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Quarterly Progress Report

October-December 2007

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

January 31, 2008

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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
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
FAO	Food and Agricultural Organization
GDP	Gross Domestic Product
GON	Government of Nigeria
IITA	International Institute of Tropical Agriculture
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
NABDA	National Biotechnology Development Agency
NAPB	Nigerian Agriculture and Biotechnology Project
NBC	National Biosafety Council
NBS	National Bureau of Statistics
NEEDS	National Economic Empowerment and Development Strategy
NERC	National Electricity Regulatory Commission
NPC	National Planning Commission
NNPC	Nigerian National Petroleum Corporation
NSPFS	National Special Programme on Food Security
OFID	Other Financial Institutions Department
R&D	Research and Development
REA	Rural Electrification Agency
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, 2007 Quarterly Progress Report**

Activity Summary

<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 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
Obligations to date: \$8,809,950
Current Pipeline Amount: \$1,484,581
Accrued Expenditures this Quarter: \$313,631
Activity Cumulative Accrued Expenditures to Date: \$7,325,369
Estimated Expenditures Next Quarter: \$600,000
Report Submitted by: Wandra Mitchell, Chief of Party Submission Date: Jan. 31, 2008

Quarterly Report Narrative

I. Background

The REFORMS project was designed by USAID/Nigeria to promote public expenditure management improvements and reforms in key sectors needed to accelerate the growth of Nigeria’s non-oil economy. The project is a 48-month contract between USAID/Nigeria and DAI focusing on three components considered key to sustainable development in Nigeria:

- **Component 1: Budget Process, Allocation and Oversight**
- **Component 2: Strengthened Institutional Capacity of Key GON and CSOs**
- **Component 3: Policy Reforms in Selected Sectors**

This report presents programmatic progress in the 10th quarter of the project, 30 months into project implementation. It highlights results of project activities, focusing less on the details of the activities and more on the results. It further attempts to assess outcomes and impact of project initiatives as well as to report on steps toward annual policy implementation and capacity building targets.

Key results of this quarter were establishment and strengthening of relationships with new counterparts in energy and biotechnology at the federal and state levels, and in the agricultural enabling environment in pilot states. While this is not an outcome it is a critical path towards achieving project policy and capacity building goals, and will be built upon in subsequent quarters.

REFORMS undertook the Niger Delta environmental and safety assessment for Methanol as an alternative cooking fuel, held a sensitization workshop on biotechnology, established relationships with other projects working on biotechnology, re-established working relationships with state-level agriculture policy makers to support our work on the agricultural enabling environment, and worked with the Other Financial Institutions Department at CBN on that department’s data quality assessments and systems design.

Details of REFORMS progress in each of its component areas are presented below

II. Quarter Progress

COMPONENT 1: Budget Process, Allocation and Oversight

With most of REFORMS funds earmarked to the agricultural enabling environment, energy and biotechnology, we were minimally engaged during the quarter in this component. We did respond to ad hoc requests from our state counterparts, and did commence planning on REFORMS support of state laws on fiscal responsibility and public procurement in response to

the federal government's \$1.8 billion Excess Crude Account "challenge fund" for state governments to pass these laws.

COMPONENT 2: Strengthened Institutional Capacity of Key GON and CSOs

A great deal of the work we have done in Components 1 and 3 with government counterparts at federal and state levels as well as with civil society organizations can also be classified under Component 2. Consequently, inclusion of those REFORMS activities here, instead of with the other components, always has been somewhat arbitrary. The consensus has been that activities that are focused primarily on oversight and on training that may not fit neatly into either Components 1 or 3 should be considered as belonging to Component 2 and reported on here. For this quarter, REFORMS support to the CBN OFID Department has been our main activity in this component.

Strengthening CBN OFID Department Capacity

The focus of this assistance is to provide the Central Bank with the design of automated systems it needs to improve oversight and supervision of Microfinance Banks under the new licensing scheme for those financial institutions. REFORMS was the driving force in bringing together the various affected departments at CBN, including human resources, IT, re-engineering, and planning. A working group of these departments was formed to participate in the automation planning. The advantage of the working group model is to secure much needed "buy-in" within CBN, and also include:

1. coordination of IT systems, including E-FASS
2. providing a forum to discuss and share best practices on automation across all CBN departments;
3. tracking of activities and informing management; and
4. Identifying open issues on integration of OFID systems with other CBN IT initiatives.

The CBN Working group held its inaugural meeting on 8th November, 2007 to structure the data quality assessment and systems design agenda for this activity. The subcommittees of the working group have commenced the updating of the resources gap assessment and of the operations flow charts in order to begin design of the automation systems.

COMPONENT 3: Policy Reforms in Selected Sectors

Energy Policy

We made substantial headway in Energy this quarter, undertaking the environmental and health assessment of Methanol use as a home cooking fuel. REFORMS also provided funding for testing of four (4) prototype stoves for use of the fuel, and provided the results of the testing to USAID/GDA for use on the larger Niger Delta Methanol initiative.

Other activities in the energy sector included:

- REA – work planning meetings with the Managing Director and senior staff to assess the need for an inventory of rural electrification assets, and a GIS demand mapping to allow REA to develop a rural electrification implementation plan. Although REFORMS had planned to support the inventory and mapping exercise, we learned during this quarter that the GON already has contracted with Tractebel, a Belgian company, to undertake the mapping exercise. REFORMS support to REA is now focused on assistance on the regulatory and policy development necessary to operationalize the Rural Electrification Fund, and on capacity building support for the basic operation of the agency vis-à-vis.
- Corporate Governance – Discussions with Office of Special Advisor (Power) on mechanisms for setting up a Technical Board to provide strategic direction to the 17 unbundled generation and distribution companies.
- Outreach and Advocacy-Presentation on Alternatives to on-grid electrification in remote communities at the Annual Meeting of the Institute of Chartered Accountants in Nigeria (PHCN); discussions with PHCN Coordinator for Rural Access & Renewable Energy.

Agricultural Enabling Environment

Our Agricultural Enabling Environment work this quarter focused largely on discussions with stakeholders to detail our state-level assistance. We visited Cross River and Ebonyi States and prepared for visits in Kano State as well as return visits to all 4 pilot states.

Cross River State. As part of the process of refining the Year 3 work plan, DCOP, Kanayo Ogujiuba met with Cross River State Planning and Agriculture officials on Friday, 7 December. Areas of focus that were agreed to in the meetings with Cross River State officials included the FADAMA III Program and specifically approaches to help strengthen monitoring and evaluation and the quality of results from the program.¹

The current phase of the FADAMA program (FADAMA III) is an Integrated Agricultural and Rural Development Project focusing on poverty alleviation. This covers agricultural production,

¹ CRS was involved in FADAMA I but could not meet the eligibility criteria to join in FADAMA II. The FADAMA I programme was characterized with poor M & E. However, the World Bank has currently included CRS. Notwithstanding its eligibility, M&E remains a major challenge. For CRS and REFORMS other pilot states as the FADAMA III Programme commences.

processing, storage and marketing. It also includes essential rural infrastructures and other non-farm income generating activities. Intended beneficiaries are farmers, pastoralists, fishermen, hunters, service providers, communities and other related economic interest groups.

In addition to the FADAMA program, CRS and REFORMS discussed Project assistance on further development of agriculture inputs policies, focusing on fertilizer policy. There is no established agriculture or fertilizer policy for Cross River that is conducive to a commercialized fertilizer sector.

Ebonyi State. Work planning sessions were held in Ebonyi during the quarter. Agreement in principle was reached on REFORMS support for completion of the state's agriculture policy paper, and review fertilizer policy issues, as well as support FADAMA III through capacity building training in effective M&E.

Biotechnology

To reach the levels of agricultural productivity (kgs/ha) that are necessary for food security and poverty reduction, Nigeria is going to have to embrace as rapidly as possible modern agricultural technology, first as embodied in proven products and second to develop the capability to develop home-grown productivity-enhancing agricultural technologies. Among the most promising in both regards is modern agricultural biotechnology, based on genetic manipulation at the molecular level. The legal and regulatory framework is being built thanks in large part to USAID support. REFORMS will continue to provide some of the assistance needed to fully establish the enabling environment for the roll out of biotechnology products and the development of a biotechnology-based agriculture.

In this quarter, REFORMS began discussions on how best to support Biotechnology Policy Issues/Programs in Nigeria. Stakeholders such as the National Biotechnology Development Agency (NABDA), relevant MDAs and (IITA) were all 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. Series of meetings have been held at the Federal Ministry of Environment regarding the roadmap for implementation.

Biotechnology Awareness workshop. The workshop was designed to build on an earlier programme; the IITA/Federal Government, USAID Funded Collaborative Project (The Nigerian Agriculture and Biotechnology Project- NAPB). The last programme had three components; improved research and development on crops and livestock, improved implementation of Biosafety Guidelines and Improved Public Acceptance of Biotechnology. The NAPB helped to provide aspects of the institutional support for the design of the draft National Biosafety Policy and Draft National Biosafety Bill.

The USAID REFORMS supported Biotechnology Awareness Workshop was therefore designed to strengthen the institutional base of Biotechnology Development in Nigeria and also to re-engineer and fast track the process of finalizing the Biosafety Policy and Bill. The approach was therefore to re-awaken the consciousness of stakeholders on the benefits of modern

biotechnology and the need to develop coalitions and partnership amongst the relevant ministries and parastatals to ensure that the Biotechnology Policy and Bill are finally concluded and that the country begins to reap the benefits of modern biotechnology.

The pre-workshop sensitization visits were conducted mainly in Abuja with visits to some relevant stakeholder Ministries and Parastatals including; Agriculture and Water Resources, Environment, Commerce and Industry, Science and Technology, NABDA. This involved key interaction with selected staff who may have been involved in the biotechnology project and who are expected to participate at the workshop.

Coordination with other projects and stakeholders. We developed tighter linkages with other USAID-funded supporters of biotechnology policy formulation, including the Rockefeller Foundation/AATF initiatives, and AID/Washington's Biotechnology Advisor, that will lead to better coordination and cost-effectiveness of all USAID assistance in this area. We also held discussions with the representative of the Nigerian Seeds Vendors Association to ascertain their willingness to actively lobby for passage of the two biosafety bills that will soon be presented by the Federal Executive Council to the National Assembly.² The premise of our meetings and discussions with seed companies is that once a high quality seed (e.g., Bt-cowpea, resistant to key borer pests) is made available nationally, there will be increasing demand for it and an opportunity for seed companies to produce and market seeds. We will continue to seek innovative ways to engage seed companies in advocacy for passage of the biotechnology legislation.

III. Problems and Opportunities

Key stakeholders in the Federal Government and in Cross River, Ebonyi and Kano State Governments were committed to continue to work with REFORMS. Serious security problems in Bayelsa and the lack of a signed MOU continue to hamper efforts in Bayelsa.

Kano, Cross River and Ebonyi, were busy preparing their 2008 budget; significant restructuring of the Ebonyi state civil service was also on-going by the Governor. These positive developments at the state level were tempered somewhat by retrenchment at the national level in the electric power sector, including a noticeable slowing of privatization the unbundled energy parastatals. The electric power sector is in crisis, with news reports of a presidential declaration of a state of emergency in the sector.

IV: Activity Changes

There were no substantive activity changes in this quarter.

² One bill is the National Biodiversity Management Agency Bill. The other is the Biosafety Bill. These must be passed in tandem but as of our last interaction with the Ministry of Environment, the lead sponsoring ministry, they are separate bills.

V. Next Quarter Results and Related Tasks

A preview of REFORMS Y3Q2 (January – March 2008) engagements includes the following:

Component 1: Budget Process, Allocation and Oversight

- **Fiscal Responsibility/ Public Procurement:**
- Continue support and training to Cross River and Ebonyi on Fiscal Responsibility and Public Procurement legislation
- Support March 2008 regional training workshops organized by the director generals of DMO and BPP for state officials

Component 2: Strengthened Institutional Capacity of Key GON and CSOs

- **CBN:** Complete updates to the 2005 resources gap assessment and the operations flow-chart, and begin systems design for automation of data collection and use

Component 3: Policy Reforms in Selected Sectors

- **Energy:**
 - NERC/REA/States – Workshop on Rural Electric Cooperatives and Supporting local rural electrification programs
 - CRS – Policy development capacity building for newly created Rural Electrification Agency
 - Ebonyi – work planning with Public Utilities Commission on REFORMS assistance for the state’s alternative energy initiative to construct 5 megawatt power plant using biofuels (rice husks)
 - Corporate Governance- Although the current electric power crisis makes planning somewhat difficult with respect to the unbundled electric companies under PHCN, REFORMS intends to continue efforts to assist the management of the unbundled companies through capacity building in corporate governance for privatized companies
- **Agricultural Enabling Environment:** There will be more focus on agriculture at both States and National level in quarter two, consultants will be deployed to work at both National and State Levels.

- **Biotech:** There are a number of activities planned for the January – March 2008 quarter. Among them are
 - Support to Ministry of Environment/National Biosafety Committee in getting Biosafety Bill and National Biodiversity Management Agency Bills to Federal Executive Council
 - Possible participation in the National Seeds Vendors Association March 2008 Annual General Meeting (special session on biotechnology)

VI. Quarterly Update: Q1/2007-8 Performance Monitoring

Update on Target Policies and Legislation

Component 1: Budget Process, Allocation and Oversight

During a donors meeting with the federal government, the former were challenged to provide urgent support to states to fast-track state-level fiscal responsibility and public procurement legislation in order to access their share of a \$1.8 billion allocation from the Excess Crude (oil) Account. We will work closely with our counterpart states and with USAID to see where REFORMS can support this process. In particular, we will be prepared to support workshops agreed upon by the Donor Group.

We will discuss this possible assistance with our state counterparts in Kano (Ministry of Planning and Budget), Cross River (State Planning Commission), and Ebonyi (State Planning Commission).

Component 2: Strengthened Institutional Capacity of Key GON and CSOs

Activities in this component are not yet captured separately in the new PMP paradigm; we report on them under components 1 and 3.

Component 3: Policy Reform in Selected Sectors

Energy Policy: *Next step in Q2: At the national level, continue to engage with Special Advisor Power, PHCN, NERC and REA with the goal of assisting in maintaining momentum toward privatization. At the state level, provide support to CRS new agency and Ebonyi alternative fuels (rice husk) projects.*

Agriculture Policy for Ebonyi State: REFORMS staff had 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 continue with a comprehensive agric policy. *Next step in Q2: REFORMS will deploy consultants to work on the draft Ebonyi State Agricultural policy bill, and conduct a stakeholder's workshop.*

Biotechnology: REFORMS had series of discussions on how best to support Biotechnology Policy Issues/Programs in Nigeria. Stakeholders such as the Federal Ministry of Environment, Federal Ministry of Agriculture, National Biotechnology Development Agency (NABDA) and (IITA) were all part of the discussions. A workshop on the awareness of Biotechnology was also held for stakeholders in quarter one. *Next step in Q2: To develop a framework for further assistance to Biotech issues.*

Update on Target Institutional Capacities

Table 1. Target policies for 2008³

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:					
Kano Fiscal Responsibility Bill	2008	2009			
CRS Fiscal Responsibility Bill	2008	2009			
Ebonyi Fiscal Responsibility Bill	2008	2009			
Kano Public Procurement Bill	2008	2009			
CRS Public Procurement Bill	2008	2009			
Ebonyi Public Procurement Bill	2008	2009			
Component 3: Policy Reform in Selected Sectors					
Biotechnology			2007	2008	2008
Energy Policy			2006	2008	2008
Agriculture Policy for Ebonyi State	2006	2007	2008	2008	2009
Agriculture Policy for Cross River State	2008	2008	2008	2009	2009

³ These target policies include only those being reported in Q1/2007-8.

Target Policies/ Legislation/ Systems	1	2	3	4	5
	Initiation	Activation	Development/ Consolidation	Approval	Implement. Framework
Agriculture Policy for Kano State	2008	2008	2008	2009	2009
National Agriculture Policy	2008	2008	2008	2008	2009

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.

Table 2. Capacity Building - Institutions

Nigeria REFORMS Q1/2007-8 ICI Report			
Institutional Capacity	Total Activities	Cumulative # of Activities Completed	Cumulative% of Activities Completed
Federal Ministry of Environment			
Awareness on Biotechnology	1	1	
Federal Ministry of Agriculture			
Awareness on Biotechnology	1	1	
Federal Ministry of Science and Technology			
Awareness on Biotechnology	1	1	
Central Bank of Nigeria			
National Biotechnology Development Agency			
Awareness on Biotechnology	1	1	
TOTAL MILESTONES: Q1/2007-8	4	4	

Table 3. Progress On FY08 Numerical Targets

FY08 Numerical Targets	Annual Target	Cumulative # Completed	Cumulative% Completed
Number of policy reforms presented for legislation	4		
Number of policy reforms analyzed	6	2	33
Number of people trained	250	27	10.8
Number female (35%)	88	5	5.6
Number male (65%)	162	22	13.6