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Quarterly Progress Report

January-March 2007

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

April 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.



TABLE OF CONTENTS

	PAGE
List of Abbreviation and Acronyms	4
Activity Summary	5
Narrative Section	
I. Background	6
II. Quarter Progress	7
III. Problems and Opportunities	12
IV. Activity Changes	12
V. Next Quarter Results and Related Tasks	12
VI. Quarterly Update: Q2/2006-7 Performance Monitoring	14

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
January-March 2007 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
Current Pipeline Amount: \$1,440,358
Accrued Expenditures this Quarter: \$839,752
Activity Cumulative Accrued Expenditures to Date: \$5,655,156
Estimated Expenditures Next Quarter: \$394,675
Report Submitted by: Christina Erickson Submission Date: April 30, 2007

I. Background

The REFORMS Project ran strongly May through December 2006, then slowed perceptibly during the January-March quarter 2007 covered by this report (Project Year Two, Q2). To a significant extent, this slower pace was anticipated and planned for, in step with the pre-election season which demanded the time and attention of many of REFORMS' counterparts. Elections took place in April, and inaugurations are scheduled for May.

However, to a more significant degree, the work of REFORMS was reduced by funding limitations. Many of the techniques we used in earlier quarters to achieve stunning results are now unavailable to us, because they are too expensive. Specifically, we had previously filled our third component-lead slot (a long-term position through last May) with, first, a gender advisor, and then with a resident advisor at the National Planning Commission. As of mid-January, that senior technical slot has remained vacant. We could no longer consider bringing in expatriate advisors, as we did for the award-winning microfinance gap study for the CBN. Further, on February 28th we released one of our two junior economists, our office and finance manager, and two office assistants. Further, we cancelled a planned public expenditure management study tour to the Republic of South Africa for our pilot states; brought our key-sector policy work to a close except for agricultural policy and alternative dispute resolution system TA in Ebonyi State; severely reduced REFORMS assistance to the CBN (monetary policy and microfinance regulation); turned down requests from our civil society partners to continue advocacy for passage of the public procurement bill; scratched planned assistance to the National Bureau of Statistics in collaboration with the NPC; could not provide follow-on assistance to the NPC on donor coordination; could not respond to pleas from the NPC-sponsored Gender Focal Group to pilot gender-aware practices/programs in 20 federal ministries, departments and agencies; could not provide necessary follow-on support to the Cross River State Tourism Bureau; and other adjustments, for lack of funds. It was difficult to manage counterpart expectations, built during strong working relationships and project performance in previous quarters, in the face of these disappointing cut-backs in REFORMS assistance.

An additional stress on the project was brought on by the March 1st med-evacuation of the COP's husband, out of Nigeria. Thus, the COP, no longer able to maintain a long-term field presence, returned to Nigeria for three weeks in March/April. Meanwhile, the DCOP and DAI home office came more prominently to the fore in maintaining REFORMS' operations.

Overall, during this quarter the COP not only managed the technical assistance work of REFORMS, with the superb collegial leadership of the DCOP; the COP also assumed all the duties of the departed office and finance manager. By the end of Q2, the REFORMS project team in Nigeria consisted of the COP, DCOP, Component 2 lead, one junior economist, an administrative assistant, and a project accountant. By sending our three senior technical advisors (COP, DCOP and Component 2 lead) to the field, we performed many of our technical tasks directly, with the added input of several local contractors. In this very focused way, REFORMS was able to press forward, especially to bring on Bayelsa as our fourth pilot state. It is worth noting that the entire REFORMS team rose to these challenges by demonstrating our best characteristics:

R	Resilient
E	Efficient
F	Focused
O	Organized
R	Resourceful
M	Mature
S	Stable

II. Quarter Progress

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

CBN Monetary Policy Department Study Tour: The USAID Nigeria REFORMS Project in conjunction with the Central Bank of Nigeria further consolidated the gains made by the REFORMS Project for the newly established Monetary Policy Department of the Bank. As part of our on-going technical assistance to the Bank, a study tour to the Bank of England was completed alongside training in modern techniques in inflation forecasting by a UK based consulting firm. The program focused on ensuring effectiveness and robust conduct of monetary policy in a transition economy. The following were addressed:

- Exposure of the new staff of the CBN to the most efficient econometric modeling methods for monetary policy;
- Identifying problems of modeling in the Bank with current techniques of effective forecasting methods;
- Sustainability of experience sharing with other practitioners at the Bank of England.

This technical assistance with emphasis on the conduct of monetary policy particularly liquidity forecasting, inflation targeting, policy reaction function and effective communication of monetary policy provided participants with practical and better understanding of econometric methods that would enable the CBN to be very efficient. Participants achieved the following at the end of the session:

- Knowledge of Monetary Policy Process enhanced;
- Sound Monetary Policy modeling skills imparted to participants;
- Participants able to resolve most of the practical problems of the E-Views Software used in the Bank;
- A multiplier effect on other staff members of the CBN when this small group returned and taught what they had learned about modeling.

The extent to which GON achieves its macroeconomic and sectoral goals depends not only on how well its policies are articulated, but more importantly on the capacities of the key executing agencies. Assisting the CBN on this subject is tangential to building the capacity of key GON Institutions to formulate and implement policies for a sustainable macro framework, which is the cardinal focus of the USAID/N/REFORMS Project.

CBN is one of USAID's main counterpart agencies, and provides one of REFORMS best counterpart relationships. The program is considered by the Central bank of Nigeria to be very important. It is expected that a model as a result of the training would be officially announced by the bank as its recognized tool for inflation targeting etc.

CBN Monetary Policy Department IMF Training: The Project facilitated the Visa for MPD staff to attend IMF Financial Programming Course. This course builds on an earlier training done by the REFORMS Project in collaboration with the West African Institute for Financial and Economic Management (WAIFEM) for members of the department. This IMF training would support the inflation targeting policy of the Apex Bank and the NEEDS II macroeconomic framework.

National Planning Commission: Mainstreaming Gender into NEEDS II formed a critical part of discussions for the project. During this period, the project advanced toward accomplishing a REFORMS implied end-of-contract performance standard. A series of meetings was held with NPC officials on mainstreaming gender into sectoral plans and policies to culminate in a gender policy and budget statement for Nigeria.

National Planning Commission (ODA Policy): The REFORMS Project about the 19th of June 2006 supported nine staff members of National Planning Commission and Ministry of Finance for a study visit to the Ghana Ministry of Finance on Aid Coordination. Three people were from the Aid Coordination Unit of the MOF while six were from the International Cooperation Department of NPC. This trip was a follow-on to an earlier training on Aid Coordination supported by the Project for MOF and NPC. As a result of these, the NPC has finally drafted an ODA policy, waiting for the consent of the President. This document would guide all foreign technical aid in Nigeria. In addition, the GON has announced that it will accede to the Paris/OECD Declaration on Donor Coordination.

Informal Sector Study: The study is intended to estimate the size of informal sector and its contribution to GDP. The methodological framework for the conduct of the study was designed by REFORMS in collaboration with our subcontractor, the African Institute for Applied Economics. REFORMS conducted the field study in the South South and South East, where three of our four Pilot States are located. Although begun during previous months, the Project completed the study within this quarter. The study examined the nature, structure, characteristics and determinants of informal sector enterprises. It assessed the role and influence of socioeconomic and institutional factors in informal sector enterprises. The study evaluated production processes, productivity, and investment and business conditions at the enterprise level. Also, the study estimated the size, relative contributions and trends of Nigerian informal sector. The goal of the study is to improve understanding of the informal sector in order to provide empirical evidence-based insights for overall economic planning, policy targeting and program design.

Resident Advisor -- NPC: REFORMS placed a resident advisor for six months to work with the Department of Economic Policy Analysis, and the Office of the Economic Adviser, on the macroeconomic framework and the budget process, as follows:

- **Macroeconomic Framework for NEEDS II:** This workshop was organized for key stakeholders involved in the design of Macroeconomic Model for NEEDS II. The stakeholders included 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 by the Centre for Econometrics and Applied Research (CEAR) team responsible for developing the model in concert with NPC. The team is headed by Professor Sam Olofin. Presentations were made by Professor Olofin on the model with inputs from the key agencies on the assumptions used in the model design.

- **Value Added Tax Legislation:** The REFORMS Project provided technical support to inform the ongoing debate surrounding a proposal to increase the Value Added Tax from the present 5%. A detailed analysis was prepared for the President of the GON to enable him present a bill to the National Assembly, making a strong case for increase in the VAT, by outlining the fiscal and macroeconomic benefits.
- **Methodological Framework of the CDD Policy Model:** The resident advisor worked with a team at the Department of Economic Policy Analysis, to conceptualize a framework known as the Community Driven Development Policy Model, which will fast track development at the grassroots level. The model involves partnership at the national and sub-national level to empower various communities across the 774 local governments in the country in choosing their Development priorities. A consortium of federal, state, and local governments, development partners, and the organized private sector will provide funds -- to be paired with counterpart funding from the communities -- to deploy the CDD Policy Model. The unique feature of this model is that communities will be responsible for managing their projects.

CSO/SEEDS for Gender Mainstreaming - Bayelsa & Kano States: the REFORMS Project supported training for CSOs in these two pilot states, to strengthen capacity for participating in revision of the SEEDS documents in line with the directive and time table of the National Planning Commission. This was done by interrogating the SEEDS drafts and identifying gender gaps; developing a gender plan of action; instituting a local advisory committee for monitoring the agreed indicators; and empowering CSOs and their networks to engage in transforming NEEDS/SEEDS for wealth creation and eradication of feminized poverty. As a result of this training, CSOs have interacted with the SEEDS Secretariat at the National Planning Commission. Consequently, the SEEDS Secretariat has developed clear procedures for coordinating gender budgeting initiatives in the states. Also, a process has been designed to evaluate programs based on consultation with key stakeholders, including State Planning Commissions and SEEDS Committees.

Productivity Management (Bayelsa State): REFORMS supported an organizational restructuring program in Bayelsa State, for the Ministry of Finance and the State Planning Commission. This included an organogram and a comprehensive set of job descriptions, followed by intensive training for selected involved in the budget process, giving rise to a set of strategic objectives based on the fundamentals of transparency and accountability. Moving forward, two training modules were delivered:

- A practical approach for assessing public expenditure productivity within major public expenditure categories
- Modern principles and processes in strategic planning, and to that end to encourage and widen the application of strategic planning in the relevant agencies

Techniques included:

- Quantifying public sector output, and assessing the efficiency of public sector expenditure
- Determining the appropriate mix of public sector outputs and levels of aggregate

expenditure policies

- Applying cost-benefit analysis in evaluating public expenditure policy
- Analyzing macroeconomic and structural implications of government expenditure policies

Institutionalization of Public Expenditure Management (Bayelsa/Ebonyi/Cross River States): The objective of this training/desk review was to assist pilot states in doing the following:

- Linking SEEDS to an MTEF for budgetary policy analysis
- Discussing methods and techniques for implementing an MTEF
- Using Excel spread sheets to develop programs for policy analysis

Participants from Ebonyi and Cross River States were able to reflect on their experiences in these areas, while Bayelsa State participants learned about these topics for the first time.

Training Workshop on Budget Process (Kano State): This assignment began with field work analyzing the present budget system in the state including aspects of budget formulation and management. The overall objective was to equip the state effectively for implementation of the State Economic Empowerment and Development Strategy (SEEDS), by means of the budget process. This training program provided a practical exposure for the staff of the Budget Office and MDAs to some technical issues, as contained in the REFORMS Budget Manual. Topics covered included the budget system and budget cycle; methods of public expenditure review; and budget formulation especially within the Medium Term Expenditure Framework (MTEF).

Operational Details between REFORMS and Bayelsa State: REFORMS continued working with government officials in our fourth pilot state, to survey in detail the state's public expenditure capacity to manage its funds well, in light of international best practices -- and to design an intense, enriched technical 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, and Ministry of Finance, Ministry of Planning and Audit Office. A series of meetings has been held towards shaping public policy in the state, by the REFORMS Project and stakeholders.

Biotechnology: REFORMS began discussions on how best to support Biotechnology Policy Issues/Programs in Nigeria. Stakeholders such as the National Biotechnology Development Agency (NABDA) and (IITA) are all being engaged on the subject matter. The REFORMS Project was introduced at the last Advisory Committee meeting of the Nigerian Biotech Program under IITA to all stakeholders. The meeting gave REFORMS the opportunity to integrate with other stakeholders on current issues and action plan.

Energy Policy: The REFORMS Project during this quarter, started to engage government and non-government agencies on the decision making process regarding delivery of energy and related environmental management services such as methanol.

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

CBN Micro Finance Capacity Building Road Show: REFORMS and the CBN Microfinance Division began preparations for a microfinance capacity-building road-show. This will be a round of training sessions to be held in three locations around the country, to help community banks and others understand critical issues in converting to or setting up a microfinance bank. Topics to be covered in these training sessions will likely include:

- Governance issues for microfinance
- Staffing and Processes for microfinance banks
- MIS requirements for microfinance banks
- Product development
- Nigeria's microfinance policy implementation
- Challenges and prospects of conversion from community bank to microfinance bank

Agriculture Policy for Ebonyi State: The development of Ebonyi State Agriculture Policy has reached the Activation Stage. The following milestones have been achieved:

- The leadership of the State Government and the Ministry of Agriculture and Food have been fully sensitized and are highly enthusiastic about development and Agriculture Policy for the State.
- A Technical Working Committee, comprising the Permanent Secretary, all heads of departments, all managers of projects and administrators of parastatals has been constituted to provide policy support and direction for the process of policy development.
- All departments, projects, parastatals and inter-ministerial departments have been directed to articulate their policy thrusts towards a comprehensive state policy on agriculture.
- Relevant documentations on agricultural policy initiatives in the state have been collated and are being reviewed by the ministry.

Alternative Dispute Resolution (ADR) Legislation - Ebonyi State: ADR Legislation for Ebonyi State has also reached Activation Stage. The Government of Ebonyi State approved the constitution and inauguration of a technical committee on Commercial Dispute Resolution Reforms in Ebonyi State; REFORMS is represented on the committee. Terms of reference for the committee include:

- To review the proposed Uniform States Arbitration and Conciliation Bill.
- To perform such other acts to give Ebonyi State a modern law and procedure on Alternative Dispute Resolution and commercial disputes.

The Committee has done extensive work including:

- Review and approval of a draft Uniform State Arbitration and Conciliation Bill for Ebonyi State.
- Identification of critical stakeholders for a workshop to review and make input into the draft bill.

- Preparation of a budget for a stakeholders workshop
- Identification of topics for paper to be presented at the workshop, and scheduling of a tentative workshop program

III. Problems and Opportunities

REFORMS had a number of opportunities in Quarter 2. The federal government and pilot state governments were committed to accomplishing major/key activities before the end of the present administration, by May 29, 2007. Our counterparts were willing to work with REFORMS at all times. The ADR Reforms Committee in Ebonyi State, for example, had a series of meetings within a short span of time in order to accomplish the mandate given to the members of the committee. The agric policy in Ebonyi State was also given attention as the Commissioner emphasized the need for the policy to be concluded before the end of the Administration.

There is a great likelihood of continuity of the reforms we have assisted, by incoming governments both at the federal and state levels. For example, it is clear that REFORMS is positioned to contribute to shaping public policy for the critical Niger Delta region (Bayelsa State) in the next dispensation. REFORMS would also continue to work with the NPC to further contribute to the macro framework of NEEDS II. In addition, it is evident that REFORMS is positioned to continue to work with the CBN on monetary aggregates for fiscal balance.

However, several problems/challenges were faced by the project in the 2nd quarter. These included inadequate project funding to prosecute in full scale the planned activities with our state partners. Also, distractions of the upcoming general elections put paid to the realization of some task as envisaged. Similarly, the inability of state governments to pay counterpart contributions resulted from a shortage of funds, which could be attributed to the political transition.

IV. Activity Changes

The project would continue with the Year 2 Work Plan, except that technical direction received from the CTO is having the effect of radically revising the REFORMS Project focus. Approximately as of May 1, REFORMS will be concluding for the time being our public expenditure management work, and our work on agriculture and ADRs. Instead, we will step up our work on the key sectors of energy and biotechnology.

V. Next Quarter Results and Related Tasks

A preview of Quarter Three engagements we did intend to undertake, according to the Year 2 WP includes the following. We will cut these short in an orderly way, on or about May 1st.

- **Bayelsa State – MTSS:** Bayelsa State will be assisted to establish a Medium Term Sector Strategy analysis capacity. This will support and drive the SEEDS II framework in linking policy, planning and budget for the different sectors. The MTSS would ensure fiscal stability and macroeconomic balance.

- **Public Expenditure Management (Revenue Forecasting Techniques) – Pilot States:** REFORMS will initiate and complete basics of internally generated revenue programming for Bayelsa/Ebonyi/Cross-River, to provide the foundation for a fiscal based rule.
- **Public Expenditure Management (Monitoring & Evaluation Techniques) – Pilot States:** REFORMS will further sustain the momentum already generated in Cross-River and Ebonyi States on this subject. Bayelsa would particularly be the focus of this program. This is expected to give a solid framework for on-going developmental projects in the states.
- **Public Expenditure Management (Procurement – Due Process Mechanism) – Pilot States:** REFORMS will commence training for due process officers in Ebonyi/Bayelsa/Cross-River States. This is critical at this stage for the states. It is expected to lay the foundation for probity, transparency and accountability.
- **Biotech:** The framework for further assistance to Biotech issues would be strengthened vis-à-vis increased public advocacy on the subject.
- **Energy:** A needs assessment for methanol to show the potential impact of such distribution and to develop requirements for safe production, distribution, and use of methanol and methanol stoves to which the alliance partners will agree to abide.
- **CBN:** A final draft model for inflation targeting would be achieved by the apex bank, as a result of the study tour program to the Bank of England last quarter.
- **CBN Microfinance Road-Show:** The CBN Microfinance capacity-building road-show is expected to hold in the month of June 2007. REFORMS has already made firm commitment to support the program by providing five local resource persons as well as wide pre- and post-event publicity.
- **Ebonyi State Agriculture Policy:** In the next quarter, REFORMS will deploy consultants to draft the state's policy on agriculture, which will later be subjected to stakeholders' input.
- **Commercial Dispute Resolution System Reforms in Ebonyi State:** In quarter three, REFORMS will support a stakeholders' workshop on the draft Ebonyi State Arbitration and Conciliation Bill.

While closing out the above activities, REFORMS will develop an addendum to the Y2WP, to cover the areas defined by the new technical direction, including:

- **Energy policy in Bayelsa State and at the national level,** in such areas as: promoting clean energy technology; improving policy, legal and regulatory energy frameworks; increasing institutional capacity; and augmenting public participation in decision-making regarding delivery of energy and related environmental management services.
- **Biotechnology policy issues/programs** include improved implementation of bio-safety guidelines and field testing of genetically modified crops (capacity building for the National Bio-Safety Committee to Assess Bio-Safety Risk of Transformed Crops and Field Testing); and increased public acceptance of biotechnology.

VI. Quarterly Update: Q2/2006-7 Performance Monitoring

Update on Target Policies and Legislation

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

Macroeconomic Framework for NEEDS II: REFORMS organized a workshop for key stakeholders involved in the design of Macroeconomic Model for NEEDS II. The stakeholders included 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 by the Centre for Econometrics and Applied Research (CEAR) team responsible for developing the model in concert with NPC. *Next step in Q3: Encourage counterparts to continue to implement the Macroeconomic NEEDS II Framework.*

Official Development Assistance (ODA) Policy: The REFORMS project supported the NPC in drafting an Official Development Assistance policy during this quarter. This document, which was substantially informed by the June 2006 REFORMS-sponsored study tour for NPC and MOF staff on aid coordination at Ghana's Ministry of Finance. This policy is expected to guide the management and use of all foreign aid in Nigeria. *Next steps in Q3: Encourage the adoption of ODA Policy*

Biotechnology Policy: REFORMS conducted a series of discussions on how best to support Biotechnology Policy Issues/Programs in Nigeria. Stakeholders such as the National Biotechnology Development Agency (NABDA) and (IITA) participated in the discussions. *Next step in Q3: To develop a framework for further assistance on Biotechnology Policy development.*

Energy Policy: The REFORMS Project during Q2 engaged government and non-government agencies on the decision-making process regarding delivery of energy and related environmental management services. *Next step in Q3: Needs assessment for methanol to show the potential impact and to develop requirements for its safe production.*

Gender Sensitive SEEDS/Sectoral Policy, Bayelsa & Kano States: (also reported in Institutional Capacity Building section, below) As a consequence of REFORMS training for CSOs in monitoring SEEDS documents with a gender lens, procedures for coordinating gender budgeting initiatives in the states have been instituted. Key stakeholders, including State Planning Commissions and SEEDS Committees also now have a process articulated for evaluating budget programs with a gender perspective. *Next step in Q3: Encourage state counterparts to further institutionalize the SEEDS framework.*

Component 2: Policy Reform in Selected Sectors

Agriculture Policy, Ebonyi State: REFORMS staff conducted a series of consultations with the Honorable Commissioner for Agriculture and Food and the Permanent Secretary of the Ministry which resulted in the Ministry's commitment to introduce a comprehensive agriculture policy. *Next step in Q3: Share REFORMS' Scope of Work to draft the Ebonyi agriculture policy with state counterparts, to encourage them to engage consultants to draft such policy.*

Alternative Dispute Resolution, Ebonyi State: The Ebonyi State Government has approved the proposal to adopt the uniformed States Arbitration and Conciliation Bill. *Next step in Q3: Encourage Ebonyi counterparts to host a stakeholder workshop on the draft Ebonyi State Arbitration and Conciliation Bill.*

Microfinance Policy: To complete the final phase of Microfinance Policy “implementation framework”, the REFORMS project and the CBN have finalized strategies on a microfinance capacity building road-show. To enable the policy’s implementation, REFORMS and CBN also held several meetings to discuss zonal workshops on capacity building to community banks and MFIs. *Next step in Q3: Encourage counterparts to conduct capacity building workshops for community banks and MFIs to help them develop high quality applications for microfinance licenses.*

Update on Target Institutional Capacities

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

National Planning Commission: In Q2, REFORMS conducted a series of meetings with NPC officials on mainstreaming gender into sectoral plans and policies. REFORMS informal sector study, conducted for the NPC, was finalized completed during this quarter. The Project supported the NPC in their development of a new Official Development Assistance (ODA) policy (see “policies/legislation” section). Finally, REFORMS supported the NPC through the continued work of our Resident Advisor, who finalized work on the macro framework for NEEDS II, VAT legislation, and a methodological framework for a Community Drive Development Policy Model. *Next steps in Q3: Encourage NPC and others to continue work on an implementation framework and guidelines for the new ODA policy.*

Central Bank of Nigeria: REFORMS led a study tour for 11 staff of the CBN’s Monetary Policy Department (MPD) to London, England on the topic of “practical exposure to the use of models for monetary policy.” Participants attended a program sponsored by the Bank of England in cooperation with Timberlake Consulting, a major vendor of the econometrics software *E-Views*. The program effectively exposed CBN staff to the leading econometric modeling methods currently in practice. Also in Q2, REFORMS supported MPD’s participation in an IMF training on inflation targeting policy. *Next step in Q3: Encourage CBN to continue working towards the new monetary policy framework.*

Kano State Institutional Capacity: REFORMS led a training workshop on budget process mechanisms in Kano State; this will effectively equip Kano to implement a SEEDS-based budget. *Next step in Q3: Training program to provide practical exposure for the staff of the Kano Budget Office and MDAs to technical budget process issues.*

Cross River State Institutional Capacity: REFORMS trained Cross River State officials in MTEF methods and techniques, using Excel-based budget policy analysis tools, and linking the SEEDS framework to the operations of an MTEF. *Next step in Q3: Encourage the state to develop a macroeconomic framework, and to conduct MTEF-oriented budget analyses.*

Ebonyi State Institutional Capacity: REFORMS trained Ebonyi officials in MTEF methods and techniques, using Excel-based budget policy analysis tools, and linking the

SEEDS framework to the operations of an MTEF. *Next step in Q3: Encourage the state to develop a macroeconomic framework, and to conduct MTEF-oriented budget analyses.*

Bayelsa State Institutional Capacity: REFORMS in Q2 led training modules to support the organizational restructuring program in Bayelsa State. REFORMS' comprehensive review of the Bayelsa Ministry of Finance and State Planning Commission human resources and organizational management practices resulted in an organogram and a comprehensive set of job descriptions. Also in Q2, REFORMS trained Bayelsa officials in MTEF methods and techniques, using Excel-based budget policy analysis tools, and linking the SEEDS framework to the operations of an MTEF. Finally, REFORMS worked with the government officials in our fourth pilot state to survey the state's public expenditure capacity, and to design an intensive, enriched technical program for key agencies involved in the budget process. *Next steps in Q3: Encouraging the state to commence a functional review for all the relevant MDAs, to develop a macroeconomic framework, and to conduct MTEF-oriented budget analyses. Additionally, REFORMS will support public awareness of budget issues through stakeholder workshops.*

CSOs & Gender Mainstreaming (Bayelsa & Kano State): As a consequence of REFORMS training for CSOs in monitoring SEEDS documents with a gender lens, procedures for coordinating gender budgeting initiatives in the states have been instituted. Key stakeholders, including State Planning Commissions and SEEDS Committees also now have a process articulated for evaluating budget programs with a gender perspective. *Next step in Q3: Encourage the further institutionalization of the SEEDS framework.*

Table 1. Target policies for 2007¹

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
ODA Policy			2006	2007	2007
Biotechnology	2007	2007	2007	2008	2008
Energy Policy	2007	2007	2007	2008	2008
Gender-Sensitive SEEDS II/ Sectoral Policy	2006	2006	2007	2007	2007
Component 2: Policy Reform in Selected Sectors					
Agriculture Policy, Ebonyi State	2006	2007	2007	2007	2007
Alternative Dispute Resolution, Ebonyi State	2006	2007	2007	2007	2007
Microfinance 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 Q2/2007.

Table 2.

Nigeria REFORMS Q2/2006-7 ICI Report			
Institutional Capacity	Total Activities	Cumulative # of Activities Completed	Cumulative% of Activities Completed
NPC Policy Management and NEEDS Implementation	29	26	90%
Improved aid management, coordination, and evaluation	3	3	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	9	7	78%
Monetary Policy: Macroeconomic modeling and inflation targeting	5	4	80%
Microfinance: Improved ability of DFD to implement Microfinance Policy	4	3	75%
Kano Institutional Capacity	26	18	69%
Improved budget process linked to SEEDS Macro Framework	19	13	68%
Improved transparency / Public oversight	7	5	71%
Cross-River Institutional Capacity	31	27	87%
Improved budget process linked to SEEDS Macro Framework	22	20	91%
Improved transparency / Public oversight / CSO Strengthening	8	8	100%
Promote Nigerian Excellence: Tourism Sector	1	1	100%
Ebonyi Institutional Capacity	30	27	90%
Improved budget process linked to SEEDS Macro Framework	22	19	86%
Improved transparency / Public oversight / CSO Strengthening	8	8	100%
Bayelsa Institutional Capacity	7	6	86%
Improved budget process linked to SEEDS Macro Framework	7	6	86%
CSO Policy Analysis, Advocacy & Participation	12	9	75%
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.	2	2	100%
Gender Focal Group	6	5	83%
Gender-sensitized government plans, policies and programs	6	5	83%
TOTAL MILESTONES: Q2/2007	173	144	83%