



**USAID**  
FROM THE AMERICAN PEOPLE



# Quarterly Progress Report

## April-June 2006

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

**July 31, 2006**

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 Framework for Openness, Reforms and Macroeconomic Stability (REFORMS).

# Quarterly Progress Report

## April-June 2006

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

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

	<b>PAGE</b>
<b>List of Abbreviation and Acronyms</b>	4
<b>Activity Summary</b>	5
<b>Narrative Section</b>	
I. Background	6
II. Quarter Progress	7
III. Problems and Opportunities	13
IV. Activity Changes	15
V. Next Quarter Results and Related Tasks	15
<b>Table: FY 2005 – 2006 Results and Indicators</b>	
<b>Appendix: Other USAID/Nigeria Guidance on Quarterly Progress Reports</b>	
<b>REFORMS' PMP Quarterly Update</b>	

## List of Abbreviations and Acronyms

AIAE	African Institute for Applied Economics
BMPIU	Budget Monitoring and Price Intelligence Unit
BOF	Budget Office of the Federation
CBN	Central Bank of Nigeria
COP	Chief of Party
CSO	Civil Society Organization
CTO	Cognizant Technical Officer
DAI	Development Alternatives, Inc.
DfID	Department for International Development
DMO	Debt Management Office
FMARD	Federal Ministry of Agriculture and Rural Development
GBN	Gender Budget Network
GON	Government of Nigeria
ICD	International Cooperation Department
IFDC	International Fertilizer Development Center
IMF	International Monetary Fund
MDAs	Ministries, Departments and Agencies
MIR	Marketing Inputs Regionally
MFI	Micro Finance Institution
MOF	Ministry of Finance
MTEF	Medium Term Expenditure Framework
NBA	Nigerian Bar Association
NCA	National Council on Agriculture
NJC	National Judicial Council
NEEDS	National Economic Empowerment Development Strategy
NESG	Nigeria Economic Summit Group
NFA	Nigerian Farmers Association
NPC	National Planning Commission
OAG	Office of the Attorney General
PMP	Performance Management Plan
PSO	Private Sector Organization (business)
REFORMS	Restructured Economic Framework for Openness, Reform and Macroeconomic Stability
SBOF & P	State Office of Budget and Planning
SME	Small and Medium Scale Enterprise
SMEDAN	Small and Medium Enterprises Development Agency of Nigeria
SOW	Scope of Work
SSG	State Secretary General
UNDP	United Nations Development Program
USAID	United States Agency for International Development
WB	World Bank

**USAID Nigeria REFORMS Project**

**April - June 2006 Quarterly Progress Report**

<i>ACTIVITY SUMMARY</i>						
<b>Implementing Partner:</b> Development Alternatives, Inc.						
<b>Activity Name:</b> Nigeria Restructured Economic Framework for Openness, Reform, and Macroeconomic Stability (REFORMS) Project						
<b>Activity Objective:</b> 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.						
<b>USAID/Nigeria SO:</b> SO 12 Improved Livelihoods in Selected Areas						
<b>Life of Activity (start and end dates):</b> July 7, 2005 – July 6, 2009						
<b>Total Estimated Contract/Agreement Amount:</b> \$9,271,033.00						
<b>Obligations to date:</b> \$5,650,000.00						
<b>Current Pipeline Amount:</b> \$3,773,512.70						
<b>Accrued Expenditures this Quarter:</b> \$445,646.56						
<b>Activity Cumulative Accrued Expenditures to Date:</b> \$2,907,360.77						
<b>Estimated Expenditures Next Quarter:</b> \$869,152.02						
<table border="0"> <tr> <td align="right">Margaret C.F. Pollock</td> <td></td> </tr> <tr> <td><b>Report Submitted by:</b> <u>Chief of Party</u></td> <td><b>Submission Date:</b> <u>July 31, 2006</u></td> </tr> <tr> <td align="center"><b>Name and Title</b></td> <td></td> </tr> </table>	Margaret C.F. Pollock		<b>Report Submitted by:</b> <u>Chief of Party</u>	<b>Submission Date:</b> <u>July 31, 2006</u>	<b>Name and Title</b>	
Margaret C.F. Pollock						
<b>Report Submitted by:</b> <u>Chief of Party</u>	<b>Submission Date:</b> <u>July 31, 2006</u>					
<b>Name and Title</b>						

## Narrative Section

### I. Background

The Restructured Economic Framework for Openness, Reform and Macroeconomic Stability (REFORMS) Project aims to improve the policy environment and address major impediments to economic growth in Nigeria, within the context of the Nigeria Economic Empowerment and Development Strategy (NEEDS) goals and policy reform agenda. Program components include: 1) budgetary process and procurement oversight; 2) capacity building for GON institutions and civil society organizations (CSOs) involved in the policy process; and 3) implementation of policy reforms in key sectors.

Highlights of the April through June quarter include:

- **Continued strong advances toward establishing REFORMS’ budget process and public expenditure management work with the pilot states – Cross River, Ebonyi, and Kano.** Our strategy is to provide ground-floor assistance to demonstrate the value we bring, while at the same time negotiating the technical aspects of a memorandum of understanding to underpin a full three-year working relationship. **We anticipate signing MOUs with all three states during the next quarter.**
- **A full array of activities in support of connecting medium term strategy with the annual budget process at the federal level.** This involved working with the Ministry of Finance, including the Debt Management Office and the Budget Office of the Federation, the National Planning Commission, and line agencies. **Our goal is formulation of the 2007 budget in light of medium term sector strategies which will effectively implement NEEDS II.** This will correct the main problem of NEEDS, which articulated vision but which had no “wheels” – the strategy contained no prioritization, and no implementation modalities.
- **Adoption of a new national fertilizer policy**, which was showcased as a leadership document for the continent when Nigeria hosted the Africa Fertilizer Summit in June. Allying with the Federal Ministry of Agriculture and Rural Development, and the IFDC/MIR Project funded by the Netherlands, REFORMS spearheaded strategy development, thought leadership, coalition building, and perseverance which rode the stream of political opportunity to success. Previous attempts to achieve a new national fertilizer policy had foundered, but this one succeeded. **REFORMS will build on this success to speed implementation of this new policy, and will maintain a leadership role throughout.**
- **Overcoming deep skepticism to gain the confidence of the CBN/DFD and OFID.** We won acceptance of our team and proposal to conduct an analysis of the CBN’s capacity to develop and supervise the microfinance sector, including recommendations for closing documented

capacity gaps. **Deputy Governor Tunde Lemo chaired a presentation and discussion by 40 CBN staff of REFORMS' findings and recommendations, declaring our work to be extremely valuable, substantiating his own perceptions, and pointing the way forward. He requested further assistance from REFORMS, and tasked us with collaborating with the CBN to craft a joint action plan to lay out a comprehensive capacity-building plan, and then requested that USAID REFORMS bring other donors on board jointly to share actions with the CBN to accomplish the plan.** (This work is planned to be accomplished during the next quarter.)

## II. Quarter Progress

During the period April through June 2006, progress was made in specific areas against the Year One Work Plan, as described below.

### COMPONENT 1: BUDGET PROCESS, ALLOCATION AND OVERSIGHT

**Task 1: Support to MOF/BOF/NPC on budget process and macro framework.** Strategies on the NEEDS framework and the Budget Process for the National Planning Commission on reform strategies related to budget coverage, preparation process, data storage and the macro framework.

- Developed, and trained 30 NPC staff in use of, a critical consistency framework for budgetary analysis.
- Developed, and trained 30 NPC staff in use of, a NEEDS Based Macro model for budgetary and micro simulations, to rigorously analyze the budget in the context of the medium term expenditure framework and the overall NEEDS strategy.
- Assisted the NPC staff to acquire critical computer skills on the use of specialized software for budgetary and macro analysis (E-views)

At the end of the course, participants were able to do the following:

- ✓ Explain the processes in macroeconomic modeling vis-à-vis budgetary policy analysis.
- ✓ Discuss methods and techniques for collecting and analyzing socio-economic data in the context of a macro model building.
- ✓ Apply the techniques and tools in estimating the macro accounts.
- ✓ Use computers to estimate and test macroeconomic models for policy analysis.

**Task 4: Needs assessments of pilot states and CSOs on public expenditure management.**

Assessed institutional structure of both Cross River and Ebonyi States' SBOF & P to define clearly the human resource requirements of the SBOF & P's role in the budget process and mandate in budget monitoring, procurement and procurement due process. Specifically, in each state the Project delivered:

- Reorganization plan for the SBOF & P
- Job descriptions for all professional positions in the SBOF & P
- Operations manual for reorganized SBOF & P

- Departmental performance objectives based on the Strategic Goals and Objectives of the SSG, SBOF & P
- Individual performance objectives based on Departmental performance objectives.

The Project Team utilized a participatory approach to the development of job descriptions so that the descriptions reflect the reality of the SBOF & P and provide a lasting resource for future organizational development. The reorganization plan and position descriptions were developed in coordination with both the general training needs assessment, and the computerization needs assessment.

**Task 4: Needs assessments of pilot states and CSOs on public expenditure management.**

Baseline assessment of participation by CSOs and PSOs in economic governance, especially the budget process, in REFORMS’ three pilot states plus three others (Adamawa, Niger and Ogun). The goal is to promote societal demand for evidence-based policy and institutional reforms in Nigeria, for a better business environment towards non-oil private sector growth and competitiveness.

**Overall Aim of the Program**

- ✚ Better orientation of PSOs and CSOs towards evidence-based policy advocacy.
- ✚ Enhanced capacity and knowledge of state level PSOs and CSOs to analyze policy issues.
- ✚ Improved data collection and analytic skills among PSOs and CSOs.
- ✚ Public outreach and networking engendered among PSOs and CSOs for more effective advocacy.

Specific outcomes this quarter:

- A Capacity Assessment Survey Report to provide baseline information on existing capacity in selected agencies within the pilot states and others.
- A Capacity Building Action Plan to be incorporated into REFORMS’ subsequent Work Plan.
- Strategies for CSO participation in economic decision-making through their engagement in the budgetary processes and strengthened monitoring prowess.

**Task 4: Needs assessments of pilot states and CSOs on public expenditure management.**

Memorandum of Understanding with the Pilot States. The Public Expenditure Management Capacity Survey results from Quarter 2 are being used by the Project to engage the state governments individually in setting out scopes and activities to guide the implementation of programs to strengthen PEM capacity. This quarter the Project:

- Developed agreement with all three states on areas of possible intervention and drew up implementation processes for these interventions.
- Developed time frames and channels of communication with the relevant government officials.
- Negotiated with various stakeholder groups and identified financing sources, in order to facilitate articulation of a counterpart funding strategy.
- Developed a priority sequencing of the process, based on a clear understanding of the issues involved.

**Task 5: Institutionalization of more effective public expenditure management processes in the three Pilot States.** Budget Process Re-engineering, to help the staff of state offices of budget and planning prepare, execute and report on their budgets; and to strengthen the staff of state offices of budget and planning. This quarter the Project:

- Advised pilot states on the key stages of budgeting – documentation, presentation, execution, fiscal reporting to strengthen the technical capacity of the staff.
- Prepared a budget manual for each of the Pilot States.
- Improved the institutional structure of the Budget Offices by producing operational manuals and job descriptions.
- Provided policy analysis and recommendations for policy reform. This includes:
  - Overall macro-fiscal policy and the development of Medium Term Fiscal Frameworks.
  - Tax policy analysis.
  - Budget allocations for effectiveness.
  - Pricing of public goods and services.
  - Intergovernmental fiscal relations and fiscal decentralization.

**Task 5: Institutionalization of more effective public expenditure management processes in the three pilot states.** Initial Assessment and Audit of the Human Capital Development, Hardware, Network and Software Application Solutions for the Budget Process in the Pilot States. The objective of this activity is to ascertain the ‘as-is’ scenario, necessary for proffering the necessary solutions to support the State’s Budget office, OAG, Ministry of Finance, Budget and Internal Revenue, Ministry of Planning, and other related spending agencies. These solutions will aim to ensure streamlined operation and information flow to support budget preparation and the general operation of the states. This quarter the Project:

- Reviewed the current IT situation of the three pilot states.
- Identified training requirements.
- Determined the key processes and procedures that are to be computerized.
- Identified key sources of information, stakeholders’ activities, and actions that lead to generation of information.
- Formulated a documented assessment report of findings and recommendations.
- Developed a work plan for each pilot state, toward improving operational systems and information flow.

**Task 9: Budget Monitoring and Price Intelligence Unit (BMPIU).** Stimulate advocacy support for passage of the Procurement Reform Bill and effective implementation of the new law. This quarter the Project:

- Anchored the BMPIU-Contractor’s Forum, an important feature of the Public Communication Strategy. This provided a platform for constructive interaction with all contractors that do business with the Federal Government of Nigeria, under the on-going reforms. This forum provides an opportunity for the BMPIU to listen and exchange views with the larger public on issues and facts arising from the implementation of the new reform policy.
- Supported the BMPIU to conduct procurement trainings for Resident Due Process Officers in Federal Ministries, Agencies and Departments.
- Supported the BMPIU to conduct trainings for fifteen States on the Due Process Mechanism to be adopted by them.

## **COMPONENT 2: STRENGTHENED INSTITUTIONAL CAPACITY OF KEY GON INSTITUTIONS AND CSOs**

**Task 2: Support to the National Planning Commission Staff.** After linking up with the Finance and Planning Ministry in Ghana, the planned visit to Ghana was undertaken by nine officials from the Federal Ministry of Finance and National Planning Commission from June 19 – 23, 2006. Three people came from the Aid Coordination Department of MOF and six people from the International Cooperation Department of the NPC. The visit was for international best practice on Donor-Aid projects for the practical aspect of training that was conducted for the NPC staff in February. The trip coincided with the Consultative group meeting of donor partners and the Government of Nigeria and the delegates were allowed to be observers at the high-powered meeting.

**Task 3: Human Capacity Development of the CBN.** Discussions have been firming up with the Director of the Monetary Policy Department of the Central Bank on the proposed training course on macro econometric modeling slated for the second week of July. The training institute, West African Institute for Financial and Economic Management (WAIFEM), Lagos, sent in a proposal and the budget for training 40 staff of the department.

**Task 5: Avenues for Public-Private sector policy dialogues.** The Centre for Public-Private Cooperation just concluded a roundtable discussion on the Implementation and Monitoring of NEEDS. About forty representatives from civil society, academia and the public sector participated in the workshop. Focus was on the appraisal of the implementation of the NEEDS/SEEDS in the country and the empowerment of civil society in playing an active role in the design and implementation of the NEEDS II.

**Task 6 & 7: The Gender Focal Group and the Gender Budget Network.** The third meeting/training of the Gender Focal Group took place at the Shiroro Hotel, Minna, Niger State and it was attended by eighteen out of the twenty people. The focus of the workshop was on planning and development and how it relates to gender and policy making. The Course exposed the participants to the concepts and processes of planning and development; the macro framework of development planning; elements of public policy making and a gender analysis of the of the NEEDS documents. Other sessions included the concept of gender in development and extant issues in the EEDS/SEEDS documents. The Gender Budget Network has finalized arrangements to train its members in Cross Rivers and surrounding environs to a workshop on Gender Budget Tracking and Gender Mainstreaming. It will be held from July 10 – 13.

## **COMPONENT 3: POLICY REFORMS IN SELECTED SECTORS**

### **Task 1: Review and Amendment of Nigeria's Land Use Act 1978**

The discontinuation of the review of the Nigeria's 1999 Constitution by the National Assembly set back the momentum of progress on the review and amendment of the Land Act 1978, which is annexed to the Constitution of the Federal Republic. However, an advocacy group has been

constituted under the leadership of the Nigerian Economic Summit Group (NESG) to champion legislative advocacy on the reform of the Act.

## **Task 2: Nigeria's Fertilizer Policy, Strategy and Regulatory System**

A number of landmark events happened on the reform of Nigeria's fertilizer sector within this quarter.

- **National Stakeholders' Workshop on Fertilizer Policy and Strategy for Nigeria:** REFORMS supported a two-day workshop (April 11-12) in Abuja to obtain stakeholders' input into the draft fertilizer policy and strategy for Nigeria. This event was organized in collaboration with IFDC/MIR and our government counterpart - FMARD. The keynote address was given by the Minister of State for Agriculture and Rural Development, was attended by the President's Special Advisor for Food Security, and attracted overwhelming participation by fertilizer sub-sector regulators, researchers, private sector operators, professionals and the media. REFORMS five commissioned papers presented at the workshop set the tone for discussions that fed into the draft policy and strategy documents to produce a final draft of the policy for presentation to the National Council on Agriculture.
- **35<sup>th</sup> Meeting of National Council on Agriculture (NCA).**  
The Nigeria's Fertilizer Policy was formally adopted as a national policy by the 35<sup>th</sup> Regular Meeting of the NCA held in Abeokuta, Ogun State from the 10<sup>th</sup> to 17<sup>th</sup> of May 2006.

REFORMS was official invited by the FMARD to participate in this very important meeting which had the Minister of Agriculture as Chairman and all the Commissioners of Agriculture and Rural Development in the 36 States of the Federation and the Federal Capital Territory as members. As the highest policy making body for Nigeria's agriculture, the NCA provides the platform for presentation, debate and ratification of major agricultural policies and programmes for both states and the federal governments of Nigeria. This joint meeting and decision making is necessary for the harmonization and coordination of agricultural policies across the country since agriculture is in the concurrent list of the Constitution of the Federal Republic Nigeria.

Besides observing the adoption of the Fertilizer Policy, REFORMS also supported the Agro-Input Dealers Associations (AIDAs) in mounting advocacy at the NCA for the establishment of the Fertilizer Regulatory Framework for Nigeria. This was done through hand bills distributed to the participants at the meeting, and banners strategically mounted at the meeting venues. The AIDAs called on the FMARD to present the already NCA-adopted Fertilizer Regulatory System to the Federal Executive Council for approval and subsequent legislation.

Also REFORMS and IFDC/MIR jointly presented an information paper on the activities of both projects on Nigeria's agriculture for Council's note.

- **Federal Executive Council approval of the Fertilizer Policy for Nigeria.**  
On the 14<sup>th</sup> of June, 2006 the Federal Executive Council chaired by President Olusegun Obasanjo approved the Nigeria's Fertilizer Policy to give a final seal to the policy framework

that will guide the future operations of Nigeria's fertilizer sector. This was a landmark event in the process of developing this policy document.

- **African Fertilizer Summit**

Nigeria hosted the African Fertilizer Summit in Abuja on June 9<sup>th</sup> – 13<sup>th</sup>, 2006. The event organized by the NEPAD, IFDC and the FMARD attracted very many scholars, professionals, industrialists, institutions, governments, donors, individuals and the media to deliberate on the making of Africa's green revolution. Nigeria and a number of African countries presented their Fertilizer Country Strategy papers.

REFORMS provided technical assistance for the development of Nigeria's Country Strategy Paper, and also made financial contributions towards the organization of the Summit. The Summit among other things called for increased access of resource-poor farmers to fertilizers through smart subsidies, investment in fertilizer production in Africa and institution of favorable policy environment in the continent.

**Task 3: Agro-processing Policy for Nigeria.**

Negotiations with the FMARD under the direction of the Planning, Research and Statistics Department were concluded with a demand from the Ministry for REFORMS to support the development of a comprehensive implementation strategy for Nigeria's Agro-processing policy. Agro-processing policy for Nigeria is key to unleashing the potential of agro-allied trade and business as the driver for the non-oil economic growth and employment generation for Nigeria. The work on this task will commence in Q3 2005/6

**Task 4: Implementation of CBN's Microfinance Policy, Regulatory, Supervisory Framework.**

REFORMS deployed a team of six consultants that conducted a successful resource and capacity gap assessment of the CBN's Development Finance Department (DFD) and the Other Financial Institutions Department (OFID) towards the implementation of the Microfinance Policy Regulatory and Supervisory Framework for Nigeria. The assessment covered the head offices of the two departments in Abuja and Lagos, as well as the 22 branch offices across the country. The result of this survey was presented to the CBN for validation in a workshop chaired by the Deputy Governor of the CBN in charge of Financial Sector Surveillance. The report has been finalized awaiting formal submission to the CBN by July 25, 2006.

**Task 6: Reform of Nigeria's Arbitration and ADR Systems.**

REFORMS offered technical assistance to the National Committee on the Reform and Harmonisation of Nigeria's Arbitration and ADR Laws to provide an expert review of the draft ADR laws (for federal and for states); and sponsored the hosting of a stakeholders' workshop that made input into the draft laws. This event which took place on June 6<sup>th</sup>, 2006 in Abuja had the Honourable Attorney General and Minister for Justice in attendance as well as other key legal and ADR practitioners. The draft laws are being finalized with inputs from the stakeholders' workshop; thereafter, they will be formally submitted to the Ministry of Justice for Federal Executive Council approval, and subsequent legislation by the national and state assemblies as the case may be.

### III. Problems and Opportunities

This quarter the project overcame many challenges and now is poised to take up quite a few opportunities. Remaining challenges are noted below, and opportunities for the next quarter are outlined:

- **Last quarter we reported that the process of developing and implementing mutually-desirable assistance agendas with the Ministry of Finance, the Central Bank of Nigeria, and the National Planning Commission was underway, and this represented a significant opportunity** for REFORMS materially to support the economic reform process and outcomes in Nigeria. At the same time, these government entities are extremely complex, technical and policy responsibilities are often fragmented within and across agencies, and currents and intersections of interest are not readily discerned or navigated. In addition, there is a certain degree of caution, perhaps even skepticism, on the part of GON officials concerning externally derived technical assistance. Thus, **REFORMS' work with these leaders of economic reform is proving to be an art, and can be expected to make gains over time but not in a rapid or linear fashion. This will especially be true in this politically-charged season leading up to national elections in 2007.** During this quarter we have gained real momentum in our working relationship with the NPC and CBN. However, our ability to assist the MOF proved to be quite limited, and now that ministerial leadership has changed, we propose to pursue our strong relationships at the NPC and CBN while waiting until the next Administration to resume efforts with the MOF.
- **Last quarter we reported that training in the budget process for the pilot states' will require considerable effort and an intense level of activity by the Project, to an extent not fully in view before the work was undertaken.** Nonetheless, we continued to believe that REFORMS can have a clear and positive impact in these states (Ebonyi, Cross River, and Kano), which will make a **definite contribution toward effective, efficient, transparent and accountable management of public funds.** Thus, we have faced both the challenge of intense effort, and the opportunity for significant gains. **Our team's skill and persistence over this quarter rewarded us with the beginnings of real working relationships in the pilot states, which we expect to be embodied in long-term MOUs next quarter.**
- **Discontinuation of the constitutional review process by the National Assembly over the alleged third term agenda of the President halted the progress of activities to decouple Nigeria's Land Use Act 1978 from the Constitution.** However, a powerful stakeholders' working group has been constituted under the championship of the NESG to work on the leadership of the National Assembly for legislative action on the review of the Act, and we will press for progress via that route.
- **Opportunities we look for in the next quarter include:**
  - Continued progress toward adoption of the Fiscal Responsibility Bill and the Public Procurement Bill.

- Establishment of local offices in each of our three pilot states, following the signing of each MOU.
  - Placement of a resident advisor in the NPC to spearhead our collaboration on capacity building for: NEEDS II formulation based on sound macroeconomic analysis and policy; implementation of NEEDS II through budget formulation and expenditure, and program monitoring and evaluation; and NPC leadership/guidance for similar planning and implementation developments at the state level.
  - Donor coordination on capacity development at the CBN for microfinance development and supervision, based on a joint action plan to be formulated by CBN with REFORMS' assistance.
  - Fueled by successful collaboration for adoption of the national fertilizer policy, FMARD has requested REFORMS' assistance in developing a long-term policy and plan for the seed sector.
- **Policy and institutional capacity development in Niger River Delta for job creation and increased business and investment:** This is known to be a strategic priority for the Department of Foreign Assistance, as explained to implementing partners by the USAID/Nigeria Mission. Thus, REFORMS is seeking opportunities within our contract scope to address this DFA priority:
    - One of REFORMS' pilot states is Cross River, where we are deeply engaged in capacity building for public expenditure management. We see an opportunity, provided for in the anticipated MOU, also to assist in policy and capacity development with respect to key economic sectors, in order to attract investment, encourage business, and create employment.
    - In addition, with consent of the CTO, REFORMS performed some reconnaissance this quarter in Bayelsa State, perhaps the sorest point in the Delta of disparity between oil wealth and local poverty and unemployment – and it is Bayelsa where this disparity has energized Ijaw indigenes to express their frustration and anger in violent terms. REFORMS has identified excellent opportunities to work with local business, host communities, and government on policy and institutional capacity building that has a serious chance of turning the corner from poverty, destruction, and exclusion to wealth creation, economic growth, and inclusion. We will propose to the CTO a SOW to engage these opportunities in the coming quarter, and expect to include related tasks in our Year Two Work Plan.

#### **IV. Activity Changes**

The work on seed sector reforms in Task 2 of Component 3 will change slightly according to the direction of the National Seed Service (NSS). Instead of the Revised National Seed Law (which the Ministry has made appreciable progress on) they would rather want REFORMS to assist them develop a 10-yr Seed Sector Development Plan (2007 – 2017).

Our Component 2 lead is no longer with the project. During the next quarter, REFORMS will deploy a gender advisor to set the stage for a more coherent, effective means of mainstreaming

gender in NEEDS/SEEDS/sectoral policies. During the same period we will engage a new Component 2 lead who is strong in developing the capabilities of civil society organizations and business associations.

## V. Next Quarter Results and Related Tasks

During the July-September Quarter, the REFORMS Project looks forward to accomplishing the following:

### COMPONENT 1: BUDGET PROCESS, ALLOCATION AND OVERSIGHT

- **Continue support for the NPC Policy Management and NEEDS Implementation:** REFORMS' support to the NPC will become more systematic, with the introduction of a Resident Advisor to the NPC. In Q4, REFORMS also intends to develop a fiscal programming database for the NPC.
- **Strengthening the National Assembly:** REFORMS will provide training to the National Assembly budget staff on the basics of public expenditure management. The project will also continue to support joint workshops between the National Assembly and CSOs.
- **Support for continued SEEDS implementation in the pilot states.** Building upon the needs assessment on public expenditure management in the pilot states, REFORMS will help identify and institute SEEDS-based indicators for analyzing the state budgets. REFORMS also plans to organize Steering Committees in each of the pilot states; the Committees will be dedicated to fast tracking SEEDS implementation over the next year.
- **Activities to support more effective public expenditure management in the three states.** Upon the eve of signing MOUs with each of the three states, we anticipate several activities, common across the states, to contribute to improved public expenditure management, including: the development of Fiscal Strategy papers for each pilot state; develop a template for medium-term sector strategies in the pilot states; develop capital budgeting techniques for the MDAs; support the Budget Offices and Accountant Generals to train key MDA officials involved in the budget process; develop a Call Circular template for each of the pilot states; and conduct a study tour on fiscal policy design and budget monitoring techniques for selected staff of the pilot states' Budget Offices.
- **Support to state-level CSOs.** This will include the dissemination of a "Citizen's Guide to Budgeting Material" and a Fiscal Strategy Paper to state-level CSOs and the public; and support for CSOs to host advocacy workshops engaging the Government with reference to NEEDS and SEEDS.
- **Continued advocacy in support of the Public Procurement Bill.** REFORMS will commission technical policy briefs for the National Assembly showing the benefits to be gained from a stronger public procurement system.

## **COMPONENT 2: STRENGTHENED INSTITUTIONAL CAPACITY OF KEY GON INSTITUTIONS AND CSOs**

- **Development of tools and modules for training on gender-responsive budgeting.** This work will be carried out at both the national level and in our pilot states. In pilot states we will conduct a spatial mapping of social infrastructure in three key sectors (e.g., education, agriculture, health), to develop plans of action. This will be followed by training of both government and civil society entities, in using the tenets, tools and procedures for gender budgeting and mainstreaming gender equity into budgeting processes.
- **Gender Focal Group.** This will cover both the federal-level GFG which REFORMS established, as well as GFGs we will establish in the three pilot states. A plan for building the capacity of the GFGs as a tool for engendering ministries, departments and agencies and their programs.
- **Engendering NEEDS II and SEEDS.** We will work with the NPC and SEEDS Secretariat, provide advocacy materials for the next Quarterly Joint Planning Board meetings, produce a concept note and program documents for creating a national coordinating body on gender responsive budgeting in Nigeria (as in Tanzania, Pakistan, Uganda and Kenya), and create modules for mainstreaming gender in NEEDS II and SEEDS.
- **Strengthening the capacity of CSOs in the pilot states,** including women's NGOs, to effectively engage policy and budgeting processes.

## **COMPONENT 3: POLICY REFORMS IN SELECTED SECTORS**

- **Implementing the Resource and Capacity Gaps for the CBN DFD, OFID in respect of the Microfinance Policy, Regulatory and Supervisory Framework.** After submitting the report of the survey, REFORMS will craft a joint action plan, then host a donor workshop to review the Capacity Gap Assessment findings, and to determine which donor will support which priority area.
- **Detailing the implementation strategies for the Nigerian Fertilizer Policy.** REFORMS will engage resource people to articulate the detailed implementation strategies for the National Fertilizer Policy.
- **Training of members of the AIDAs on the development of Agro-Input Markets in Africa.** REFORMS will sponsor 3 AIDA members, a representative of the Fertilizer Producers and Suppliers Association of Nigeria (FEPSAN), their technical partner (Farm and Infrastructure Foundation (FIF) and the Director of the Federal Fertilizer Department to an international training workshop on developing agricultural input markets in Africa holding in Arusha Tanzania from August 21-25, 2006.

- **Finalization of the draft ADR Laws for Nigeria and formal handing in to the Ministry of Justice for legislation.** A meeting of the National Committee on the Reform and Harmonisation of Arbitration and ADR Laws in Nigeria will hold on July 28, 2006 to finalize the draft laws; thereafter the bills will submitted officially to the Attorney General of the Federation and Minister of Justice for onward submission to the FEC for approval, and the National Assembly for legislation.

## FY 2005-2006 Quarterly Report: USAID Nigeria REFORMS Project<sup>1</sup>

	This year target	This year actual	This quarter target	This quarter actual	Explanation for variance or why not reported during this quarter	Next quarter target	Life of project targets
<b>Project Objective: Improved Livelihoods in Selected Areas</b>							
Intermediate Result: Improved Policy Environment							
Sub-IR: Improved Policy Environment							
Indicator: <i>Policy Milestone Scale</i>			62	58		103	103 <sup>2</sup>
Sub-IR: Capacity Improvements in Key Institutions							
Indicator: <i>Institutional Capacity Index</i>	TBD	TBD	N/A	74	Targets were not set for this quarter; as this indicator was only recently developed. (74 indicates # of milestones) NOTE: Number of milestones are recorded on a quarterly basis; annual targets refer to ICI score (on a 100-pt scale), which is evaluated by a Technical Review Panel. Those targets currently in development.	138	138 <sup>3</sup>
<b>Common Indicator 17: Improve Economic Policy and the Business Environment<sup>4</sup></b>							
1. Has your mission engaged in assistance aimed at reforming economic policy?							
2. Was there a positive impact from your assistance?							
3. Can the impact of your assistance be quantified? If yes, quantify.							
4. Has your mission engaged in programs to improve the business environment? If yes, how?							
5. Did your program described above have a positive impact? If yes, specify in what way.							
6. Does your mission provide training in policy reform? If yes, state the number of people trained.							

<sup>1</sup>This table provides a brief overview of our performance monitoring. We provide a PMP Quarterly Update in the next several pages, with greater detail

<sup>2</sup>This number will evolve with each annual work plan, as milestones for each year are defined. The number 103 covers only the 2005-6 project year, and refers to all policy milestones for the first year.

<sup>3</sup>This number will evolve with each annual work plan, as the activities and milestones for each year are defined. The number 138 covers only the 2005-6 project year, and refers to the number of capacity building activities/milestones for the first year.

<sup>4</sup>These will be reported on an annual basis, as noted in the REFORMS PMP. They will largely have qualitative answers; and will be written up in a narrative form in the 4<sup>th</sup> Quarterly Report.

**Nigeria REFORMS**  
**PMP Quarterly Update: Q3/2005-6**

**Update on Target Policies and Legislation**

**Component 1: Budgetary Process, Allocation & Oversight**

**Macroeconomic Framework Adoption (NEEDS II):** 2 (of 18) milestones achieved; 100% of target. REFORMS has worked with the NPC to identify gaps in NEEDS I implementation, and to integrate that understanding into the design of NEEDS II. *Next steps in Q4:* Assemble a Macroeconomic Working Group to help line ministries develop and conceptualize a NEEDS II macro framework; and place a Resident Advisor in the NPC.

**Fiscal Responsibility Bill:** 2 (of 8) milestones achieved; 25% of target. Advocacy efforts continue; the final bill's passage is expected in Q1/2006-7. *Next step:* Final bill sent to and approved by the Ministry of Finance.

**2006 Appropriations Bill:** 9 (of 11) milestones achieved; 100% of target. The National Assembly approved the bill in Q2. REFORMS then supported the NPC in conducting a post-review of the bill vis-à-vis the NEEDS framework. *Next step:* In Q4, REFORMS will appraise MDAs' capital plans and make recommendations for integrating NEEDS priorities.

**Public Procurement Bill:** 15 (of 25) milestones achieved; 100% of target. Advocacy and lobbying efforts continue; the bill is expected to be passed in Q1/2006-7. *Next step in Q4:* Regional seminar with BMPIU and BTN on public expenditure management.

**Component 2: Capacity Building for GON Institutions & CSOs in Policy Process**

**Gender-Sensitive NEEDS II/Sectoral Policy:** 6 (of 14) milestones achieved; 100% of target. Two successful trainings for the Gender Focal Group held in Q3. *Next step in Q4:* Training for Gender Budget Network members and journalists on NEEDS II and related gender issues.

**Component 3: Policy Reform in Selected Sectors**

**Revised Land Use Act:** 4 (of 12) milestones achieved, 100% of target. In Q3, REFORMS constituted an advocacy group for lobbying the National Assembly to delist the 1978 Land Use Act from the Constitution, and amend the Act. *Next step in Q4:* REFORMS will help determine a roadmap for delisting and amending the Act.

**Revised National Seed Law:** 0 (of 11) milestones achieved, 100% of target. *Next step in Q4:* REFORMS will begin work by establishing a formal agreement with IFDC/MIR and the Federal Ministry of Agriculture and Rural Development (FMARD); and begin reviewing the draft law to determine whether it meets the needs of the seed market.

**National Seed Policy:** 0 (of 10) milestones achieved, 100% of target. *Next step in Q4:* REFORMS will draw up a roadmap for seed sector policy with the Federal Seed Service.

**National Fertilizer Policy:** 9 (of 11) milestones achieved, 100% of target. REFORMS provided critical support in earning the Federal Executive Council's approval for the National

Fertilizer Policy. *Next step in Q4:* REFORMS will build on recent momentum, to draft a detailed implementation framework for presentation to FMARD.

**National Agro-Processing Policy:** 1 (of 10) milestones achieved, 25% of target. Though initial negotiation has occurred with FMARD on REFORMS' role in harmonizing policy incentives and measures for agro-processing, there has been less momentum than expected. *Next step in Q4:* Commission a background study to identify constraints to agro-processing in Nigeria, and organize a Stakeholders Working Group to discuss.

**National Microfinance Policy:** 4 (of 7) milestones achieved, 100% of target. REFORMS conducted a gap assessment of the Central Bank of Nigeria's Microfinance Policy implementation capacity, and hosted a successful meeting with the CBN to present the findings. *Next step in Q4:* Help negotiate with other donors to determine how they will support the needs identified in the assessment.

**Revised Arbitration & Conciliation Act:** 5 (of 10) milestones achieved, 75% of target. In June, REFORMS funded a stakeholders' technical session, opened by the Minister of Justice, to consider and improve upon the recommended ADR system and law. *Next step in Q4:* Incorporate stakeholder input into draft ADR law, and present to the Minister of Justice for approval.

Figure 1 displays the number of milestones achieved to date (expressed as a percentage of total milestones), and the percentage targeted for the end of Q3/2005-6.

#### **Update on Target Institutional Capacities – Highlights**

**National Planning Commission Policy Management & NEEDS Implementation:** NPC staff trained in research methodologies and data reporting have indicated to REFORMS that their staff are already beginning to apply skills learned in the training. The informal sector survey has been stalled due to bureaucratic issues; but should be moving forward in Q4. The 27 GON/NPC staff trained in econometric analyses also appears to have had impact; as NPC has already asked trainees to integrate econometric analyses into the draft NEEDS II document. To do this, training recipients requested E-Views software from REFORMS, which has now been purchased for them.

**Budget Office of the Federation/Ministry of Finance:** 25 staff were trained in public expenditure management and budgeting; 8 staff were trained on using the budget tracking system for fiscal policy design; and reference guides were developed for BOF staff on macroeconomics, accounting, customer relations, and M&E techniques. Also, the anti-corruption unit at MOF was strengthened through REFORMS' support for publishing Federation accounts and sharing with the 3 tiers of government.

**National Assembly Budget Management:** Gap assessment of NEEDS II and the current budget was conducted; and shared with the National Assembly. A short, practical guide of procedures for amending appropriation bills was also circulated.

**Budget Monitoring & Price Intelligence Unit (BMPIU) Procurement Management:** REFORMS has worked closely with the BMPIU to publicize the role of the BMPIU and the importance of procurement reform. This includes developing informational pamphlets, enhancing the website, and training IT staff on website maintenance.

**Central Bank of Nigeria:** REFORMS' monetary policy activities (macroeconomic modeling and inflation targeting training) have been delayed, but are slated to begin in Q4. REFORMS' microfinance policy implementation activities have move forward rapidly and successfully, with the completion of the gap assessment to identify constraints to implementing the new policy. This has been well received by the CBN, and is expected to continue moving forward in Q4.

**Kano, Cross-River, and Ebonyi State Public Expenditure Management:** Several joint activities have been undertaken by REFORMS for the three pilot states. These include a SEEDS analysis (of the state-level poverty reduction strategies), and a Public Expenditure Management capacity assessment, training in capital budgeting/MTEF/chart of accounts. In Q4, memoranda of understanding will be signed with each state; after which, specific activities for each state will be defined.

**Civil Society Organization (CSO) Policy Analysis, Advocacy & Participation:** REOFRMS conducted a SWOT assessment of capabilities/needs for 3 CSOs involved in the budget process; and supported several workshops to raise awareness about NEEDS and SEEDS and economic policy, and the importance of improving public-private dialogue efforts. One recent sign of progress was the announcement by the Intersectoral Committee on NEEDS II chairman at a REFORMS-sponsored June public-private dialogue event that a private sector representative would sit on the Committee.

**Gender Focal Group:** The Gender Focal Group has conducted 3 two-day meetings for officials from 10 government ministries; all of these meetings have been considered very successful. Ministries are beginning to ask their GFG liaisons to draw up memos on gender. The Ministry of Agriculture, which for years did nothing, recently asked their GFG member to prepare a memo on how they could “genderize” programs at the MOA. The Ministry of Commerce liaison sent a full proposal on gender and the MOC to REFORMS for review and comments. REFORMS is considering, on GFG members' suggestion, hosting a training for Permanent Secretaries, to elicit leadership support for the introduction of gender concerns into sectoral policies and programs.

Figure 2 provides information on the percentage of activities/milestones achieved to date vis-à-vis those planned for project year 1.

**Figure 1.**

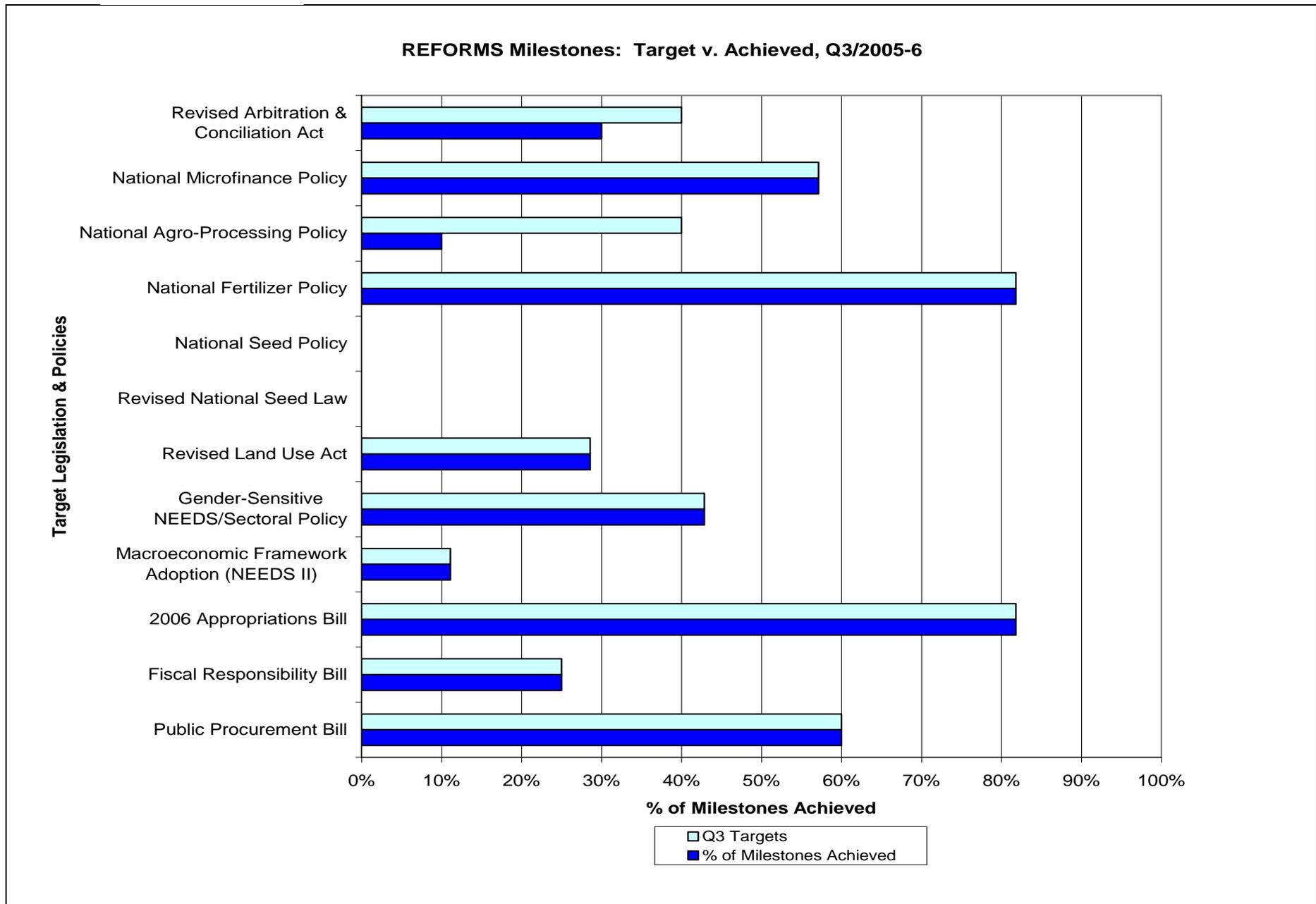


Figure 2.

Nigeria REFORMS Q3/2005-6 ICI Report			
Institutional Capacity	Total Activities	Cumulative # of Activities Completed	Cumulative% of Activities Completed
<b>NPC Policy Management and NEEDS Implementation</b>	<b>24</b>	<b>10</b>	<b>42%</b>
Improved aid management, coordination, and evaluation	2	2	100%
Ability to carry out an informal sector survey	1	1	100%
Policy advice grounded in sound analyses and research	3	1	33%
NEEDS II / Macro Framework development & implementation	18	6	33%
<b>BOF Fiscal Policy &amp; Budget Management</b>	<b>10</b>	<b>6</b>	<b>60%</b>
Improved basic economic and management skills	2	2	100%
Improved capital budgeting	6	2	33%
Improved expenditure management	1	1	100%
Improved transparency / anti-corruption efforts	1	1	100%
<b>National Assembly Budget Management</b>	<b>4</b>	<b>3</b>	<b>75%</b>
Improved budget analytic capacity of the National Assembly	4	3	60%
<b>BMPIU Procurement Management</b>	<b>10</b>	<b>6</b>	<b>60%</b>
Develop and maintain transparent procurement rules	3	2	67%
Public awareness of BMPIU and CSO oversight	7	4	57%
<b>Central Bank of Nigeria</b>	<b>4</b>	<b>1</b>	<b>25%</b>
Monetary Policy: Macroeconomic modeling and inflation targeting	2	0	0%
Microfinance: Improved ability of DFD to implement Microfinance Policy	2	1	50%
<b>Kano Public Expenditure Management</b>	<b>24</b>	<b>9</b>	<b>38%</b>
Improved budget process linked to SEEDS Macro Framework	17	7	41%
Improved transparency / Public oversight	7	2	29%
<b>Cross-River Public Expenditure Management</b>	<b>24</b>	<b>9</b>	<b>38%</b>
Improved budget process linked to SEEDS Macro Framework	17	7	41%
Improved transparency / Public oversight / CSO Strengthening	7	2	29%
<b>Ebonyi Public Expenditure Management</b>	<b>24</b>	<b>9</b>	<b>38%</b>
Improved budget process linked to SEEDS Macro Framework	17	7	41%
Improved transparency / Public oversight / CSO Strengthening	7	2	29%
<b>CSO Policy Analysis, Advocacy &amp; Participation</b>	<b>11</b>	<b>5</b>	<b>45%</b>
Performing policy analysis and budget advocacy at national level	5	2	40%
Effective public-private dialogue	5	3	60%
Improved gender sensitivity of budget and NEEDS II.	1	0	0%
<b>Gender Focal Group</b>	<b>3</b>	<b>3</b>	<b>100%</b>
Gender-sensitized government plans, policies and programs	3	3	100%
<b>TOTAL MILESTONES: Q3/2005-6</b>	<b>138</b>	<b>74</b>	<b>54%</b>