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Quarterly Progress Report

October-December 2006

Restructured Economic Framework for Openness, Reform, & Macroeconomic
Stability
Nigeria REFORMS Project

January 30, 2007

This report was produced for submission to the United States Agency for International Development. This report was prepared by DAI in reference to the USAID Contract number 620 - C- 00 – 05-00120 - 00 Restructured Economic Frameworks for Openness, Reforms and Macroeconomic Stability (REFORMS).

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The authors' views expressed in this report do not necessarily reflect the views of the United States Agency for International Development or the United States Government.



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List of Abbreviations and Acronyms

AIAE	African Institute for Applied Economics
ADR	Alternative Dispute Resolution
CBN	Central Bank of Nigeria
CDD	Community Driven Development
CEAR	Centre for Econometrics and Applied Research
COP	Chief of Party
CRS	Cross River State
CSO	Civil Society Organization
DAI	Development Alternatives, Inc.
DCOP	Deputy Chief of Party
DFD	Development Finance Department
DMO	Debt Management Office
FAO	Food and Agricultural Organization
GDP	Gross Domestic Product
GON	Government of Nigeria
LAPO	Lift Against Poverty
LEEDS	Local Economic Empowerment and Development Strategy
MFB	Micro Finance Bank
MFI	Micro Finance Institution
MOF	Ministry of Finance
MOU	Memorandum of Understanding
MTBF	Medium Term Budget Framework
MTEF	Medium Term Expenditure Framework
MTSS	Medium Term Sector Strategy
NBS	National Bureau of Statistics
NEEDS	National Economic Empowerment and Development Strategy
NPC	National Planning Commission
NNPC	Nigerian National Petroleum Corporation
NSPFS	National Special Programme on Food Security
R&D	Research and Development
REFORMS	Restructured Economic Framework for Openness, Reform and Macroeconomic Stability
SEEDS	State Economic Empowerment and Development Strategy
SEEP	Small Enterprise Education and Promotion Network
USAID	United States Agency for International Development

**USAID Nigeria REFORMS Project
October-December 2006 Quarterly Progress Report**

<i>ACTIVITY SUMMARY</i>
Implementing Partner: Development Alternatives, Inc.
Activity Name: Nigeria Restructured Economic Framework for Openness, Reform, and Macroeconomic Stability (REFORMS) Project
Activity Objective: The REFORMS program aims to improve the policy environment and address major impediments to economic growth in Nigeria. Program components include: 1) budgetary process and procurement oversight; 2) capacity building for Government of Nigeria (GON) institutions and civil society organizations (CSOs) involved in the policy process; and, 3) implementation of policy reforms in key sectors.
USAID/Nigeria SO: SO 12 Improved Livelihoods in Selected Areas
Life of Activity (start and end dates): July 7, 2005 – July 6, 2009
Total Estimated Contract/Agreement Amount: \$9,271,033.00
Obligations to date: \$7,095,514.00
Current Pipeline Amount: \$2,199,800.77 as of January 1, 2007
Accrued Expenditures this Quarter: \$1,073,196 (billed)
Activity Cumulative Accrued Expenditures to Date: \$4,895,713.23 through December 31, 2006
Estimated Expenditures Next Quarter: 1,200,000
Report Submitted by: Margaret C.F. Pollock, Chief of Party Submission Date: January 30, 2007

I. Background

The first quarter of the REFORMS Project's second program year brought in a harvest of satisfying accomplishments, earning accolades and respect for this USAID project's ability to deliver on-target assistance to achieve beneficial outcomes. Chief among these were the award issued by the Central Bank of Nigeria to USAID REFORMS as "Best Donor on Capacity Building," due to REFORMS' work in advancing the institution's capacity to implement the new and high-profile Micro-Finance Policy, Regulatory and Supervisory Framework; and the public and formal appreciation extended to USAID REFORMS by the Minister of Justice and Attorney General of the Federation, and the ADR Committee, for our assistance in developing draft legislation to establish a new ADR policy in Nigeria.

At the CBN-sponsored international microfinance conference which followed the awards assembly, the REFORMS Chief of Party was invited to deliver a substantial paper on "Imperatives of Sustainable Microfinance Practice Amongst the Poorest." The paper was well received, and generated considerable engagement and response from the 500 conference participants present. This opportunity came about as a result of REFORMS' growing reputation in economic policy leadership circles.

During Quarter 1, REFORMS initiated work in our fourth pilot state, Bayelsa. There, in the heart of the troubled Niger River Delta, we hope to deploy our program of "Nigerian Excellence" – founded on public expenditure management, and extending policy and institutional support for key sectors – to generate job-creating growth. Also during this quarter, USAID REFORMS signed an MOU with Kano State. This follows MOU signings for Cross River and Ebonyi States in July 2006, and places our collaboration with Kano State on a firm footing.

For the first time, REFORMS began discussions at the state level – in this case with Ebonyi State – to assist in developing policies and build institutional capacity for agriculture (fertilizer, seed and land use) and alternative dispute resolution. This move recognizes that, in Nigeria's federal polity and economy, it is necessary to institute reforms not only at the national level but also at the state level, and in some cases at the local level as well.

A basketful of other activities and accomplishments during the quarter included assistance to the NPC in multiple respects, public expenditure management training for pilot states, support to the Cross River State Tourism Bureau, and training for civil society organizations to interrogate pilot state SEEDS for gender inclusion, and to develop gender budgets.

Program Year Two for the REFORMS Project requires adapting our program to a lower funding level, and Quarter 1 saw the last of several large expenditures, including the \$150,000 creation of a digital science and technology library for the NPC, at the request of the Economic Advisor to the President. In response to funding exigencies, REFORMS

during this quarter collapsed our original three program components into two (as described in Section IV, Activity Changes). Accordingly, we did not fill the Component Two Leader vacancy which opened during Year One, Quarter 3. Our program is now led and conducted by a lean team of three senior professionals: the COP, DCOP and Component 2 Leader. In the next several months, REFORMS may implement further economies in administrative staff and modalities of delivering technical assistance. Nonetheless, we are confident of our ability to continue delivering high-impact assistance for positive change.

II. Quarter Progress

COMPONENT 1: Fiscal, Monetary and Macroeconomic Policy and Institutional Capacity Building

NEEDS II workshop: This workshop was organized for key stakeholders involved in the design of the Macroeconomic Model for NEEDS II. The stakeholders included the CBN, NPC, NBS, DMO, MOF and NNPC. REFORMS played a key role in setting the agenda for the workshop. The objective was to assess the progress made in developing the model by the Centre for Econometrics and Applied Research (CEAR) team headed by Professor Olofin. Presentations were made by Professor Olofin on the model with inputs from the key agencies on the assumptions used in the model design. The Economic Adviser to the President made it clear that the objective of NEEDS II is to create employment. Thus, the NEEDS II model is aimed at sectoral targets that will translate to a GDP growth rate of 10%.

Gender-Sensitive NEEDS Version II: REFORMS assisted NPC through “Gender Mainstreaming” workshops, towards adoption of more a gender-sensitive NEEDS Version II. As formulated, the Gender Chapter in NEEDS II will drive positive changes in GON agencies’ policies, legislation and programs aimed at bringing about significant improvements in gender-equity balance in the GON public policy (one of the REFORMS Project’s implied end-of-contract performance standards).

Informal Sector Study – NPC: This study, begun in Quarter 1 and continuing into Quarter 2, is intended to form a background for macro economic policy design involving this very large undocumented, unregulated, and untaxed portion of the economy. For lack of information and understanding of its nature and dynamics, the informal sector is also poorly supported by policies which could help move these entrepreneurs and laborers into the more productive formal sector. The USAID REFORMS Project in collaboration with the NPC is estimating the size of the informal sector and its contribution to GDP. The study was designed by the NPC to be carried out by two major consulting firms plus REFORMS, with each focusing on two of the six geopolitical zones. The methodological framework for the conduct of the study was designed by REFORMS and REFORMS is conducting the field study in the South South and South East zones (where three of our four Pilot States are located).

Science and Technology Database - NPC: At the request of the Economic Adviser to the President, REFORMS assisted the NPC to make data and reports from Nigeria's research and development agencies available as a digital library. Documents were scanned and organized into a searchable PC-based platform, to consolidate and integrate R&D content across government and private sector agencies and institutions, and to provide on-demand access. The objective is to make relevant data available for NEEDS II, which includes a chapter on science and technology. The Science and Technology data base:

- Catalogues existing R&D abstracts into a central database (resource clearing house);
- Provides easy access to information for completed and ongoing R&D initiatives;
- Links the productive sector to R&D agencies and vice versa; and
- Stands as a comprehensive database of researchers, profiling their work and expertise.

Community Driven Development Model Policy for Nigeria - NPC: REFORMS worked with a team at the Department of National Strategic Analysis, to conceptualize a framework known as Community Driven Development Model Policy, that will fast track development at the grassroots level. The model involves partnership between national and sub-national governments, to empower communities across the 774 local governments in the country in choosing their development priorities. A consortium of the Federal, State, Local Government, Development Partners, and Organized Private Sector will provide funds with counterpart funding from the communities for this initiative. The signal feature of this model is that communities will be responsible for managing their projects.

NPC/NBS US Study Tour on State GDP Computation: At the request of the Economic Advisor to the President and CEO of the National Planning Commission, REFORMS designed a U.S. study tour for senior and mid-level staff of the NPC and NBS. The purpose was to discover how to model, measure and forecast, and interpret gross product at the state level. In Nigeria's federated economy and polity, accurate policymaking requires a concrete grasp of how and how much product is being generated in each state, and what are the intra- and inter-sectoral dynamics. The U.S. Bureau of Economic Analysis is a world leader in gross state product measurement, and generates GSP data for the fifty U.S. states. REFORMS was able to organize an intensive training program for the NPC/NPS delivered by the BEA. This was followed by further discovery and training in the states of Maryland and Georgia. As a result of this training, the NPC is now positioned to train the State Planning Commissions in the requirements of data generation, and to create an appropriate model to measure GSP. When published, GSP will enable national and state governments to lead economic growth more skillfully. Published GSP will also be important information for private sector planning of investment and business.

Support to the National Assembly for debate and adoption of the Public Procurement Bill: REFORMS worked with both houses of the National Assembly, to strengthen public procurement reform as presented in the Public Procurement Bill. REFORMS also supported CSOs during the public hearings organized for the Bill. The aim was to help provide a thorough and well-informed legislative process. The Public Procurement Law, when passed, should enhance competition, efficiency, integrity, transparency, and public confidence in public procurement, and contribute to a positive investment climate in Nigeria. Currently the Bill has been passed by the House of Representative, and the Senate is deliberating.

Training Workshop on Due Process (Procurements): REFORMS supported the Niger Delta Budget Monitoring Group (NDEBUMOG) in hosting a training workshop on Due Process in public procurement, according to pending national legislation and practices being promoted by the BMPIU. The objective of the workshop was to educate local government officials on the policy principles, targets, methods and progress of Due Process as an important part of the federal economic reform agenda. The BMPIU spoke on these topics, as well as other procurement and governance specialists. The event was also a forum to exchange ideas with the participants, obtain their views, and hear their fears and concerns regarding implementation of the Due Process policy and law. This brought forward important information for adopting Due Process in the LGA work environments.

MOU Signing between Kano State and USAID: On the 22nd of November, 2006, USAID REFORMS Project signed a Memorandum of Understanding with Kano State Government for program assistance in Public Expenditure Management, Agriculture and Commerce for job-creating growth which will be government led, business driven, community grounded and internationally supported. Even before the MOU was signed, REFORMS had started technical assistance to Kano State on PEM through various workshops and seminars organized within and outside the state.

Bayelsa State: PEM Capacity Assessment and Technical Assistance Program Design: REFORMS began working with government officials in our fourth pilot state to survey in detail the state's present capacity to manage its funds well, in light of international best practices – and to design an intense, enriched training program for key agencies involved in the budget process. These include but are not necessarily limited to the Budget Office, Office of the Accountant General, Ministry of Finance, Ministry of Planning, and Audit Office. We are using the same PEM Capacity Assessment tool that REFORMS developed and applied in Cross River, Ebonyi and Kano States. This early work, which will continue into Quarter 2, is expected to produce:

- A Capacity Assessment Survey Report which will serve as baseline information on existing capacity in selected agencies within the state;
- Priority sequencing of a technical assistance work plan – based on a clear understanding of the issues involved, and with an indicative budget for the intervention;
- A Capacity Building Action Plan to be incorporated into REFORMS work plan;

- Agreement on types and priorities of technical assistance for policy and institutional capacity building in key economic sectors;
- Draft of the MOU between USAID and Bayelsa State Government.

Training Program on Budget Process Mechanism – Pilot States: This was a continuation of the professional advice already provided by REFORMS to Cross River and Ebonyi States, to strengthen Public Expenditure Management. A training module was developed and delivered, which analyzed the existing budget formulation and management practices in these two pilot states, and then introduced improved techniques, and offered recommendations for improving each state’s budget process. The overall objective of the training was to equip the states effectively for implementation of their respective State Economic Empowerment and Development Strategies (SEEDS). The training paid particular attention to budget preparation within a Medium Term Expenditure Framework (MTEF), and related Medium Term Budget Framework (MTBF). As a deliverable for the assignment, the project technical team prepared and distributed a “Primer” (Budget Manual), a lasting reference and tool which sets out what should be the annual budget process for sub-national governments. At the end of the program, the following outcomes for the participants were achieved:

- An understanding of the links among policy, planning and budgeting;
- An understanding of a general overview of the budget system and some of the more important budget concepts;
- A deeper appreciation of the steps in the budget preparation process; and
- An understanding of budget revenue and expenditure forecasting practices.

Training Program on Public Expenditure Productivity and Strategic Management in the Public Sector – Pilot States: Training modules were developed as a follow up to the organizational restructuring program carried out for Ebonyi, Kano and Cross River States by REFORMS. Aspects of the program focused on how well the Ministries of Finance and State Planning Commissions in the respective states were already engaged in appropriate practices or best practices in various human resources and organizational management practices. The project therefore developed an organogram and a comprehensive set of job descriptions for the positions as defined in the organogram. This was followed with an intensive training for selected staff of our pilot states involved in the budget process. This technical program created a set of strategic objectives based on the fundamentals of supporting transparency and accountability in these agencies.

Tourism Bureau – Cross River State: Within the context of the REFORMS MOU we began this quarter collaborating with the Cross River State Tourism Bureau on a five-point work plan for budget formulation and management, and for strengthened institutional capacity. REFORMS assistance is directed toward organizational development, medium-term strategic planning, professional capacity building, information and accounting system development, and strategic private sector partnerships. To begin, in Quarter 1 REFORMS provided training to about 30 persons on crafting a Medium Term Sector Strategy for the 2007 – 2009, reconciling capacity needs of the Bureau to the requirements of SEEDS, assessing and developing appropriate

management information and accounting unit, and developing a comprehensive design for budget analysis, planning and management procedures. These tasks are expected to be completed by the end of January, 2007.

Mainstreaming Gender into Public Expenditure Management – NPC and Pilot States: During this period, the project advanced toward accomplishing a REFORMS implied end-of-contract performance standard: “A sufficient number of national and state-level GON agencies mainstream gender into their sectoral plans and policies to culminate in a gender policy and budget statement for Nigeria.” Specifically, REFORMS:

- Carried out desk review of documents and reports relevant to both state-level and national-level tasks of mainstreaming gender into Public Expenditure Management.
- Designed a process to evaluate the program of mainstreaming gender into Public Expenditure Management based on consultation with key stakeholders including States Planning Commission and SEEDS committee in Cross River and Ebonyi state and the NPC;
- Prepared tools for carrying out capacity strengthening seminars and workshops at both state and national levels;
- Used three sectors: education, agriculture and health to conduct a spatial mapping of social infrastructure of pilot states of Cross River, Ebonyi and Kano. These spatial maps form the basis for developing a Plan of Action for Gender Equality from the States’ SEEDS documents. This would also make it possible to take into account state requirements, especially in culture, that are necessary in interventions for women.
- Generated a Plan of Action for incorporating Gender Equality in the States’ SEEDS documents (this does not imply developing another SEEDS document – rather, identifying the gender gaps and making action plans to address the gaps).

SEEDS Workshops for CSOs – Pilot States: In order to harmonize development plans across the country, and to allocate resources accordingly, the 36 state governments and the 774 local government areas and the Federal Capital Territory are also required to develop SEEDS and LEEDS respectively in line with the goals and strategies in the NEEDS. The project conducted SEEDS training for CSOs in two of the pilot states (Cross River and Ebonyi) to identify and respond to gender considerations, in line with international best practices. With REFORMS’ assistance, procedures were instituted for civil society organizations to participate in revising Cross River and Ebonyi State SEEDS documents, per the directive and timetable set forth by the National Planning Commission. This was done by: interrogating the SEEDS draft documents and identifying gender gaps; developing a gender plan of action; and instituting a local advisory committee for monitoring the agreed indicators. More specifically the project enhanced accountability and responsiveness of pilot states to effectively create wealth and eradicate feminized poverty.

COMPONENT 2: Policy Reforms, Implementation and Institutional Capacity Building in Key Economic Sectors

Road Map for Seed Policy and Fertilizer Strategy Development: REFORMS worked out a program for seed sector policy development with the National Seed Service. This includes a seed sector study and technical consultations. A unique feature of the road map is a roundtable to assemble the key technical and policy-making stakeholders for deliberation on the approach and general framework of a seed sector policy, as well as the formulation of fertilizer policy implementation strategies. The consensus of this critical stakeholders group is intended to set the pace for the development of the seed policy and the detailed implementation strategy for fertilizer, thus streamlining the process of policy/strategy formulation and improving the chances of adoption.

Nigeria Post-harvest Assessment Study: REFORMS completed a survey of Nigeria's Post-harvest sector, and produced a report detailing the status of national and state-level post-harvest environments covering Adamawa, Anambra, Benue, Bauchi, Borno, Bayelsa, Cross River, Edo, Ebonyi, Gombe, Kano, Kwara, Lagos, Nasarawa, Niger, Ogun, Ondo, Oyo, and Plateau States. In these states, the survey documented post-harvest handling of commodities under the various presidential initiatives of the federal government, including cassava, rice, sugar cane, poultry, cattle, fish, and fruits. As well, the survey captured information on past and existing policies and initiatives with respect to these commodities. The findings from the survey will contribute valuable data for the formulation of a comprehensive national policy and strategy on post-harvest activities for commercial scale exportable agriculture in Nigeria.

CBN'S Participation at the SEEP Network 2006 Annual Conference: REFORMS supported officials of the Central Bank of Nigeria, and a representative of microfinance practitioners (the Managing Director of Lift Against Poverty, LAPO) to participate at the Small Enterprise Education and Promotion Network (SEEP) 2006 Annual Conference held in Washington DC from October 23rd to 27th. Nigeria was allocated ninety minutes to host a workshop entitled "*Developing a Long Term Sustainable Microfinance Sector in Nigeria – The Way Forward*". In this workshop Nigeria's delegates had the opportunity to speak on Nigeria's emerging microfinance market and its great potentials. The Director, CBN's DFD (Mr. Sesan Bamisile) presented a paper on the new Microfinance Policy, Regulatory and Supervisory Framework; while the Managing Director, LAPO (Mr. Godwin Ehigiamosoe) spoke on the impact of the new microfinance policy on LAPO and other MFIs in Nigeria. The workshop was attended by over 50 participants of the SEEP Conference and was posted in the SEEP Conference website - <http://www.seepnetwork.org/section/ac2006/conferencepresentations/>

The event provided opportunity for the CBN and microfinance representatives to network with global players in microfinance, as well as to learn global best practices on microfinance policy, thus equipping them with necessary ideas for the implementation of the Nigeria's microfinance policy. There have also been encouraging overtures from

international microfinance investors and institutions to commit resources to the development of the Nigeria's microfinance industry.

Official Submission of the Draft Arbitration and Conciliation Bills and Report of the National Committee on the Reform and Harmonization of Nigeria's ADR Laws:

The National Committee on the Reform and Harmonization of Nigeria's Alternative Dispute Resolution (ADR) Laws formally submitted its report, accompanied by two draft bills (the Federal Arbitration and Conciliation Bill, and the Model State Arbitration and Conciliation Bill) to the Attorney General and Minister for Justice, Chief Bayo Ojo, on October 17th, 2006. The Federal Arbitration and Conciliation Bill has been approved by the Federal Executive Council and presented to the National Assembly for passage into law. The bills are in harmony with international best practices and they should, when passed, improve the attractiveness of Nigeria as a location for foreign direct investment by providing a means for speedy, low cost, and binding reconciliation of commercial disputes. The Committee and the Attorney General of the Federation formally and publicly acknowledged and deeply appreciated the assistance of REFORMS in the process of developing the Bills.

Agriculture Policy and ADR Legislation - Ebonyi State: In the first instance of introducing key policy reforms, already accomplished by REFORMS at the federal level, now to our pilot states, REFORMS engaged the leadership of Ebonyi State Government on matters of agriculture policy and ADR policy. Immediately, the State Government formally requested the assistance of REFORMS to development the state's agriculture policy and ADR Law. A program of work for these two important pieces of policy and legislation is being worked out with the state authorities.

III. Problems and Opportunities

- REFORMS' earlier achievements are yielding positive recognition from Nigeria's champions of economic change. This was demonstrated by the CBN Microfinance award to USAID as the Best Donor on Capacity Building, due to REFORMS' work in advancing the institution's capacity to implement the new and high-profile Micro-Finance Policy, Regulatory and Supervisory Framework. It may be noted that REFORMS achieved this accolade against tall odds, as initially the CBN regarded us with deep skepticism, and REFORMS had to best a field of private sector firms in open competition for the technical assistance required. In addition to our CBN achievement, the work of REFORMS in ADR legal reforms received very high public recognition and deep appreciation from both the National Committee on the Reform and Harmonization of Nigeria's Arbitration and ADR laws, and the Minister of Justice and Attorney General of the Federal Republic of Nigeria. This goodwill is opening doors of opportunity for REFORMS to continue making a positive difference in Nigeria.
- We continue to find good to very good receptivity for REFORMS assistance at the state level, building on work already performed and relationships established. For

example, this is enabling us quickly to begin driving our national policy reform work in agriculture and ADR down to our pilot states.

- The signing of Kano State’s MOU puts REFORMS work on a solid footing, enabling us now to deliver a richer and more effective program of technical assistance, for PEM capacity development and for other key policy and institutional reforms.
- In Cross River State, the Government endorsed the effectiveness of USAID REFORMS assistance in its finance digest publication. This is a consequence of our assistance in institutionalizing the Medium Term Expenditure Framework in the state budget (2007) for three pilot ministries. Success with these three ministries offers the opportunity to expand MTEF in the budget process, to accommodate more ministries, departments and agencies.
- These successes and the opportunities they afford are tempered by the effects of the current political cycle in Nigeria. With the election season starting in Quarter 1, including party primary campaigns and voter registration, and with general electioneering campaigns and elections running through the second and third quarters of the year, the attention of our government counterparts is substantially distracted, and the ground beneath our feet shifts in unexpected ways. For example, on the eve of the NPC/NBS study tour to the U.S., the head of delegation (Dr. Osita Ogbu, Economic Advisor to the President and CEO of the NPC) vacated his position in the federal government, in order to run in the primary election for Enugu State Governor. In another case, Governor Goodluck Jonathan of Bayelsa State, who was scheduled to run for reelection (which would afford REFORMS the opportunity to continue working with the Jonathan Administration for the next term of office), unexpectedly was tapped to run as Vice President on the ruling party ticket. The immediate effect on REFORMS work is a newfound urgency by the Bayelsa State Government to absorb as much technical assistance as we can provide, an opportunity to which we are responding with alacrity.
- Also due to the distractions of the electoral season, several of our policy initiatives have failed so far to secure legislative passage. These include the procurement bill, the fiscal responsibility bill, the land use bill, and the ADR bill.

IV: Activity Changes

The REFORMS Project new year started in the first quarter with realignment of tasks and activities. The impetus for this was primarily to streamline staffing, according to a lower funding level. Whereas REFORMS began with three “Components”, each headed by a senior economist, now we are operating with two Components, as described below.

Elements of the former Component 2 have been redistributed, to Component 1 and the New Component 2 (previously Component 3). Each of the two new Components engages CSOs and private sector organizations (PSOs), and undertakes institutional

capacity building: previously these were functions of Old Component 2. Gender considerations, from Old Component 2, are now placed in Component 1, as they are most closely tied to the NEEDS/SEEDS/LEEDS-MDG-MTEF-MTSS-budget portfolio.

In addition, REFORMS two new policy areas, biotechnology and energy, are being started up in Component 1 by our Deputy Chief of Party.

Component 1, Fiscal, Monetary and Macroeconomic Policy, Administration and Institutional Capacity Building (DCOP and Lead: Kanayo Ogujiuba)

- Fiscal/Monetary/Macro
- “Nigerian Excellence” in Pilot States
- Gender
- Biotechnology/Energy
- CSOs and PSOs

Component 2, Policy Reforms, Implementation and Institutional Capacity Building in Key Economic Sectors (Lead: Chidiebere Ibe)

- Agriculture (land use, fertilizer, seed)
- Commercial Law(ADR)
- CSOs and PSOs

Concerning biotechnology, we have targeted Cross River State as the most opportune set of counterparts with which to partner, in order to have impact. REFORMS has had initial discussions with the private sector laboratory which is starting up in Calabar, to fill an order from the Cross River State Government for pineapple plant material. This represents an initiative to spur commercial scale agriculture in Cross River State, for domestic processing and consumption, and also for export. Our intention is to work with the Cross River State Government and private sector organizations to develop appropriate biotechnology policy and institutions, in support of this and similar initiatives.

Concerning energy, REFORMS has had early discussions with the Bayelsa State Government on opportunities to develop an energy policy and improve institutional capacity within the state. Based on early indications, it may be possible to have a positive impact by rationalizing and improving electrical service throughout the state, by halting the flaring of natural gas and instead converting it to useable products, and improving health, safety and environmental aspects of energy production and distribution.

Both the Cross River State biotechnology initiative and the Bayelsa State energy initiative will become prominent elements of REFORMS’ demonstration of “Nigerian Excellence” in our pilot states. We expect that what is accomplished in these states will serve as encouragement and models, for uptake by other states and by the federal government.

V. Next Quarter Results and Related Tasks

A preview of Quarter Two engagements includes the following:

- **NPC – MTSS:** The NPC will be assisted to establish a Medium Term Sector Strategy Analysis capacity. This will support and drive the NEEDS II framework in linking policy, planning and budget for the different sectors. The MTSS ensures fiscal stability and macroeconomic balance.
- **Informal Sector Study:** The Project will conclude the study for the NPC within the second quarter. This will assist the government in understanding how to support the informal sector and move it into the more productive formal sector of the economy through appropriate policies.
- **CBN Microfinance Road-Show:** REFORMS will support the CBN with resources to train converting Community Banks and other potential microfinance licensees, to enable them to generate successful applications for licensing as microfinance banks. The training will take place in the six geo-political zones of the country.
- **Public Expenditure Management Assessment – Bayelsa State:** REFORMS will complete its PEM technical baseline assessment and program design in the next quarter. This will provide the foundation for collaboration between the Project and State Government.
- **MTEF Training for Bayelsa State:** REFORMS will conduct training on Medium Term Expenditure Framework for officials involved in the fiscal management and budget process in the state.
- **Monitoring and Evaluation Training:** REFORMS will conduct Monitoring and Evaluation training for selected government officials involved in PEM in Kano State.
- **MTSS and Organizational Re-engineering for Cross River State:** REFORMS will support the CRS Tourism Bureau in the formulation and implementation of a Medium Term Sector Strategy, through training and organizational re-engineering in accordance with international best practices.
- **CSO Engagement:** REFORMS will complete training for CSOs in Bayelsa and Kano States on their Gender SEEDS/Budget framework. This is aimed at transparent and accountable fiscal management for gender equity.
- **State-level work on Agriculture and ADRs:** REFORMS will commence state-level work in Bayelsa, Cross River, Ebonyi, and Kano States on agriculture policy (comprising fertilizer, seed and land use policies), and ADR Law.

- **Energy:** REFORMS will conduct a needs assessment and program design for energy policy and institutional capacity in Bayelsa State, to be followed shortly thereafter by implementing assistance.
- **Biotechnology:** REFORMS will conduct a needs assessment and program design for biotechnology policy and institutional capacity in Cross River State, to be followed shortly thereafter by implementing assistance.

VI. Quarterly Update: Q1/2006-7 Performance Monitoring

Update on Target Policies and Legislation

Component 1: Fiscal, Monetary, and Macroeconomic Policy & Institutional Capacity Building, Energy and Biotechnology

Macroeconomic Framework Adoption (NEEDS II): REFORMS' Resident Advisor, Osita Nwafor, continued his work with the National Planning Commission to support the development of NEEDS II. REFORMS helped set the agenda for a stakeholder workshop on the Macroeconomic Model for NEEDS II. Training in Community Driven Development Model Policy was provided for NPC's Dept of National Strategic Analysis; this is expected to improve NEEDS II by incorporating sub-national development priorities. *Next steps in Q2: Nigeria is in the last stage of the Macro Framework.*

Fiscal Responsibility Bill: This law has not yet been passed by the legislature; and is unlikely to pass because the National Assembly is quarreling with the President over other issues. Resolution on this bill is not anticipated until after the Presidential elections this spring. *Next step in Q1: No work expected until after the election.*

2006 Appropriations Bill: Work on this bill has finished; and focus will shift to the 2007 Appropriations Bill. However, as noted above, work will be on hold in this regard until after the elections.

Public Procurement Bill: As above, this bill has yet to be passed by the legislature; and work will be on hold until after the elections.

Gender-Sensitive NEEDS II/SEEDS Sectoral Policy: REFORMS supported training in the pilot states for CSOs. The training taught them how to analyze SEEDS documents through a gender lens, and to develop gender-sensitive budgets. Additionally, REFORMS gender advisor, George Ogi, conducted a comprehensive review of gender mainstreaming in Public Expenditure Management. REFORMS also developed social infrastructure maps in pilot states to inform the SEEDS documents' Plan of Action for Gender Equality. *Next Step in Q2: In March, REFORMS is planning to host a gender mainstreaming workshop in the pilot states.*

Component 2: Policy Reform in Selected Sectors

National Seed Policy: REFORMS, with counterparts at the National Seed Service (NSS), developed a roadmap for seed sector policy development. Through subcontractor AIAE, REFORMS conducted a seed sector study and technical consultations with the NSS. *Next step in Q2: A roundtable convening technical and policy-making stakeholders will be hosted to discuss the roadmap, and to identify roles and responsibilities for taking it forward.*

Land Use Policy: REFORMS supported six CSOs to participate in the combined House and Senate hearings on the Land Use Act; and supported the negotiation and issuance of a united CSO statement on the bill. *Next step in Q2: Advocacy work for the Land Use Act and policy development will be on hold until after the Presidential elections. Some work will move forward in developing implementation strategies for the Land Use Policy, and coordinating stakeholder consultations on the policy.*

National Fertilizer Policy: Akin to the Seed Policy work, REFORMS worked with the NSS to formulate fertilizer policy implementation strategies. *Next step in Q2: REFORMS will continue promoting the development and adoption of concrete implementation strategies for the National Fertilizer Policy. REFORMS will also focus on the pilot states, to promote the development of a comprehensive agriculture policy (incorporating seed, fertilizer, etc.).*

National Post-Harvest Policy: REFORMS, with subcontractor AIAE, conducted a large post-harvest assessment study in 19 states in Nigeria; including the national environment. The findings from the assessment will directly inform Nigeria's national policy and strategy on post-harvest activities for commercial scale exportable agriculture. *Next step in Q2: REFORMS will support the drafting of draft policies and implementation strategies in the pilot states.*

National Microfinance Policy: REFORMS is in the final stage of the PM scale: building capacity for its implementation. In this regard, REFORMS supported the travel and participation of CBN Microfinance senior officials to the Washington, DC-based SEEP Microfinance Summit. *Next step in Q2: REFORMS will conduct capacity building workshops to community banks and MFIs to support them develop high quality applications for microfinance licenses. .*

Revised Arbitration & Conciliation Act: The Federal Arbitration and Conciliation Bill has been approved by the Federal Executive Council; and is now waiting for passage with the Nigerian legislature. *Next step in Q1: The Model State Arbitration and Conciliation Bill will form the framework for REFORMS assistance to the pilot states to implement ADR legislation at the state-level.*

Update on Target Institutional Capacities

National Planning Commission Policy Management & NEEDS Implementation:

REFORMS supported the development of a science and technology database, which will make NEEDS II-informing R&D research more available and accessible to the National Planning Commission. The REFORMS project also designed and led a study tour for NPC staff (and one NBS staff member) to Washington, DC, Maryland, and Georgia, to learn about the compilation and use of state GDP data. The NPC has been considering whether to collect state GDP data, and use it to inform public investment planning, state performance metrics, etc. Additionally, REFORMS, through subcontractor AIAE, continued work on the informal sector study, which is a major field study in the South South and South East zones of Nigeria. The study is estimating the informal sector's size and contribution to GDP. REFORMS work with the NPC's Dept of National Strategic Analysis included exposing them to a Community Driven Development Model Policy which helps communicate development priorities between national and sub-national governments. Much of the NPC work was supported by REFORMS' advisor to the NPC, Osita Nwafor. *Next step in Q2: REFORMS will support efforts to build Medium-Term Sector Strategy analysis capacity. The informal sector study is expected to be completed by February.*

Budget Monitoring & Price Intelligence Unit (BMPIU) Procurement Management:

As noted above, support to the BMPIU will pause until the Procurement Bill can get more traction—likely after the spring election. *Next step in Q2: No activities expected in Q2 at the Federal level; roll-out of procurement best practices, including in due process, expected at the pilot state level.*

Central Bank of Nigeria: REFORMS supported the participation of 3 senior microfinance officials from the CBN (in addition to the leader of Nigeria's premiere private microfinance provider), at the 2006 SEEP Microfinance Summit in Washington, DC. Among the largest international microfinance events, the SEEP conference gave the CBN critical exposure to other countries' best practices and practitioners, and enabled them to highlight Nigeria's work along these lines. REFORMS work with the CBN was officially recognized during a CBN awards ceremony in December, during which USAID Mission Director Pat Fleuret was presented with an award to USAID for "Best Donor on Capacity Building." *Next in Q2: REFORMS will lead a study tour for 10 Monetary Policy Department staff to attend further econometric training from the software makers of E-Views, and inflation targeting training at the Bank of London in England. Additionally, REFORMS will support a CBN road show intended to improve quality of microfinance license applications around the country.*

Cross-River State Capacity Building & Policy Reform: As a follow-up to REFORMS organizational restructuring program, training was provided in public expenditure productivity and strategic management. Also in Q1, REFORMS trained approx. 30 tourism officials on crafting a Medium Term Sector Strategy, to support the Cross River State Tourism Bureau's five-point work plan for budget formulation and management, and strengthened institutional capacity. Training was also provided for CSOs in gender

considerations within SEEDS and LEEDS documents. Continuing with REFORMS public expenditure management consulting, the project provided training in budget process mechanisms, and left participants with a useful primer / budget manual to take with them after the training. Cross-River State lauded the quality of REFORMS technical assistance in its finance digest publication. *Next in Q2: REFORMS will begin work on Agriculture Policy and ADR law. In Q2, REFORMS also expects to launch biotechnology policy and institutional capacity building efforts, which will encourage growth of commercial agriculture in Nigeria.*

Ebonyi State Capacity Building & Policy Reform: REFORMS has advanced furthest with Ebonyi State on reforming Agriculture Policy and ADR Law. We are currently in the process of negotiating a formal work program. Along with Kano and Cross River, Ebonyi officials received training in public expenditure productivity and strategic management. Training was also provided for CSOs to identify gender concerns within SEEDS and LEEDS documents. REFORMS provided training in budget process mechanisms, with an emphasis on budgeting within an MTEF. Budget manuals (“primers”) were distributed to all participants following the training. *Next in Q2: Work program for Agriculture Policy and ADR Law will be developed.*

Kano State Capacity Building & Policy Reform: REFORMS signed an MoU with Kano State in Q1. Training was provided in public expenditure productivity and strategic management. *Next in Q2: REFORMS will provide training for CSOs on their SEEDS / Budget framework. State-level work on agricultural policy and ADR law will also begin.*

Bayelsa State Capacity Building & Policy Reform: REFORMS conducted a public expenditure management capacity assessment in Bayelsa in Q1. This will directly inform the shape of the expect MoU in the next quarter. *Next in Q2: REFORMS expects to sign an MOU with Bayelsa State. REFORMS plans to provide training for CSOs on the SEEDS/ Budget framework. We will also begin work on Agriculture Policy and ADR law. Finally, REFORMS expects to begin work on energy policy and institutional capacity building in Bayelsa State.*

Civil Society Organization (CSO) Policy Analysis, Advocacy & Participation: REFORMS engaged in advocacy for the Land Use Act by supporting six CSOs to participate in the combined House and Senate hearings for the bill. REFORMS gender advisor trained Cross River and Ebonyi state CSOS in analyzing gender within planning documents like LEEDS and SEEDS. *Next step in Q2: REFORMS will conduct training in the SEEDS/budget framework to the remaining pilot states: Bayelsa and Kano.*

Gender Focal Group: The Gender Focal Group did not meet in Q1. *Next step in Q2: There are plans underway for the GFG to reconvene in March 2007, for a gender mainstreaming workshop.*

The charts on the following pages illustrate the progress of REFORMS activities in Q1.

Table 1. Target policies for 2006-7¹

The shaded boxes below signify the current stage of the policy/legislation. The dates indicate targets estimated for achieving each stage.

Target Policies/ Legislation/ Systems	1	2	3	4	5
	Initiation	Activation	Development/ Consolidation	Approval	Implement. Framework
Component 1: Fiscal, Monetary, and Macroeconomic Policy & Institutional Capacity Building, Energy and Biotechnology					
Macro Framework Adoption	2006	2006	2007	2007	2007
Fiscal Responsibility Bill			2006	2006-7	2007
2007 Appropriations Bill			2006	2007	2007
Public Procurement Bill				2007	2007
Gender-Sensitive NEEDS II/ Sectoral Policy	2006	2006	2007	2007	2007
Component 2: Policy Reform in Selected Sectors					
National Seed Policy	2006	2006	2007	2007	2007
National Fertilizer Policy			2006	2006	2007
National Post-Harvest Policy	2006	2007	2007	2007	2007
National Microfinance Policy					2007
Revised Arbitration & Conciliation Act (ADR System)			2006	2007	2007
Bayelsa State Energy Policy	2007	2007	2007	2008	2008
Cross River State Biotech Policy	2007	2007	2007	2008	2008

KEY: Red = Stage 1 (Initiation); Orange = Stage 2 (Activation); Yellow = Stage 3 (Development/Consolidation); Green = Stage 4 (Approval & Launch); and Blue = Stage 5 (Implementation Framework) Shading indicates where the policy is now.

¹ These target policies include only those being reported in Q1/2006-7.

Table 2.

Nigeria REFORMS Q1/2006-7 ICI Report			
Institutional Capacity	Total Activities	Cumulative # of Activities Completed	Cumulative% of Activities Completed
NPC Policy Management and NEEDS Implementation	27	24	89%
Improved aid management, coordination, and evaluation	2	2	100%
Ability to carry out an informal sector survey	2	2	100%
Policy advice grounded in sound analyses and research	4	4	100%
NEEDS II / Macro Framework development & implementation	19	16	84%
BOF Fiscal Policy & Budget Management	10	8	80%
Improved basic economic and management skills	2	2	100%
Improved capital budgeting	6	4	67%
Improved expenditure management	1	1	100%
Improved transparency / anti-corruption efforts	1	1	100%
National Assembly Budget Management	4	3	75%
Improved budget analytic capacity of the National Assembly	4	3	75%
BMPIU Procurement Management	9	8	89%
Develop and maintain transparent procurement rules	3	3	100%
Public awareness of BMPIU and CSO oversight	6	5	83%
Central Bank of Nigeria	6	4	67%
Monetary Policy: Macroeconomic modeling and inflation targeting	3	2	67%
Microfinance: Improved ability of DFD to implement Microfinance Policy	3	2	67%
Kano Institutional Capacity	25	17	68%
Improved budget process linked to SEEDS Macro Framework	18	12	67%
Improved transparency / Public oversight	7	5	71%
Cross-River Institutional Capacity	28	24	86%
Improved budget process linked to SEEDS Macro Framework	19	17	90%
Improved transparency / Public oversight / CSO Strengthening	8	8	100%
Promote Nigerian Excellence: Tourism Sector	1	1	100%
Ebonyi Institutional Capacity	27	24	89%
Improved budget process linked to SEEDS Macro Framework	19	16	84%
Improved transparency / Public oversight / CSO Strengthening	8	8	100%
Bayelsa Institutional Capacity	2	1	50%
Improved budget process linked to SEEDS Macro Framework	2	1	50%
CSO Policy Analysis, Advocacy & Participation	11	8	73%
Performing policy analysis and budget advocacy at national level	5	3	60%
Effective public-private dialogue	5	4	80%
Improved gender sensitivity of budget and NEEDS II.	1	1	100%
Gender Focal Group	5	4	80%
Gender-sensitized government plans, policies and programs	5	4	80%
TOTAL MILESTONES: Q4/2005-6	154	125	81%