMPONENT 2: TRADE POLICY AND TRADE FACILITATION SUPPORT

## OVERVIEW

Component 2 of the NEXTT project is designed to promote the development of Nigeria's non-oil export sectors by strengthening trade policy and facilitating improvements in the Nigeria's trade environment. The objective is to create an inclusive system of trade policy formulation and implementation through capacity building for public and private institutions and to drive trade facilitation and trade competitiveness in Nigeria.

Through this Component, NEXTT is aligning the formulation, coordination and implementation of trade policies, regulatory frameworks and facilitation services in ways that maximize market-driven competitiveness, supporting expanded trade, investment and job opportunities. NEXTT relies on three interrelated tasks to achieve its goals:

- Task 1: Capacity building for trade policy formulation and implementation;
- Task 2: Support for customs modernization; and
- Task 3: Support for institutional capacity building for standards and food safety.

This quarter NEXTT made important strides building relationships with its public institutional partners and the private sector. Through partnerships with institutional partners and other donor agencies, NEXTT successfully implemented the following activities in Q2:

- Established a working relationship with the Federal Ministry of Finance and the Office of the Chief Economic Adviser to the President leading to an improved environment for collaboration.
- Prepared for remaining three modules of trade and tariff training
- Conducted training workshop on trade and tariff analysis for the Federal Ministry of Finance, Office of the Chief Economic adviser to the President of Nigeria
- Provided technical and financial supports to the FMITI and other relevant institutions to revive and redesign trade facilitation task force
- Planned for Trade Policy Process workshop to be held in Q3.
- Obtained commitments of the United Nations Food and Agricultural Organization to collaborate with NEXTT on the implementation of the Nigeria's Food safety Policy and the Implementation Strategy
- Endorsement of the Food Safety Policy and Implementation Strategy by the Minister of Health for presentation to the Federal Executive Council of the GoN.

## **TASK I: CAPACITY BUILDING FOR TRADE POLICY FORMULATION AND IMPLEMENTATION**

The goal of this Task is to support the reform of Nigeria's trade policy process (TPP) and trade facilitation mechanisms (TFMs) to create a more inclusive system of trade policy formulation, and ultimately generate a significant reduction in the time and costs of doing business along the LAKAJI Corridor.

This quarter NEXTT built upon the technical support previously provided to the GoN to implement its trade policy mandate locally and participate effectively in the WTO policy making process in 2014. In addition to our core partners, FMITI, NCS and others, the project extended capacity building support in trade policy formulation and implementation to the Federal Ministry of Finance, Office of the Chief Economic Adviser to the President, Manufacturers Association of Nigeria, Bank of Industry, Nigeria Economic Summit Group and other public and private institutions and groups dealing with trade policy issues. The project established concrete working relationship between the AGOA resource centers and the Bank of Industry.

Per the Year 2 Annual Work Plan Year 2, NEXTT targeted implementation of the following activities in Q2:

- Supporting institutional capacity for trade policy and trade facilitation
- Assisting the GON to set up Trade policy and trade facilitation coordinating secretariat
- Holding validation workshop for TPP and redesign TPP and create relevant implementing institutions to sustain best practices in TPP
- Organizing stakeholders' fora for redesign of the TTF and support capacity building for trade facilitation process
- Conducting training workshops on trade and tariff
- Supporting the enhancement of market access capacity for AGOA traders

## **RESULTS**

### **STRENGTHENING NATIONAL TRADE POLICY COORDINATION**

#### **NEXTT facilitated collaboration between FMITI and other relevant MDAs in support of building an integrated approach to trade policy**

During Q2, NEXTT brought the public sector agencies together to discuss Nigeria's trade policy environment. The project brought together the Directors of Trade, FMITI and Economic Research and Policy Management Department (ERMPD), Federal Ministry of Finance (FMF); Office of the Chief Economic Adviser to the President; the Nigerian Customs Service, Nigeria Shipper Council and the Bank of Industry to discuss trade policy and trade facilitation environment. These agencies of the GON participated actively in the upper corridor LCAC meeting held in February 2014.

As evidence of the ongoing collaboration and buy-in being generated, the project held several meetings with the Director of ERMPD, FMF and the coordinator of the Economic Management Implementation Team (EMIT) and the National Economic Management Team (NEMT) to discuss NEXTT activities and how to obtain commitments at the highest national policy making platform. LAKAJI Corridor concept has been presented to the Permanent Secretary and a small group at the FMF, and the FMF now participates actively in LCAC both in Abuja and Lagos.

## **NEXTT provided technical assistance to the GoN on EU-ECOWAS EPAs and the CET**

NEXTT provided assistance to the GoN to analyze the implications of the ECOWAS-EU Economic Partnership Agreements (EPAs) signed in February 2014 by all West African countries except Nigeria and Mali. NEXTT supported our trainers on Trade and Tariff Analysis and other experts to provide detailed analysis of various EPA scenarios to the GoN. The GoN presented the outcome of the analysis for a debate at an open forum organized by the Minister of FMITI in Abuja on 22 February, 2014. Based on the assistance to agencies of the GoN and private sector to better understand the potential implications of EPA for Nigeria, participants at the forum took a unanimous decision that Nigeria should not go ahead to sign the EPAs in its current form but subject the agreements to renegotiation.

The implementation of the Common External Tariff (CET) by all ECOWAS countries commences in January, 2015. NEXTT is collaborating with the DFID, GIZ and the GoN to analyze the potential implications for Nigeria and the implementation strategy that will benefit Nigeria. The DFID and GIZ have committed funds, with counterpart funding from the FMF to conduct relevant studies and hold discussion for CET implementation.

## **NEXTT prepared for a multi-stakeholder workshop on TPP and recommendations for reform**

The Trade Policy Process (TPP) workshop that was scheduled for February 2014 had to be postponed due to the availability of important stakeholders. NEXTT and the STTA consultant have now agreed to hold the workshop during mid-May, 2014 in Abuja, Nigeria. The delay has hindered the reform of Nigeria's trade policy making model, but once implemented, NEXTT will be able to catch up on related activities. Once the workshop is held NEXTT will also be able to play a more active role reforming the ENFP and supporting the creation of functional secretariat for trade policy analysis and advisory to the GoN.

NEXTT will continue to liaise with the delegations of the EU in Nigeria and the German Development Cooperation (GIZ), who have both indicated an interest in collaborating with NEXTT to implement this activity.

## **CONDUCT CAPACITY BUILDING FOR TARIFF ANALYSIS**

During Q2 NEXTT continued its support for the improvement of the trade ecosystem through capacity building intervention to the GON economists for informed trade policy analysis

## **Along with GIZ, and the EU NEXTT held a special module of training on trade and tariff analysis.**

The four-day special module targeted the Macroeconomic unit, Fiscal Policy Unit, Budget Office, International Economic Relation Department and Technical services Department of the FMF; the Office of the Chief Economic Adviser to the President (OCEAP); and the Federal ministry of Foreign Affairs.

The training workshop took place between 24-27 March, 2014 with 13 participants and 4 facilitators. The FMF offered its conference room and necessary facilities for the special module and future modules of the training. The training workshop successfully introduced the participants to basic analysis and understanding of relevant trade and tariff policy analysis tools. After the training, the participants indicated that they were better positioned to continue to provide evidence-based policy advice to the

GON. The training workshop also offered participants an opportunity to engage the GON on its cooperation and support for trade policy, an area that has presented some significant difficulties, and to establish a multi-stakeholder model of trade policy reform.

The training on trade and tariff analysis was designed to ensure the officers and MDAs of the GoN were participating effectively in the analysis and discussion of Nigeria's position in the on-going EU-ECOWAS EPA. In addition, the participants were introduced to thorough analysis of implications of tariffs imposition and trade restrictions on various economic agents, including consumers, the government, producers and traders. The event also introduced participants to a modern tool used for trade and tariff policy analysis, the Computable General Equilibrium (CGE) model.

## SUPPORT THE EVOLUTION OF THE TRADE FACILITATION TASK FORCE (TFTF)

### **NEXTT supported relevant stakeholders to redesign the GoN TFTF**

The project supported the FMITI to redesign the TFTF in line with the requirement of the WTO Trade Facilitation Agreement signed in December, 2014. The Minister of FMITI re-launched the TFTF during March, 2014. During Q2, NEXTT project engaged actively with the FMITI to create two working groups of the TFTF. Working Group 1 focuses on regulatory and trade infrastructure and Working Group 2 focuses on reduction of cost and time of moving goods and persons.

The TFTF group identified the need to work with NEXTT LAKAJI corridor and to create similar corridors across Nigeria. NEXTT collaborated with and provided financial support to the FMITI to host the second plenary of the TFTF in Abuja during Q2.

### ***African Growth Opportunity Act (AGOA) Strategy Implementation***

The NEXTT project and the AGOA Resource Centre of the Bank of Industry commenced concrete collaboration to assist SMEs in Nigeria to access the US markets. The project held several discussions with the Coordinator of the Resource centre translating into full cooperation between the project and the bank of Industry (BOI). The centre of the BOI currently participates actively in the LCAC activities. Also, MoU has been developed between the BOI and NEXTT project to pave the way for active collaboration.

## **ANALYSIS**

The focus of NEXTT during Q2 was to support coordination and redesign of relevant trade related institutions of the GoN and provide capacity building support for the GoN to participate effectively in regional and multi-lateral trade events. Although Nigeria has a way to go before the country has adequate institutional coordination, the fruits of the project's effort to bring the right stakeholders to the table and jump-start appropriate dialogue was clearly evident during the public forum on EU-ECOWAS EPOA. During this event, the GoN displayed stronger capacity to provide an inclusive platform for policy debate and to discuss, and come to agreement, on Nigeria's position in the EU-ECOWAS EPA negotiations.

During Q2, the TFTF was redesigned with a working group approach, as prescribed in the NEXTT TPP report. Due to NEXTT's support, this group is now holding regular meetings. NEXTT has also enabled relevant agencies, including the FMITI, FMF, NCS, and NSC, and the private sector to meet more regularly to review Nigeria's trade facilitation matrix and the need for relevant trade related policy reforms.

The capacity building on trade and tariff analysis equipped the economists and trade analysts of the GoN with relevant skills to engage other stakeholder in informed debate on the implications of regional EPAs and CET on Nigeria. Some of the trained analysts of the FMITI, FMF and OCEAP are participating in the on-going debate to agree on mechanism for Nigeria engagement in the EPAs.

The introduction of the NEXTT project to the FMF and the Economic Management coordinating unit has begun to shape the thinking of agencies of the GoN to focus on a more practical approach to reduce time and cost of trading along various corridors in Nigeria. The active participation of the FMF in NEXTT's trade policy component creates potential to scale-up NEXTT activities and bring the project's agenda to the forefront of the GoN's economic agenda.

## TASK 2: SUPPORT CUSTOMS MODERNIZATION

The objective of the task is to build capacity in the Nigeria Customs Service (NCS) and other associated private sector customs operators to enable the growth of a more efficient and dynamic trading environment. This will be crucial in order to realize the modernization of the freight forwarding value chain in Nigeria. NEXTT intends to do so by supporting a number of interventions within the NCS, which will include:

- The enactment of new customs legislation through the Customs and Excise Management Act (CEMA) 2011;
- The development of the NCS as a professional organization under the supervision of the Ministry of Finance; and
- Support improved engagement with, and the sensitization of, the trading community on the development and implementation of the new customs procedures.

NEXTT is committed to the reform of customs processes ensuring that they are in line with international best practices through the deployment of experts to support development in the key process areas of Risk Management, Headquarters Policy, Post Clearance Audit, Authorised Economic Operators (AEO), and the associated extension of the Lagos Fast Track Clearance regime.

Both AEO and the extension of the Lagos Fast Track would further enable the GON to comply with ECOWAS and international free trade obligations and commitments.

As demonstrated this quarter, project implementation has been characterized by an increased engagement with private sector actors to ensure that change and capacity building efforts are managed in a collaborative approach between the NCS and other actors such as the Freight Forwarders' Association. Ultimately, NEXTT strives to go beyond support for the customs system alone and will also assist in capacity building for all relevant actors in the trade facilitation field in Nigeria.

This quarter NEXTT implemented the following activities in support of Task 2 objectives:

- Provided advice to the NCS in implementing its own TFTF, to plan the implementation of trade facilitation measures in aligned to the new CEMA;
- Provided technical assistance to NCS in developing its Post Clearance Audit capability, through the examination of current capacity/capability and provision of recommendations to be submitted to USAID/NCS to direct future inputs to continue the progressive development of the NCS PCA capability;
- Provided mentoring support to the NCS Risk Management Unit in enhancing core function beginning in Q2 with the input running into Q3;
- Commenced development of the NCS intelligence capability;
- Conducted an analysis of the NCS Post Clearance Audit capability and made recommendations to enhance this in line with international best practice as a risk driven trade facilitation tool to enable quick release of low risk goods, but with supporting mechanisms to maintain the identification and collection of appropriate revenue for the GON;
- Commenced assessment of the Fast Track clearance process operating in Lagos Port and evaluated its potential as a pilot in the transition to implementation of AEO;

- Undertook an analysis of, and began capacity building input to, the HQ Policy capability of the NCS HQ. Began providing mentored support to help NCS HQ Policy Unit identify capability gaps, develop enhancement and implement changes;
- Continued to conduct sensitization workshop between NCS and private sector to publicize changes in customs clearance procedures, changes in practice and other relevant news;
- Provided technical assistance in an advisory capacity to NCS to influence and provide input to training initiatives underway in the Nigerian Shippers Council and Freight Forwarders Association;
- Developed a draft Memorandum of Understanding between USAID, NEXTT and the NCS, setting clear objectives and protocols for engagement through the NEXTT Program; and
- Undertook an AEO cost benefit analysis.

Activities to be finalized in Q3 will be reported on in more detail in the Q3 report.

## **RESULTS**

### **SUPPORT LEGISLATIVE AND PROCESS MODERNIZATION**

#### **CEMA 2011 Ratification**

It remains disappointing to report that CEMA 2011 has not yet been passed into law. During Year 1 NEXTT provided support to the NCS to resolve the contentious issues previously observed in CEMA. As a result CEMA 2011 was ratified by the Nigerian Senate and by the House. However, the draft Act has stalled within the Government machinery and is still awaiting final Presidential Approval.

Discussion has taken place within NEXTT as to how this may best be facilitated and whether further intervention, through the Government, most likely through the Ministry of Finance, will assist progression of the draft legislation. While a large proportion of planned year 2 activities are tied to the passing of this legislation, including the redrafting of customs procedures and the development of regulations for the implementation of the AEO program, adjustments are being made to ensure that progress can be seen and results delivered in the meantime. NEXTT is reviewing planned activities to see how the project can move forward with other activities while the legislation is pending. For instance, this includes aligning key activities to the achievement of the wider NEXTT objectives and outputs under Component 1. The move forward of the capacity building activities with the NCS Private Collection Agency (PCA) Unit from Year 3 to Year 2, falls within this new strategy.

The delay in CEMA 2011 receiving the Presidential sign-off does remain a setback, as once passed, the new legislation will open the pathway for the NCS to implement an enabling environment to operationalize modern customs practices in line with the global standards as set by the World Customs Organization (WCO), and implement stronger trade facilitation measures as mandated by the World Trade Organization (WTO). However NEXTT's careful rescheduling of inputs will still see that significant results are achieved in areas impacted by the delayed ratification. All of the key foundations to ensure that the task objective is met, including development of AEO procedures and the assessment of existing NCS procedures, will be developed in anticipation of the enactment of CEMA, thus enabling the NCS to move forward quickly with implementing its own TTF and modernizing when it does happen.

#### **NEXTT provided technical assistance related to Post-Clearance Audit**

NEXTT engaged a Crown Agents ex-UK Customs Official with extensive experience of PCA to undertake a review of the current practices and procedures of the Post Clearance Audit function, against international best practice and the WCO guidelines for PCA. The review clearly showed that PCA does not function within Nigeria in line with WCO standards or international best practices. Audits are not undertaken at trader premises, with the PCA unit being tasked with undertaking documentary checks of importation documents from Customs Offices, often in duplication of other units responsible for handling import documents at point of entry.

The NEXTT PCA review report includes 11 recommendations designed to move the PCA unit forward, including establishing a properly functioning PCA operation, implementing standard procedures in-line with WCO guidelines, and developing the capacity of the staff within the Unit. Of these recommendations, four can be carried out by the NCS right now, but seven will require further assistance through NEXTT. This work was originally planned for Year 3 but given the current status of the PCA function and importance of PCA to the risk-led trade facilitation efforts, some of these activities will now be brought forward to Year 2. The recommendations from this report, which will be submitted to USAID in early Q3, include a prioritization and breakdown of who would be responsible for leading the implementation of the recommendation and where future NEXTT support is required to fine tune processes against international best practice.

## IMPROVE RISK MANAGEMENT

### **Provided mentoring support to the NCS Risk Management Unit**

The project continued to support improvement of NCS's Risk Management capability. This third instalment of the risk management support was carefully designed to build upon the previous ones which had seen the development of the Draft Risk Management Plan.

This reporting period the Customs Risk Management and Customs Intelligence STTA undertook tasks to provide direct contributions to the development of the strategic risk capabilities of the NCS through its central Risk Management Unit (RMU). This included as part of the phased program approach:

1. Helping NCS identify and implement changes in the areas of:
  - Global changes in trade, finance, smuggling trends etc.
  - Inter-Agency exchanges
  - Commodity/trade assessments
2. Assisting NCS in identifying and implement changes in:
  - Data requirements
  - Tools/ICT
  - Planning
3. Participating in the organizational strategic plan for improved risk management procedures.
4. Provide technical assistance to the NCS to disseminate training to the trading community.

The work undertaken to date on Risk Management has helped develop the capacity of the NCS RMU, in support of the Government of Nigeria taking full control of the goods clearance from the service providers on December 01, 2013, as part of the incremental development of the NCS RMU staff. Reports will be submitted in early Q3 further detailing the support outlined above.

## **Provided support to NCS HQ Policy Unit**

NEXTT engaged an expert in HQ Policy in customs operations to address the need for a strategic approach to provide mentoring support to the NCS HQ Policy Unit. The activity's goal was to identify capability gaps, develop enhancement opportunities, and make recommendations for the implementation of changes in the area of policy and procedures. Specific outcomes from this assignment are:

- Improved capacity of HQ Units in NCS to develop and implement policies and procedures. NEXTT supported the development of:
  - 1) A prioritized list of recommendations with agreed timelines for implementation either by the NCS, or through additional STTA support
  - 2) Material outlining the policy cycle, which was delivered to the HQ Policy target group for immediate use in the development of NCS policy, both internally and through the wider engagement of the private sector and other Government bodies.
- Improved relationships between NCS and the Ministry of Finance (FMF), the Federal Ministry of Industry, and the Trade and Investment (FMITI);
- Contributed to the preparation of Memorandums of Understanding (MOUs) with other customs administrations providing guidance on international best practice to the NCS Legal Affairs and International Division for the development of all future MOUs; and
- Engagement of the Economic Community of West African States (ECOWAS) on the design and development of a regional Authorized Economic Operator (AEO) Program, leading to the identification of key subject areas which would benefit from further technical assistance missions and a series of prioritized recommendations.

From these outcomes NEXTT anticipates being able to report in the future that the level of engagement from the NCS Policy Unit now visibly reaches beyond their internal policy, but is now engaging widely with other policy units within the GON and key private sector actors in the trade facilitation environment. The engaged expert concluded his report with 18 recommendations for the development of the NCS HQ capacity, within which five specific areas where the NCS can, in the short term, start to implement the necessary changes to improve the HQ Policy function were identified. The other 13 areas of improvement will require staged support through NEXTT STTA, providing advisory and mentored support, as well as training to raise skills in this area.

The HQ Policy STTA also supported the drafting of a MOU between USAID, NEXTT and the NCS, which will firmly establish the tri-partite relationship between the three parties

## **SUPPORT AUTOMATION AND CLEARANCE PROCEDURES**

### **Undertook Authorized Economic Operator (AEO) Cost Benefit Analysis**

One key trade facilitation tool is the applicability of the AEO system in Nigeria's current business environment. CEMA 2011 will provide the underpinning legislation to enable the system and the development and implementation of draft regulations and procedures. The delay in the ratification has therefore significantly impacted this activity. However, Crown Agents recommended in Year 1 that a cost benefit analysis of the Nigerian trading community be undertaken as this would lay down the foundation work for this activity to start. The cost benefit analysis was undertaken during March and April 2014 and included an evaluation of the likely impact of the AEO program on trade, the GoN, and appetite and potential for take up of the AEO system across the Nigerian trading community. The

analysis, concluded in April 2014, will also provide USAID with the assurance that the investment in the implementation of this key trade facilitation tool in Nigeria will deliver value for money for the US taxpayer. A summary of the results and outputs from this mission will be included in the NEXTT April – June 2014 Report.

## **ANALYSIS**

In the absence of the CEMA 2011 ratification, NEXTT has needed to reconsider its approach to supporting the NCS. The project had previously sought to review existing procedures and operating practices, ensuring that they are aligned to international best practices but this approach has now been refocused. NEXTT is currently focusing effort supporting the continued improvement of NCS processes and procedures in key trade facilitation areas, with a particular focus on the LAKAJI Corridor, based upon existing law. In doing so, NEXTT will also be ensuring that all support provided will enable the NCS to move forward quickly and undertake a transition to new procedures embedded in the new CEMA relatively quickly and with minimum disruption to its operations.

Going forward, NEXTT will also be proposing sensitization workshops in key strategic areas of change between NCS and the private sector to publicize changes in customs procedures and operational practice among others. As reported in the previous quarter, these sensitization programs will be designed to support the up-skilling of private sector stakeholders as well and develop the communication flow between the NCS and private sector stakeholders. Intended results are an improved compliance from the private sector, improved communication from the NCS, an inclusive approach to change, and the establishment of new policies impacting upon the wider trade facilitation environment in Nigeria.

Upon submission and consideration of the AEO Cost Benefit Analysis Report, NEXTT will be remobilizing the AEO Expert to jumpstart activities for the implementation of an AEO regime in Nigeria. This will involve a close engagement with the GON (particularly through NCS) in Abuja and key private sector representatives in Lagos. This engagement will be the first in a series of planned activities to prepare the NCS and wider Private Sector for the implementation of an AEO system. The new procedures and guidelines will be developed and implemented in staged inputs or “building blocks”, with focused inputs delivering key outcomes in a way that the NCS and private sector can absorb and react to the change. This will see the expert deliver short inputs delivering key changes and then withdrawing while the NCS and private sector undertake delegated tasks, to ensure that key developmental actions are addressed, prior to a return to continue on the developmental path for AEO implementation.

The PCA Expert will also follow up on his assessment next quarter to begin the implementation of a program to transform the NCS PCA Unit to a more functional PCA Unit as recognized by WCO standards and international best practices.

## **TASK 3: PROVIDE INSTITUTIONAL CAPACITY BUILDING ON STANDARDS INFRASTRUCTURE FOR FOOD AND AGRICULTURAL PRODUCTS TRADE**

A key element of NEXTT's Component 2 Task 3 is to support reform in core food safety standards institutions particularly the Standards Organization of Nigeria (SON) and the National Agency for Food and Control (NAFDAC) and provide institutional capacity building of the nascent National Food Safety Management Committee (NFSMC) towards becoming an entity that can serve as a single point of interaction between government standards bodies and the industries they regulate and support.

NEXTT plans to map Nigeria standards and compliance procedures as part of the gap analysis and needs assessment of current food safety practices in food and agricultural production, processing and trade. NEXTT will also provide training and capacity building to relevant institutions, traders and exporters. In addition, the project seeks to upgrade the capacity of Nigeria laboratories to ensure that food products comply with food safety standards. Ultimately, the project is looking to create a production environment in Nigeria that supports compliance of agricultural exports with international standards and food safety requirements.

In Q2 NEXTT focused on supporting relevant agencies of the GoN to ensure the passage of the food safety policy and its implementation strategy by the Federal Executive Council (FEC). Key to this effort, NEXTT was able to obtain the approval of the Minister of Health on the policy.

### **RESULTS**

#### **MAPPING STANDARDS AND COMPLIANCE PROCEDURES**

##### **NEXTT followed up with relevant Government departments to adopt the revised Food Safety Policy and Implementation Strategy**

During Q2, NEXTT intensified efforts to ensure that the National Food Safety Policy was signed by the Minister of Health and the FEC. The draft National Food Safety Policy moved closer to going into effect after the Minister of Health signed off on it with minor amendments. The policy now goes to the Federal Executive Council and Presidency for approval. Towards this, NEXTT held several meetings with relevant MDAs of the GoN and private sector actors to agree on “push” strategies.

The Ministry of Health indicated that funding constraints were responsible for the delay in the production and presentation of a finalised copy of the policy to the Minister of Health and the FEC. Accordingly, NEXTT approached UN-FAO to support the finalization and presentation of the document for relevant authorities of the GoN.

This quarter NEXTT emphasized collaboration with other donors in order to ensure the adoption and eventual implementation of the Food Safety Policy. NEXTT obtained commitment from the FAO to participate in the implementation of food safety policy when it is eventually signed by the GoN. In addition, the project obtained preliminary commitment from the International Finance Corporation (IFC) to co-implement some elements of NEXTT activities. The project also continued to engage with UNIDO on standards and competitiveness of Nigerian trade.

#### **STRENGTHEN THE NFSM COMMITTEE**

## **NEXTT facilitated agreement on the institutional home of the NFSC**

The National Food Safety Committee will be housed at the Ministry of Health, a compromise brokered between the ministry and the Director General of the Standard Organization of Nigeria with assistance from the USAID NEXTT project. NEXTT team and representatives from the Ministry of Health and NAFDAC held a meeting with the Director General of the Standard Organisation of Nigeria (SON) to finalize on the contentious issues around where the secretariat of the National Food Safety Committee (NFSC) will be domiciled. The meeting reached a consensus that the secretariat be domiciled in Health after the signing of the policy by the FEC.

## **ANALYSIS**

NEXTT continued to be the rallying point for food safety policy in Nigeria. Although, cooperation between different agencies of the government remains an ongoing challenge, NEXTT has been able to sustain and gradually strengthen the inter-agency collaboration for standards and food safety. The project continues to provide necessary guidance to reform the international standards and food safety value-chain in Nigeria.

GoN has increasingly relied on NEXTT's capacity to provide support to solve problems associated with standards, SPS and food safety. NEXTT continues to facilitate a clear procedure for identification of food safety needs and coordination for intervention are gradually being solved by NEXTT's through the provision of recommendations for a more inclusive NSFMC and a jumpstarting of discussions around reforming its secretariat. NEXTT initiated a meeting where the decision was reached on where the secretariat of the FSMC will be domiciled.

The project's continuous engagement with other donors and stakeholders in standards and food safety value chain has opened important windows of funding for a more effective implementation of standards and food safety policy programmes in Nigeria. Apart from substantial EU funding for food safety being managed by the UNIDO, the FAO has expressed interest and commitment to contribute up to US\$500,000 to the implementation of food safety policy once GON FEC signs the relevant policy document. In Q2, NEXTT strengthened the framework created for efficient management of donor funding for food safety management and eliminated duplication of efforts. NEXTT will continue to build on that progress into Q3.

A major hindrance to Task 3 remains the pending National Food Safety Policy and the Implementation Strategy, yet to be endorsed by the FEC of the GoN. The policy provides a basis for the NFSMC which is the core institutional partner in the implementation of NEXTT Task 3 activities. Moving forward, NEXTT will continue to support the endorsement process, so that the project may move forward with related activities in Q3.

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# COMPONENT 3: BUSINESS EXPANSION AND EXPORT SUPPORT

## OVERVIEW

In the second quarter (Q2) of year two (Y2), NEXTT continued to pursue the project's three-pronged export support strategy: working to establish a viable BDS market, building capacity within public export promotion bodies, and providing technical support to export firms.

Specifically, NEXTT contracted two BDS providers on performance based contracts to facilitate credit and investment for agribusinesses operating in the project's target value chains. These contracts will effectively increase the project's capacity to assist partner firms (indicator 3.1.1.). The engagement of the services of an Investment Advisor in Q2 led to the identification of 19 export and investment opportunities on the LAKAJI Corridor with a high potential return on investment and social impact, the most promising of which have been shared with the network of BDS service providers.

Following the successful signing of an MOU with the NEPC this quarter, the team engaged the Nigeria Investment Promotion Commission (NIPC) and the Bank of Industry (BOI) to increase the reach of project-supported trade and investment capacity building trainings (Indicator 3.1.3.) and improve service provider access to USG assistance (Indicator 3.2.1.)

Additionally, NEXTT worked to develop structures for private sector engagement and cross-component collaboration, leveraging the LCAC working groups, and expanded the investment opportunities pipeline, increasing the total number of firms receiving USG assistance to invest and export from 37 in Q1 to 48 in Q2 (Indicator 3.1.1.).

## RESULTS

### EXTRACT LESSONS FROM BDS MAPPING EXERCISE

#### **NEXTT validated the outcomes and recommendations of the BDS mapping exercise**

With the project successfully moving forward in efforts to support firms to access finance, In Q2 NEXTT continued to gather information on both the needs of exporting firms and the suppliers of BDS in areas other than financial facilitation. NEXTT intends to issue an RFP in Q3 for project development using the information gathered in Q2. NEXTT will be conducting additional validation research to determine and prioritize critical exporter needs and develop a strategy to strengthen Nigeria's network of BDS providers in key support areas including logistics, supply chain management, amongst others.

As described under the Component I section of the quarterly report, the project engaged the services of an Investment Advisor early in Q2 in order to quickly translate investment opportunities identified by NEXTT into bankable proposals. The objective of the assignment was to delve deeper into several of the highest priority investments in NEXTT's pipeline on the LAKAJI Corridor, and liaise with project promoters to detail the next steps required to finalize high priority, immediately-viable investment deals with the goal of mobilizing at least \$5M in investment in Y2. Given that many of the deals profiled are for exporting firms, the assessment provided valuable information on the types of business development services required to help these firms increase exports through new investment. Services identified include: feasibility studies, financial projections, business plan development.

In Q3, NEXTT plans to conduct follow-on research, through one of its local partner, to:

- Identify and prioritize service requirements;
- Identify additional premium BDS providers supporting agribusinesses in high demand areas (other than access to finance);
- Investigate transaction size and acceptable fee structures;
- Identify opportunities to strengthen gender parity in export development activities.

The goal of the above research is to identify and contract more BDS providers that offer services in areas such as supply chain and logistic improvement as well as, export promotion and buyer linkage. This will develop NEXTT's BDS network and expand the range of critical services provided to exporters.

### **NEXTT successfully engaged, through competitive process, two (2) BDS providers to provide financial facilitation services**

In Q1 NEXTT issued an RFP to award performance-based contracts (PBCs) to select BDS providers specializing in access to finance. Through this process, the team elicited proposals from Nigerian firms experienced in offering transaction facilitation services to exporting and export-ready agribusinesses on the LAKAJI Corridor. In Q2, NEXTT concluded the selection process for credit and investment facilitators and awarded PBCs to Quick Projects Limited and Finders Consulting Limited. The two BDS providers will provide facilitation services to NEXTT client agribusiness firms and partner financial institutions to stimulate investment and financing. This will include but is not limited to:

- Identifying financial institution(s) potentially interested in financing the targeted agribusinesses;
- Developing business plans and facilitating loan or equity application processes on behalf of the client firm;
- Arranging meetings with credit officers and credit committees, and negotiating loan terms with financial institutions;
- Following through to obtain financial institution to ensure advancement of credit and/or equity to the agribusiness client and loan repayment;
- Linking client firm to private equity investors and facilitate any negotiation of equity investment;
- Facilitating debt restructuring,
- Facilitating access to other financial products such as inventory credit and warehouse receipts financing;
- Assessing the internal management systems of the client firms to identify gaps for capacity building.

In Q3, as the project ramps up activities in the area of investment facilitation, the team will issue additional RFPs to credit and investment facilitators as well as other priority technical areas, including project development and supply chain development.

### **Monitoring of BDS provision and provision of direct support to deal facilitation**

To kick-start the financial facilitation process, NEXTT shared the detailed Scopes of Work developed by the Investment Advisor for six investment deals that can be closed between April and September 2014. NEXTT is liaising with the project promoters and BDS providers to encourage and facilitate the signing of client agreements. The project expects the targeted SMEs to benefit from increased value and better support services as the BDS firms compete for the pipeline.

It is anticipated that the interventions of the BDS providers will result in increasing client firms' value of exports by US\$5 million (indicator 3.3.1) and their value of new investments by US\$6 million (indicator 3.3.2). As BDS firms develop formal arrangements with these and other project promoters, NEXTT will continue to identify capacity building needs of the service providers and will provide direct support and to identify and address the capacity building needs of the service providers.

### **Developed database of trained and certified BDS providers, to be published on the NEXTT and NEPC websites**

NEXTT continued to develop a database of BDS providers in Q2 and is working with the project's Communication Adviser to design an effective communication strategy to stimulate the demand and supply of export services through multiple media channels including NEXTT and NEPC websites. During the quarter NEXTT invited the newly contracted BDS providers to participate in the meetings of the Investment Facilitation Working Group of the LCAC. This serves the purpose of introducing facilitators to both public and private sector stakeholders and allows them to quickly embed themselves in corridor development activities. This quarter NEXTT provided capacity building support to one new BDS firm, Finders Consulting Limited, which specializes in financial facilitation and SME development (contributing to Indicator 3.2.1.).

### **Building capacity of BDS providers**

Following the conclusion of the BDS Assessment and the initial RFP for BDS providers, the project engaged a local subcontractor to review the report submitted by Development Associates (DA) and deliver a BDS validation exercise early in Q3. The validation exercise is expected to amongst others:

- Identify platforms for formalizing a BDS Network;
- Prioritize immediate, short and long term interventions to strengthen the BDS network.

The outcome of this exercise will set the stage to deliver follow on activities thereby supporting BDS firms to add value to SMEs via:

- Training of Trainer (ToTs) in logistics/linkages, access to finance, market support, quality/standards, product and project development in collaboration with NEPC and other GON institutions;
- Developing a strategy for the BDS provider network;
- Conducting semi-annual seminars for BDS providers on growth opportunities in non-oil export sectors and trends in demand for services among non-oil export firms.

### **Preparation of quarterly events to shape a potential BDS network, and to ensure understanding of growth opportunities in non-oil export sectors**

These events, which had been pending the execution of an MOU between the project and NEPC, will be tied to events hosted by industry alliances and associations. In particular, the project anticipates aligning activities with the annual conferences by NCAN, ACA and the Global Shea Alliance (GSA), in order to strengthen relationships and capacity for growth along these value chains. Key BDS providers identified through NEXTT's RFP will also be engaged in these events in order to develop their understanding of value chain needs and opportunities for support.

## **DEVELOPMENT AND MAINTENANCE OF A PIPELINE OF EXPORT OPPORTUNITIES**

### **Provided technical assistance and other support to facilitate export transactions**

Through strategic business development efforts, NEXTT continued to build project pipeline providing technical assistance to SMEs on business development strategies, access to finance, market access and supply chain improvements. In Q2 an additional 11 firms at various stages the agriculture value chain were added to the project pipeline. One such firm identified in Q2 is Pedro Farms Limited, an agro processing firm involved in processing and freezing of chicken, with annual turnover of N150 million (\$1Mn). The firm is facing challenges with expanding its market mainly due to weak cold storage and distribution infrastructure. The company was introduced to the LCAC Investment facilitation Working Group, and NEXTT is working to help them link up with cold storage investors. With the engagement of two BDS providers NEXTT will be aggressively extending its technical assistance services and other supports to export firms such as Pedro Farms. In total, NEXTT supported firms increased their exports by \$14,686 this quarter (Indicator 3.3.1.) and obtained \$93,947 in investment (Indicator 3.3.2).

The project continued to expand its pipeline of investment and export opportunities and is working with each company to identify specific areas of need and means for providing support. A review of the internal categorization of these firms was undertaken in Q2. The categories are defined by the nature of the needs expressed and the approach proposed to provide assistance.

Tier I firms consist of larger corporations with strong internal management capacities; that do not requiring project assistance in the area of access to finance, access to markets; and are able to engage and pay for needed technical assistance. NEXTT will work with these firms to create convening platforms that allow them to maximize emerging business opportunities. Tier II firms are (near) export ready firms that NEXTT has engaged with and that have been able to determine specific areas of needed intervention. Tier III firms include those firms referred to project that are not yet export ready or that do not have clearly identified business development needs. The Business Development team will focus technical assistance efforts to Tier I and Tier II firms to achieve maximum impact. NEXTT however recognizes that businesses receiving USG assistance will grow and evolve and therefore the nature of assistance provided will be dynamic and will also change accordingly.

**Project Support Matrix**

<b>Category</b>	<b>Approach</b>	<b>Assistance Required</b>
Tier I	Networking Connectivity and Facilitation	Supply Chain Improvement, Investment Facilitation, Logistic Improvement, TA for Business Expansion, Buyer Linkage
Tier II	Pro-active Support	Capacity Building, Access to Markets, Supply Chain Improvement, Investment Facilitation, Logistic Improvement, TA for Business Expansion, Buyer Linkage
Tier III	Solicited Support	Capacity Building, Access to Markets, Supply Chain Improvement, Investment Facilitation, Logistic Improvement, TA for Business Expansion, Buyer Linkage

In Q2 NEXTT provide export support to 11 new firms (see table 3 below). Promoting cross-collaboration within the project components, NEXTT’s export team targeted its support to several firms identified under Component I.

**Table 3: Summary Results for Indicator 3.1.1 Number of firms receiving capacity building assistance to export**

#	Firm Name	Value Chain/Type of Enterprise	Support Provided by NEXTT in Q2.	Category
1	Bellaella	Cashew Exporter	NEXTT is building the firm's capacity to export and is linking them to BDS providers to facilitate access to finance.	Tier III
2	FoodPro	Cashew Processor	FoodPro is looking to resume exporting. NEXTT is supporting the firm to improve factory operations and access finance.	Tier II
3	WiseKings Ventures	Food Processor	NEXTT assessed their capacity to expand trading volumes and increase the reach of their packaged food snacks in the regional markets.	Tier III
4	Tesparuth	Fruits and Vegetable Producer	Tesparuth is currently selling their produce locally to ShopRite and seeks to expand. NEXTT is supporting the firm to develop a business plan for expanding their farm output and the volume of their exports.	Tier III
5	Azemor Agribiz	Fish	NEXTT is in the early stages of supporting Azemor Agribiz, NutriFish, and LASCAFAN with the development of business plans to expand their operation and build capacity to export dried fish.	Tier III
6	NutriFish	Fish		Tier III
7	Lagos Catfish Farmers Association (LASCAFAN)	Fish		Tier III
8	Sedfort Farms	Fruits and Vegetable Producer	NEXTT identified intervention areas to help Sedfort Farms increase their production volume and boost their export-readiness. NEXTT will be linking Sedfort Farms financial facilitators as they are looking to invest in drip irrigation.	Tier II
9	Umza International Farms	Rice Producer	NEXTT assessed Umza's competitiveness and attractiveness to financial institutions and investors and is linking them with subcontracted finance facilitators.	Tier II
10	Jon Tudy Interbiz Nig. Limited	Food Processing	Jon Tudy currently exports ethnic food mainly to the US and is looking to secure more financing. NEXTT connected the firm to subcontracted BDS providers.	Tier II
11	Pedro Farms	Poultry	The project identified Pedro Farms' priority needs in supply chain improvement and management. The firm attended of the meetings of the LCAC Investment Working Group, shared their plans and received feedback from the working group.	Tier II

**Provision of assistance to obtain certification with international quality control, environmental and other voluntary standards and regulations**

The NEXTT team continued to work with the private sector and GON institutions to advance the signing into law of the National Food Safety Policy. The approval of the policy document by the GON sets the platform for effective coordination in standard setting and enforcement with direct implication for the Cashew and Horticulture Sector where NEXTT is supporting investment in food processing. These include investments to be made by cashew processors FoodPro and Esteema Global Diamonds as well as Fumman. With the identification and formal engagement of a cashew Sector Specialist late in Q2, NEXTT will work with these firms and other cashew processors to secure the African Cashew Alliance (ACA) seal, strengthening buyer confidence and the capacity of local processors to trade across borders.

### **Technical assistance to lead exporters (in conjunction with NEPC) on tradeshow marketing and logistics**

In Q2 NEXTT formalized its partnership with NEPC during a formal event covered by the press to execute the MOU. They were signed by the Senior Executives of USAID Nigeria, NEPC and NEXTT. The event was distinguished by the presence of Michael Harvey, USAID Mission Director for Nigeria; the Director of Trade in the Federal Ministry of Investment, Trade and Industries (FMITI); the Director, Trade Office, in the Federal Ministry of Foreign Affairs and the Managing Director of the Nigerian Export Import Bank (NEXIM). NEXTT will be working with the leadership of NEPC to facilitate change management and improve effectiveness in trade promotion, targeting US\$30m growth in exports over the next three years from key value chains.



**Michael Harvey, USAID Mission Director formalizing partnership with the NEPC**

The NEXTT project continued to pursue lines of communication and collaboration with other GON institutions to further activities outlined for Q2. In order to formalize these relationships Memoranda of Understanding MOUs have been drawn up with the Nigeria Investment Promotion Commission (NIPC) and the Bank of Industry (BOI). Effective engagement with the NIPC led to the creation of a dedicated desk within the Commission to support NEXTT's investment facilitation efforts along the LAKAJI Corridor and champion a political strategy which will present the project to the National Economic Management Team (EMT), a 24 member think-tank chaired by the Coordinating Minister of the Economy.

Additionally, NEXTT was able to finalize an MOU with BOI and its subsidiary, the African Growth Opportunities Act (AGOA) Resource Centre which will support the provision of capacity building in key technical areas for export-ready firms to trade under AGOA and facilitate access to finance through the NEXTT supported network of BDS providers who will prepare bankable proposals. By working with institutional structures NEXTT is able to build internal capacity and ensure the sustainability of the export development strategies initiated.

## **DEVELOPMENT OF AN EXPORT DEVELOPMENT STRATEGY FOR ONE VALUE CHAIN**

### **Selection of a target value chain**

Initial expectations to finalize the Value Chain Assessment Study and provide a case for the identification of one value chain could not be realized within Q1. Additional resources were therefore engaged to

ensure the report will be submitted to the USAID Mission in early Q3 for final review and selection of the target value chain.

### **Support and monitor implementation of the export promotion strategy**

Late in Q2 the project received approvals to engage a Cashew Sector Specialist to work with NEPC and lead firms/associations on developing a strategy to increase exports in a priority value chain and conduct a workshop on strategy for increased exports for relevant stakeholders. As the Consultant was unable to undertake the required stakeholder consultation within this reporting period the strategy will be submitted by the end of Q3. The Cashew Sector Specialist will support the development and implementation of an export strategy for Nigeria's cashew value chain and advance public sector specific deals by linking investors to promising market opportunities.

### **Global Shea Alliance (GSA)**

NEXTT continued to strengthen its engagement in the shea value chain partnering with GSA to deliver the 5<sup>th</sup> edition of its annual conference: *SHEA 2014 – The Industry Unites*. The event which was held in Abidjan, Cote d'Ivoire, attracted over 300 delegates drawn from 16 countries including 28 delegates from Nigeria. Nigeria currently enjoys a place of prominence in global production of shea nuts. To ensure the country is fully able to translate resource endowment to trade and investment gains, NEXTT is discussing with the GSA to launch a sustainability program in Nigeria that will promote women's empowerment, better working conditions, the development of local communities, and the protection of ecosystems across the shea industry. The program to be executed over five years will see investment in storage facilities, capacity building and business training that will benefit women shea collectors, and pilot projects that will improve the safety of collectors and reduce wood and water consumption in processing. Additional programs in business development and access to finance, key areas of interest for NEXTT, will see increased investment in the sector.



## **ANALYSIS**

NEXTT is strategically expanding the scope of its partnership with GON institutions to implement national export strategies and facilitate improved competitiveness within Nigeria's export sector. Partnerships with BOI and the NIPC will increase the effectiveness and sustainability of investment facilitation and export promotion strategies in key value chains. NEXTT is optimistic that initiatives involving collaboration with NEPC and other GON entities will move forward more efficiently in the area of capacity building activities and training, expanding the project's overall effectiveness.

Steps taken in Q2 (Y2) to identify "low hanging fruits" within the investment pipeline in tandem with the solicitation of BDS providers have accelerated progress toward attaining the targets set for the value of investments and exports facilitated. Opportunities identified by the Investment Advisor and project staff are being handed over to newly engaged BDS providers. It is anticipated that indicators in line with Objective 3.2 will be met by the end of Q4.

NEXTT is also engaging the NEPC and GON towards defining and implementing its export value chain strategy. STTA support and partner organizations have commenced engagement with stakeholders to contribute to this objective.

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# MONITORING AND EVALUATION

NEXTT continued to monitor and report on key output and outcome indicators and share data on performance results, in order to provide critical feedback to leadership and implementing partners and help them make strategic decisions on project strategies. Information is shared regularly through the submission of bi-weekly reports and through weekly meetings with the NEXTT team.

On March 12-14, 2014, NEXTT participated in a Performance Management Plan workshop organized by the USAID Monitoring and Evaluation Management Services (MEMS). The workshop was aimed at improving Implementing Partners skills in constructing operational performance management, monitoring and evaluation plans for effective data collection and analysis. NEXTT also participated in the MEMS' Semi-annual Review meeting on March 20, 2014 to review progress and challenges relating to data collection and reporting.

NEXTT faces the challenge of poor response to export and investment questionnaires by NEXTT client firms, and has decided to opt for simplicity and reduce the questionnaire to one page. This will make the questionnaire completion process less onerous for the client firms while still allowing the project to capture the most crucial information on the exports and investments facilitated. . Moving forward the project will also use visits to clients and other meetings to sensitize them on the need to provide information on their export and investment figures.

To ensure a more effective tracking of the CMG membership subscriptions, NEXTT has developed a membership registration application for all LCAC members and participants interested in joining the CMG.

## GENDER

NEXTT has continued to integrate a gender focus in all activities and events. For example, at the April 09 TTF Plenary, 41% of attendees were women. NEXTT is also continuing to seek out female-led companies to support on the corridor (with gender being one of the eight criteria for prioritization of investment opportunities, discussed further under the component I section of the quarterly report). NEXTT has also sought gender parity in LCAC membership and constitution of its three Working Groups and the LCAC Steering Committee.

## YOUTH

NEXTT recognizes the importance of youth as a current and future driver of the Nigerian economy. NEXTT continues to focus opportunities for youth participation in all its activities and in investment opportunities along the LAKAJI corridor, with the aim of boosting youth employment. This quarter NEXTT began developing a strategic partnership with a dynamic non-profit called LEAP (Leadership, Effectiveness, Accountability and Professionalism), which aims to build a new generation of leaders in Nigeria.

## ENVIRONMENT

As NEXTT seeks out opportunities for investment, the project continues to create awareness among client firms, service providers and exporters of its Environmental Mitigation and Monitoring Plan and the need to comply with its recommendations. During the period under review, the NEXTT team advised the chief executives of Pedro Farms, Sedfort Farms and CDMA to avoid the use of adulterated agrochemicals in their operations. A revised EMMP was developed based on the Y2 work plan, and submitted this quarter for USAID approval.