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Quarterly Progress Report

January – March 2009

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

Nigeria REFORMS Project

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, Reform and Macroeconomic Stability (REFORMS).



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

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List of Abbreviations and Acronyms

AFAN	All Farmers Association of Nigeria
AIAE	African Institute for Applied Economics
ANPP	All Nigerian Peoples Party (Nigeria's major opposition party)
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.
EB-SEEDS	Ebonyi State "State Economic Empowerment and Development Strategy" y
FAO	Food and Agricultural Organization
FR	Fiscal Responsibility
GDP	Gross Domestic Product
GMO	Genetically Modified Organism
GON	Government of Nigeria
IAR	Institute for Agricultural Research
IITA	International Institute of Tropical Agriculture
IFPRI	International Food Policy Research Institute
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
NPC	National Planning Commission
NNPC	Nigerian National Petroleum Corporation
NSPFS	National Special Programme on Food Security
OFID	Other Financial Institutions Department
PDP	Peoples Democratic Party (Nigeria's Ruling Party)
PP	Public Procurement
PEM	Public Expenditure Management
REB	Rural Electrification Board (Ebonyi State)
R&D	Research and Development
REFORMS	Restructured Economic Framework for Openness, Reform and Macroeconomic Stability
SEA	State Electrification Agency (Cross River State)
SEEDS	State Economic Empowerment and Development Strategy
SEEP	Small Enterprise Education and Promotion Network
SPD	Strategy & Performance Department of the Central Bank of Nigeria
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development

**USAID Nigeria REFORMS Project
January – March 2009, Quarterly Progress Report**

FINANCIAL SNAPSHOT

<i>ACTIVITY SUMMARY</i>
Implementing Partner: DAI (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 including agriculture, biotechnology, energy and microfinance.
USAID/Nigeria SO: SO Improved Livelihoods in Selected Areas
Life of Activity (start and end dates): July 14, 2005 – August 31, 2009
Total Estimated Contract/Agreement Amount: \$9,771,033.00
Obligations to date: \$9,771,033.00
Activity Cumulative Accrued Expenditures to Date: \$ 8,554,147.81
Current Pipeline Amount: \$1,216,885.19 <i>minus</i> \$994,000 in anticipated expenditures from April 1, 2009 through end of Project. Current estimate of amount that will remain at the end of Project is \$222,885.19.
Breakdown of Estimated Expenditures Through End of Project (August 31): \$994,000 <ul style="list-style-type: none"> 1. \$144,000 April unaudited expenditures 2. \$30,000 May 1-4 unaudited expenditures 3. \$560,000 Estimated program and operating expenditures for May 5 – August 31, excluding closeout costs 4. \$70,000 Closeout Coordinator costs (fully loaded labor, lodging, cola/per diem, miscellaneous) 5. \$190,000 Other Closeout Costs (including Project Manager’s STTA, inventory disposition, COP demobilization, Staff severance payments)
Report Submitted by: Wandra G. Mitchell, COP Submission Date: April 30, 2009

I. REGARDING THIS FINAL PROGRESS REPORT

This is our final quarterly progress report for the USAID REFORMS Project. Program activities conclude on/or before July 31, 2009, and the official project end date is August 31, 2009. Because of this approaching end date, the previous page provides a more detailed financial snapshot than is customary, providing estimates for the next quarter (April – July) as well as through the end of project (August 31). Similarly, the reporting below on program activities includes information on our successes in meeting FY 2009 targets, and all our planned activities for the rest of the project.

II. SUMMARY

REFORMS continues to work in five subsectors during this final six months of the Project: (1) State-level Public Expenditure Management reforms; (2) Microfinance Policy/ Institutional Capacity Building with the CBN's Other Financial Institutions Department (OFID); (3) State-level Alternative Energy/Renewable Fuels Capacity Building; (4) State-level Agriculture Policy; and (5) a National Biotechnology framework.

PEM

The primary mandate of the REFORMS Project is to assist with reforms that increase transparency and accountability in public sector revenue gathering and expenditures; that is, that support the budgetary process. The Project was tasked with undertaking this mandate using a 'pyramid' approach-- one in which PEM activities were paramount, because of their importance to increasing transparency and accountability in the Nigerian public sector. During the first 18 months, the Project was able to focus its efforts on PEM reforms at the national and pilot state levels with considerable success promoting legislation, policy review and institutional capacity building in planning, budgeting and monitoring activities. However, during the Project's 18 months, funding limits and a number of small congressional earmarks forced USAID to stop—then restart—the focus on budgetary reforms. Nonetheless, the Project has made significant inroads again this year in its assistance on state-level PEM. The Project held capacity building workshops in Bauchi, and provided technical assistance to implement Fiscal Responsibility (FR) and Public Procurement (PP) legislation in Kano, Ebonyi, and Cross River. At the donor coordination level, the REFORMS COP along with the USAID/Nigeria/RLA, continue to provide continuity to the donor group working on pooling efforts for assistance for state-level PEM reforms, and that group has expanded to include representative from European Union, African Development Bank, and Japan.

Alternative Energy

REFORMS continued capacity building efforts in Alternative Energy with Ebonyi and Cross River states. A combined workshop was held in Calabar to provide basic information on alternative energy nomenclature, principles and opportunities for staff of the Rural Electrification Board (REB) in Ebonyi, and the State Electrification Agency in Cross River. This was an excellent networking forum, as participants included consultants employed by

CRS to assist in developing alternative energy projects, NGOs from both states, and civil servants from the REB and SEA. That workshop was followed by separate workshops in the two states that focused on outlining the priorities for a draft alternative energy policy to be submitted to the Executive Councils of the respective states. The second series of workshops also presented an excellent opportunity for REFORMS to identify the members of the working group that is to prepare draft policies with technical assistance provided by the Project.

Agriculture Policy & Enabling Environment

REFORMS efforts to support the development of updated agriculture policies for Ebonyi and Kano has met some resistance during the reporting period. In Ebonyi, the Ministry of Agriculture has not succeeded in obtaining State Executive Council approval of the state's first agriculture policy. REFORMS provided technical support and training for the drafting of the policy. REFORMS continues to engage with the Ministry and encourage it to obtain the needed approvals so that we can assist in the publication and dissemination of the new policy, including the plan to hold a one-day stakeholders' meeting to introduce the new policy.

The policy becomes more important in light of recent developments in the state regarding rice policy. The Project was informed by the Ebonyi Minister of Agriculture that the Governor has decided to reclaim large parcels of land to use in government-managed rice farms. This is causing consternation among farmers who currently are using the land, and among those concerned that the private sector, not the state government, should be encouraged to increase rice production. Those who are concerned about this government initiative see it as a potential major step backward in getting the government out of the agriculture production business. Some have expressed the belief that the state is increasing its activities in rice production in an ill-conceived plan to boost state revenues during this economic downturn.

With regard to Kano, the Project has engaged in a 6-month consultation effort on Kano's commitment to producing a harmonized agriculture policy for the state. These consultations have involved large groups of policymakers that include the Commissioners for Planning and Agriculture, private sector actors, and KNARDA. Despite protestations from these stakeholders, REFORMS has concluded that there is not a useful role for the Project to play in supporting the harmonization process that Kano State insists it desires to undertake at this time. REFORMS notes that others involved in agriculture in Kano are better placed to assist, i.e., they are not approaching their project end dates, and may be able to assist with a prolonged harmonization effort. For example, DFID and USAID/West Africa are working with Kano on value chain analyses that might lead to a more harmonized agriculture policy, and USAID/Markets is continuing to engage with Kano under the Global Food Security Initiative.

Biosafety/Biotechnology

The Biosafety bill is moving through the legislative process in the National Assembly. At an information session led by USAID REFORMS, the House Chairmen of the Science & Technology, Environment, and Agriculture committees publically endorsed the legislation. The bill is scheduled for its all-important second reading at the end of May. REFORMS is sponsoring a study tour to the Philippines on May 1-9, and providing support to facilitate a public hearing on the bill, scheduled for a day during the week of June 9. We also are preparing leaflets that inform the general public about the provisions of the bill; and the

benefits of modern biotechnology, particularly as it relates to food security and wealth creation. A West Africa biotechnology effort is scheduled to meet with the relevant House Chairmen before the second reading and public hearing in order to increase the latter's knowledge of the bill's contents, biosafety issues and opportunities, and the commercial successes worldwide with GMOs. Finally, we are continuing our legislative sensitization efforts by providing background packets and pocket-size copies of the Biosafety Bill for all members of the National Assembly.

Microfinance Institutional Capacity Building

REFORMS technical assistance to the Nigerian Central Bank is concluding. The project has been assisting the Other Financial Institutions Department (OFID) to (1) define its work processes, and (2) develop an automation model for those processes.¹ REFORMS had provided assistance to the CBN on development of the 2006 Microfinance Policy which led to the conversion of community banks to MFIs in 2007. This conversion has increased the number of microfinance banks under OFID's regulatory mandate by more than 1000, and also has exposed the need to build capacity in OFID which will enable it to efficiently review and monitor this increased number of financial institutions.

REFORMS' assistance during the reporting period has continued to include (1) capacity building to enable staff to develop a work flow process that is compliant with the office's new responsibilities in regulating microfinance institutions, and (2) technical assistance to design automated work flow processes that will streamline the work of the office, as well as enable managers to quickly spot potential regulatory violations at any bank under its purview. Our assistance has been provided primarily through our consultant, Mrs. Olayinka David-West, a professor at the Lagos Business School. This has been a painstakingly slow process because there is a lack of knowledge in OFID of what its work process are or should be.

After identifying, charting, and providing an automated design for, 27 critical work flow processes in OFID, the REFORMS workplan calls for the verification of the design by the Mrs. David-West and an international expert, using several of the workflow processes to test it. In essence, the verification exercise involves automating two of the work processes using software already available to CBN.

III. FY 2009 TARGETS AND RESULTS

REFORMS already has achieved all targets associated with the Standard Indicators provided used by USAID, with the exception of agriculture enabling environment numerical training targets which we do anticipate reaching before the end of program activities. We have reached 100% of our *policies presented for legislature* targets and 137% of our *policy reforms analyzed* targets:

¹ USAID/Nigeria outlined these and three other areas of support in a September 28, 2007 letter to Mr. Tunde Lemo, Deputy Governor of the CBN. FYI, the two REFORMS tasks are subsumed in Area of Support #1 of the September 28th letter. DAI is not aware that any response was obtained from CBN regarding the offer, but is aware that a meeting was to have taken place between USAID/Nigeria/EG and CBN to clarify the offer of assistance. For additional background, see also, FY 2009 REFORMS Workplan at page 30; and Letter from Christopher Barltrop (USAID/W) to Mr. Tunde Lemo, Deputy Governor, dated June 26, 2007, regarding initial offer of support including off-site surveillance software.

FY09 Standard Indicators (SI) For REFORMS Project	SI Targets	SI Actuals reached as end Q2	% of SI Targets reached
Number of policies presented for Legislature²	3	3³	100.0
Number of policy reforms analyzed⁴	8	10⁵	137.5
Number of people trained (Capacity Building)⁶	200		
1. Only Agriculture	200	110	55.0
2. All Other Training	--	---	---
Number female (35%)	70	---	---
Number male (65%)	130	---	---

REFORMS also is meeting all targets under its more ambitious FY 2009 Work Plan goals:

FY09 Work Plan (WP) Goals For REFORMS Project	WP Goals for 2009	WP Goals Reached as end Q2	% of WP Goals Reached
Number of policies presented for Legislature	7	3	42.85
Number of policy reforms analyzed	12	10	83.3
Number of people trained (Capacity Building)	885	611	69.0
1. Only Agriculture	200	110	55.0
2. All Other Training	685	501	73.1
Number female (35%)	310	---	---
Number male (65%)	575	---	---

IV. TIMELINE -- REMAINING PROGRAM ACTIVITIES

As we advised in our initial memorandum from the COP on closeout plans, all program activities are scheduled to end on/or before July 31, 2009. The following chart provides a

² Presented for Legislature includes advocacy, seminars and meetings on any of the policies that will lead to the policy's presentation for legislature.

³ National Biosafety Bill, Ebonyi draft Agriculture Policy, Ebonyi Fiscal Responsibility Law

⁴ Policies analyzed include stakeholder forum, seminars, workshops, meetings, and advocacy events where a central purpose is analyzing a specific policy.

⁵ Bayelsa PP Law, Bayelsa FR Law, Bayelsa Anticorruption Commission draft law, Bauchi FR Law, Bauchi PP Law, Ebonyi FR Law, Ebonyi Budget Guidelines, National Biosafety Bill, National Biotechnology Development Agency Bill, Kano Procurement Policy, Ebonyi SEEDS I.

⁶ Training includes any organized session of 6 hours or more, in which detailed technical presentations were made, knowledge transfer was primary objective, experiential learning opportunities, and evaluation modalities were provided; and would include introductory sensitization and familiarization workshops as well as advanced sessions.

summary of the activities planned through the end of the Project, of which major ones are in Ebonyi and Bauchi states under our public expenditure management initiatives.

Program Areas	Activit(ies)	Timeline/End Date
Public Expenditure Management		
Ebonyi SEEDS II	Technical Assistance to State Ministry of Planning, in recommending updates needed to SEEDS I	May- Jun 2009 for two weeks / June 30
Ebonyi Chart of Accounts (COAs)	Capacity Building Training on General Budgeting Principles for planning and accounting officers assigned to MDAs to calculate budget inputs from those MDAs	Apr- Jul 7, 2009/ July 15
Ebonyi Budget Circular	Technical Assistance to the Ministry of Finance (recurrent costs budget) and Ministry of Planning (capital budget) on the Year 2010 budget planning process, to help with the developing MTEF and FR Law-compliant 2010 budget	Apr- Jun 30, 2009/ July 15
Cross River's 2010 Budget Planning Cycle	Technical Assistance to aide state in fully integrating key gender considerations into the project/program/capital investment for 2010 budget planning process	June 2009/ June 30
Bauchi PEM Reforms	Technical Assistance to support work of the state in developing a comprehensive implementation framework for reforms embodied in three new state laws: Public Procurement, Fiscal Responsibility, and Debt Management	Apr - Jul 15, 2009/ July 31
Agriculture Enabling Environment		
Ebonyi Agriculture Policy	Publish and disseminate the State's agriculture policy, once State Executive Council Approval and State Assembly ratification have been provided. This is a draft policy whose development and distribution were spearheaded with funding from USAID REFORMS.	Oct 2008-Jun 30, 2009/ June 10 ⁷

⁷ If the policy has not been approved and ratified before June 10th, REFORMS will cease any further activities on this task because of time constraints. Ebonyi has been informed of the need to move expeditiously to complete its final review, but non-related political factors seem to be stymieing efforts to do so.

Ebonyi Agriculture Policy	Advocacy support for new agriculture policy in the form of a Stakeholders' Forum to introduce the new policy. This activity will only occur if the policy has been approved & ratified by early June 2009.	Oct 2008-Jun 30, 2009/ June 10 ⁸
Energy		
Ebonyi Policy on Alternative Energy	Technical Assistance to conclude drafting of policy by Rural Electrification Board	Jan- Jun 2009/ June 30
Ebonyi Advocacy - Alternative Energy Options	Publication and dissemination of a booklet on options in Ebonyi	May 2009/ May 31
CRS Policy on Alternative Energy	Technical Assistance to conclude drafting of policy by State Electrification Agency	Jan-Jun 2009/ June 30
Cross River Advocacy - Alternative Energy Options	Publication and dissemination of a booklet on options in Cross River	May 2009/ May 31
Biosafety/ Biotechnology		
Study Tour	Four (4) National Assembly Members to Philippines	May 1-9, 2009/ May 9
Breakfast Debriefing	USAID REFORMS Biosafety Experts and Study Tour Participants, in preparation for second reading of Biosafety Bill	May 18, 2009/ May 18
Public Hearing	Support to the House Committee on Agriculture in organizing the hearing	June 9, 2009/ June 9
Public Awareness Advocacy	Publication and dissemination of leaflets on the benefits of the Biosafety law, and of modern biotechnology	May 2009/ June 9
Public Awareness Advocacy	Publication and dissemination of a pocket-size book containing the BioSafety Bill for all members of the National Assembly	May 2009/ May 31
Microfinance Policy		

⁸ See previous footnote.

CBN	Automation of OFID Work Processes	Jan-May 2009/ May 31
Closeout Activities		
The Reforms Story	End of Project Event	July 29, 2009
Handover Meetings	TO BE DETERMINED IN CONSULTATION WITH USAID/EG and USAID/D&G. Anticipated that meetings will be with and among Stakeholders, USAID, & other Implementing Partners.	TBD

V. FY09, Q2 ACTIVITIES

A. PUBLIC EXPENDITURE MANAGEMENT

USAID REFORMS' initiative in support of state-level budgeting processes, and improvements to public procurement mechanisms are especially timely, given the opportunities to engage following the global financial meltdown. In Nigeria, the financial crisis is exacerbated by the fall in crude oil prices, the major source of revenue at all tiers of government. Crude oil has been hovering at \$42-50 per barrel for most of this calendar year-- from a high in late 2008 of \$150.00, fueling a general desire to move towards more effective economic governance models. For the REFORMS this has meant that state and local governments currently are actively in communication with us about the tools for such efforts and engaged in review of all planned expenditures to bring them in line with updated revenue estimates. To cut expenditures, states are reviewing the feasibility of using their planning, implementation, and M&E modalities to provide a framework for this necessary exercise. The provisions of the Fiscal Responsibility, Public Procurement, and Debt Management laws remain a potent tool for state officials to utilize as they begin the daunting task. Those states that have developed this legal framework are on a positive trajectory.⁹

During the reporting period:

⁹ USAID, for example, recognizes that public procurement and budgetary reforms involve a process that can be summed up as follows for Public Procurement: Step 1 Assessing the state public procurement system and practices, developing the strategy and planning the approach; Step 2 Developing the legal framework; Step 3 Developing the oversight and institutional framework; Step 4 Building capacity; and Step 5: Assessing the impact of reforms at both the state and local levels. With respect to public procurement reforms, Bauchi State is at Step 3, while Ebonyi, Cross River and Kano remain at Step 2. For fiscal responsibility, Ebonyi is at Step 3 (albeit barely), and Bauchi is solidly in the Step 3 implementation and legislative oversight phase.

1. Fiscal Discipline in Bauchi State

REFORMS continued sensitization activities through a series of site visits and sessions with the Accountant General, Attorney General, Due Process Unit Director, Commissioner for Budget & Economic Planning, and their staffs. REFORMS and Bauchi State agreed to an Executive Retreat, held in Kano on April 2-3, in which political appointees and their permanent secretaries gathered to begin outline of a comprehensive implementation plan for 4 state laws: Fiscal Responsibility Law, Public Procurement Law of 2007, Bond Issue Bill (2009), and Debt Management Bill (2009). During the remainder of the Project, REFORMS will work with a Technical Working Committee that is to draft the comprehensive plan, and submit it to the Governor for his consideration and approval. The Committee also is tasked with assisting the Fiscal Responsibility Council as the latter begins operations.

REFORMS assistance for the final months includes a team of 5 experts:

- National Expert on Fiscal Responsibility
- International Expert on Fiscal Responsibility
- National Expert on Public Procurement
- International Expert on Fiscal Responsibility
- Coordinator/ Organizational Expert, with civil service reform experience

REFORMS is consulting with the World Bank consultants working on public procurement; CIDA, who hopes to begin to provide public expenditure management support to Bauchi beginning in September; and USAID/Nigeria's D&G Office, as Bauchi is one of two Pilot states for the Mission in FY 2010.

2. EBONYI Seeds II & Chart of Accounts

Two international experts worked with the Ministries of Planning and Finance to improve the state's budgeting process for Budget Year 2010. They reviewed last year's budgeting process, the currently in-use Chart of Accounts, and the skill sets of staff in the offices within MDAs that provide the raw data for the annual budget process. The all-important budget circular, instructing the MDAs on how to prepare their recurrent and capital budgets for 2010, is to be released on June 1, 2009. REFORMS experts will provide additional training to accountants and planning officers in the MDAs on basic budgeting principles. They will work with the Ministry of Finance on preparation of the Budget Circular, to ensure that it moves toward compliance with the recently enacted Fiscal Responsibility law and with global best practices.

The Project also is providing a national expert to undertake a review of EB-SEEDS that will highlight the actions needed to prepare the state's SEEDS II update.

3. CRS Gender Mainstreaming

We begin a series of meetings with the Special Assistant to the Governor, Mr. Roy Egba, who is directing the state's newly formed "Office of Donor Relations." During the reporting period, we agreed to provide technical assistance in integrating key gender issues into the annual budgetary process CRS. 'Gender-sensitive budgets' provide a variety of processes and tools aimed at facilitating an assessment of the gendered impacts of government budgets. Thus, gender budget analysis is the analysis of how resources are allocated and revenue is raised in order to determine how they impact men and women differently. In 2006-2007, the REFORMS Project designed strategies to address the following constraints on the subject matter:

- a) Gap between policy commitment and allocation for women through adequate resource allocation and gender sensitive program formulation and implementation;
- b) Mainstreaming gender concerns in public expenditure and policy;
- c) Gender audit of public expenditure, program implementation and policies – relating to public expenditure, fiscal & monetary matters etc.

The strategy has assisted our pilot states (including CRS) and the NPC to decide how policies need to be adjusted, and where resources need to be reallocated to promote gender equality. It also included a participatory process for budget formulation where men and women are included in decisions on national and local budgets. A sufficient number of our pilot states' agencies received assistance in 2006 in mainstreaming gender into their sectoral plans and policies that was to culminate in a gender policy and budget statement. This current effort in CRS will be limited to a "refresher" to complete the budget statement, and to successfully integrate the policy in its 2010 annual budget planning process.

B. AGRICULTURE ENABLING ENVIRONMENT

1. Ebonyi State Agriculture Policy

During this quarter, REFORMS continued its support to the Ebonyi State Ministry of Agriculture on its first-ever Agriculture Policy. REFORMS submitted the final draft of the policy, including a forward, at the end of last year. The draft policy has been submitted to the State Executive Council. However, as noted above, the Council has not reviewed the document, which also requires ratification by the State Assembly. While the ratification action is perfunctory, the Council's review and approval is crucial to meaningful implementation of the policy. REFORMS has made an internal decision that it cannot effectively publish and disseminate the policy unless approval is obtained before June 10th. In the event that deadline is met, REFORMS does plan to support a one-day Stakeholder's meeting called by the Ministry of Agriculture to introduce the policy. The main objective of REFORMS in supporting the meeting would be to facilitate a discussion on how the policy can be utilized to support agricultural development in the state during the current budget crunch.

2. Kano State Agriculture Policy

REFORMS had several sessions with the Kano State Commissioners for Ministries of Planning and Agriculture on the harmonization of their agriculture policy, including our review of the draft that was provided to us. All participants agreed that the draft was not of a quality that would permit the group to use it as a foundation for a final draft. The Commissioners have indicated an intention to create a core group of interested Stakeholders to begin the policy review; however, the Permanent Secretary to the Ministry of Planning, Mr. Asuri Zage, has acknowledged that designating the core group members has not taken place notwithstanding plans to do so at a meeting that now has been rescheduled five times. REFORMS anticipates no further activities under this task.

C. ENERGY

The focus of REFORMS support is on alternative energy options for rural electrification, and we continued to work with the Ebonyi State Rural Electricity Board and the Cross River State Electrification Agency during this reporting period. On February 18-19, 2009, we conducted a capacity building training for 65 staff of the SEB and REA. This was a combined training for both states which promoted networking and exchange of expertise among staff. The participants identified other stakeholders (NGOs, energy cooperatives, etc.) with whom to engage on another workshop scheduled for April 2009 whose main objective would be to map a course for development of an alternative energy policy for each of the states.

Participants overwhelmingly endorsed the idea of not only developing the policy, but also for providing donor support for the actual completion of a small alternative energy project under that policy. According to the participants—and REFORMS’ experts agree—most citizens desperately want to build their technical capacity to create small generation facilities, and the policy alone may not provide sufficient impetus to undertake such a project in the near term without donor assistance.

During the remainder of the Project, REFORMS intends to continue assistance on the development and rolling-out of an alternative energy policy in both states.

D. BIOTECHNOLOGY

1. Engagement with National Assembly

Following the November 2008 sensitization training in Jos, REFORMS has been able to continue engagement with the House Committee on Agriculture. Its chairman has become a major champion of the Biosafety Bill, and introduced it into the House as a “private member bill.”

On March 24, 2009, USAID REFORMS sponsored an ‘information session’ on the biosafety bill with the Chairman of relevant house committees. Our expert, Mr. Don S. Humpal, presented information on the successes in commercialization of genetically modified organisms to produce more nutritious, more bountiful harvests. Mr. Humpal also held individual consultations with members of the National Assembly to brief them on the draft bill and West Africa-wide activities. These sessions were a collaborative effort among REFORMS, the Biosafety Unit at the Ministry of Environment, Members of the National BioSafety Council, and the National Biotechnology Development Agency (NABDA).

REFORMS is sponsoring a 4-person study tour to the Philippines in early May to be followed by: (1) a Debriefing Session by Members of the Study Tour; (2) The second reading of the Bill; (3) a Public Hearing; and (4) sensitization of all national legislators through publication and dissemination of the bill; and (5) public advocacy through dissemination of leaflet describing biotechnology/ biosafety in laymen’s terms, and debunking common myths about the technology.

Although there is no way to ascertain with any degree of certainty, the bill’s sponsor in the House of Representatives has indicated that he plans to push for passage its prior to

September 2009. While REFORMS is optimistic about the bill's prospects, we are reminded of one NGO's published findings that the National Assembly has passed only five (5) bills since its inauguration in mid-2007! And, three of those were budgets.

2. Media Roundtable

REFORMS conducted a Media Roundtable on February 12, 2009. Twenty-seven participants attended the session, which resulted in numerous articles in major dailies that described biotechnology and biosafety as it relates to the country's goals of food security and wealth creation. The Roundtable was a success as it increased the number of champions for the Biosafety bill. From the post roundtable evaluation carried out, an overwhelming majority of the journalist identified the urgent need to fast track the passage of the Biosafety bill in order to help Nigeria reap the benefits of agricultural biotechnology, and acknowledged that they were more informed on the provisions of the Biosafety bill.

3. Cassava Application

REFORMS coordinated activities with the Danforth Foundation affiliate in Nigeria that obtained approval from the National Biosafety Committee to undertake confined field testing of nutrient enhanced cassava. The group and REFORMS are continuing to coordinate advocacy for passage of the Biosafety bill.

E. MICROFINANCE POLICY/FINANCIAL SERVICES

See Summary Section for update on single activity currently being undertaken by REFORMS with the Central Bank's Other Financial Institutions Department.

VI PROBLEMS AND OPPORTUNITIES

Significant opportunities and challenges existed during the reporting period:

1. Opportunities

PEM. The most significant opportunity was a byproduct of the global financial crisis. As a result of the downturn, and especially as a result of the fall in crude oil prices, many state and local governments are being forced to examine current processes and practices to determine where savings can be realized to blunt the negative effects of severe budget shortfalls. REFORMS has noticed a definite increase in the number of officials that are now somewhat more willing to consider PEM reforms.

BioSafety. The Chairman of the House Agriculture Committee's embrace of biosafety and agricultural biotechnology promotion has catapulted the Biosafety Bill into the national spotlight, and means that this important legislation may move forward after languishing more than 8 years at the Ministry of Environment.

2. Challenges

Institutional Capacity Building. The financial crisis means that few state and local civil servants are receiving regular salary payments. The workforce is demoralized by the dim prospect of relief in the near term.

Political Changes. The Bauchi State Governor rejoined the PDP, and has been extremely busy with party activities, and with new assignments with NNPC, Petroleum Ministry and Niger Delta initiatives. Bauchi citizens are reeling from the Governor's decision to return to the PDP, not necessarily because they disagree with his decision but because it is necessarily increasing tension with the remaining governors in the ANPP. Adding another hurdle, is the Governor's reshuffling of his cabinet. The Finance, Budget & Planning, and coordinator of Donor Relations all have been reassigned as of May 1, 2009.

Agriculture. Ebonyi agriculture seemed to take a major step backward when the Governor ordered seizure of large parcels of land, and has indicated that he intends to use the land for government-owned and managed rice farms.

Microfinance. Coordination of USAID/Nigeria and AID/W work with the Other Financial Institutions Department has become more critical as undertaking, monitoring, evaluating and reporting on the progress of our single task is more complex because of the increase in consultants/advisors--now on both side of the Atlantic Ocean—engaged in closely related and interdependent activities on automation of work flow processes.

VII. OTHER ADVOCACY AND PUBLIC OUTREACH

None to report.

VIII. STAFF and PROGRAM CHANGES

STAFF CHANGES

REFORMS had two new additions to its administrative staff this quarter. An administrative assistant, Ms. Nkem Joyce has joined the Project in anticipation of the May 11 - July 2, 2009 maternity leave of Ms. Eugenia Okoye. Another Project Driver, Mr. Yusuf Yangari, has replaced a driver who now works nights at the United Nations, and is pursuing his undergraduate degree in Economics. REFORMS also has a graduate student intern, Ms. Schala Battle, from the George Washington University in Washington DC. She arrived on January 31, 2009 and will be with the Project until July 31, 2009.

On June 12, our junior technical professional (Ms. Onyinye Ugonna) will leave the Project to begin a Master's Program at the School of Oriental & African Studies in the U.K. With her departure, REFORMS will have 6 staff: Office & Finance Manager; COP; Mid-level Technical Professional; Two Drivers; and One Administrative Assistant. This is an extremely lean staff. However, in addition to STTA from a Closeout Coordinator and the PMP Advisor, we do expect to continue the intermittent services of 7-9 short term experts on PEM and Alternative Energy.

Our Closeout Coordinator, Ms. Aimee Teplinsky, is scheduled to arrive at post on May 17, 2009 and will be here through the end of the Project.

The PMP Advisor (who also serves as home office Project Manager), Ms. Christina Erickson, will be at post in June to assist with end of project performance reporting.

PROGRAM CHANGES

None, other than adjustments as noted in this Quarterly Progress Report. However, as previously advised, we do wish to reiterate that REFORMS' reporting has been adjusted slightly during final year of the Project. Initially, REFORMS reported all activities under component areas: *Component I* -Macro-economic Policy and Public Expenditure Management; *Component II* -Institutional Capacity Building; and *Component III* -Policy Reform in Targeted Sectors. However, this year, REFORMS has structured its reporting around the five technical areas in which it works, which are:

- Public Expenditure Management,
- Agriculture Enabling Environment
- Energy
- Biotechnology
- Micro Finance/Financial Services

Each area includes some capacity building, as well as policy reform. Thus, the differentiation between initiatives as being Component I (PEM), Component II (Capacity Building), or even Component III (Policy Reform in Targeted Sectors) was unhelpful. The current focus on program technical areas does not signal any deviation from contractual performance standards. Rather, the adjustment allows reporting on progress in a more straightforward manner, and under the rubric used by all stakeholders in discussing Project activities. We continue to focus on macro-economic policy issues, reforms in other targeted sectors, and institutional capacity building across sectors.

IX. QUARTERLY UPDATE: Q2/FY 2008-9 -- PROGRESS ON PERFORMANCE MONITORING PLAN TARGETS

Table 1: Progress on Institutional Capacity Building (ICB) Targets

Nigeria REFORMS Q2/2008-9 ICB Report			
FY 09 Institutional Capacity Building Targets	FY 09 Workplan Activities	# of Activities Completed as end of Q2	% of Workplan Activities Completed
Public Expenditure Management			
Public Procurement at the state level- Capacity building in due process	6	4	66.6
Fiscal Responsibility – Capacity Building	4	3	75
Chart of accounts/MTSS – Ebonyi	2	1	50
Public Procurement and Fiscal Responsibility- National level	2	1	50
SEEDS II – Ebonyi	0	0	0
Gender Budgeting – Cross River	0	0	0
Agriculture			
Agriculture Policy , Ebonyi	4	2	50
Agriculture Policy , Kano	5	2	40

Nigeria REFORMS Q2/2008-9 ICB Report			
FY 09 Institutional Capacity Building Targets	FY 09 Workplan Activities	# of Activities Completed as end of Q2	% of Workplan Activities Completed
Key Sector Capacity Building: Energy activities			
Support to Cross River State Electrification Agency on rural electrification best practices and alternatives	3	2	66.6
Support to Ebonyi State Rural Electricity Board on rural electrification best practices and alternatives	3	2	66.6
Legal support to review Gas Supply Power Purchase Agreements with the Ministry of Gas	1	0	0
Key Sector Capacity Building: Biotechnology			
Support to the Ministry of Environment	2	2	100
Support for the passage of the Biosafety Bill	4	4	100
Support for the passage of the Biodiversity Management Agency Bill	1	1	100
Key Sector Capacity Building: Financial Services/Micro Finance			
Capacity Building on data analysis and response for CBN	1	0	0
TOTALS:	38	24	63.15

Table 2: Progress on Policy Reform Targets

For each policy on which USAID REFORMS provides assistance, the following graphic indicates the stage of the policy's development at the beginning of USAID/REFORMS assistance, and pinpoints where the policy development stands as of end of FY 2009, Quarter 2.¹⁰

¹⁰ LEGEND for TABLE 2

Color Coding

The REFORMS Project measures policy development along a continuum that goes from Initiation –to— Activation—Development/Consolidation—Approval & Launch—ends at the rolling out of an Implementation Framework. These stages combined constitute the 'Policy Milestones Index' that REFORMS has used since the inception of the Project as a measurement of successes in advancing policy reforms. Each stage of the policy development process is delineated by its own color code: Coral = Stage 1 (Initiation); Orange = Stage 2 (Activation); Yellow = Stage 3 (Development/ Consolidation); Green = Stage 4 (Approval & Launch); and Blue = Stage 5 (Implementation Framework). The APPENDIX contains a detailed description of each of the five stages in the Policy Milestones Index.

Target Policies/ Legislation/ Systems	1	2	3	4	5
	Initiation	Activation	Development / Consolidation	Approval	Implement. Framework
Public Expenditure Management					
Fiscal Responsibility Bill Ebonyi	2007 ¹¹				2007 ¹¹
Public Procurement Bill Ebonyi	2007 ¹³			2009	
Fiscal Responsibility Bill Cross River & Kano	2007			2009	
Public Procurement Bill Cross River & Kano	2007			2009	
Fiscal Responsibility Bill Bayelsa	2007				2009
Public Procurement Bill Bayelsa					2009
Public Procurement Bill Bauchi	2007				2009
Fiscal Responsibility Bill Bauchi					2009
Agriculture					
Agriculture Policy for Ebonyi State	2006	2007	2008	2009	
Agricultural Policy Kano	2008	2009			
Energy					
Alternative Energy Policy for rural electrification, Ebonyi & Cross River	2008	2008	2009		
Energy Cooperatives, Cross River	2008	2009			

¹¹ *Horizontal Shading*

Indicates the stage of the policy's development at commencement of REFORMS support on it

¹² *Vertical Shading*

Indicates stage of the policy's development as end of FY 2009, Q2

¹³ *Dates*

For each policy stage, the dates indicate when the policy reached the particular milestone, e.g., the Ebonyi alternative energy policy that REFORMS Project supports began development (Initiation) in 2008. REFORMS assistance began in that very same year; in fact, REFORMS supported the Initiation. The policy currently is at the beginning of the Approval & Launch Stage.

Target Policies/ Legislation/ Systems	1	2	3	4	5
	Initiation	Activation	Development / Consolidation	Approval	Implement. Framework
Gas policy implementation framework					
Biotechnology					
Biosafety Bill	2001-02	?	2008	2009	
National Biodiversity Management Agency Bill	2001-02	?	2008	2009	
Microfinance Policy/ Financial Services					
Microfinance Policy Work Processes Automation	2007	2007	2008		

APPENDIX POLICY MILESTONES INDEX

Policy milestones are met as the Nigerian Government policies move through five stages of development. These stages of policy development, beginning with Initiation and ending with Implementation Framework, are described in the MEMS' "Policy/Legislation Benchmarking Protocol (PLBP):"

1. **Initiation**
2. **Activation**
3. **Development/Consolidation**
4. **Approval**
5. **Implementation Framework**

STAGE ONE – INITIATION: This initial stage of policy reform refers to all efforts carried out to make stakeholders aware of the need for a policy, legislation or system to address an important issue. This is the stage when work is done to build consensus on the need for a policy. It includes:

- Sensitisation & advocacy activities conducted with the target of achieving consensus on the need for a policy review or new policy.
- Highlighting the issue in a number of forums;
- Using policy champions to pass the message across;
- Awareness raising on the need for a policy change, review or the development of a policy to fill an identified gap
- Gathering data to support the cause.

This stage is completed when a working group/task force/committee etc has been set up by the constituted authority to ensure that the policy, legislation or system is developed.

Proof of activities conducted in this stage includes:

- Meeting communiqués expressed need for policy, legislation, etc.
- Reports of advocacy/sensitization meetings of which the objective was to increase awareness of policy/legislative gaps
- Study reports in which recommendations included the need for targeted policy
- Reports of advocacy activities that resulted in people stating the need for policy/legislation

STAGE TWO – ACTIVATION: Activation commences when the group entrusted with the task of developing the policy or legislation begins work. It includes all activities that are carried out in preparation for the draft of the legislation or policy. This will usually include all information-gathering carried out by the technical working groups, or for the group. This includes the collection of materials, information, research, etc. to ensure that the policy developed meets the expressed desires of the citizenry. It includes stakeholder meetings to develop issues, reach consensus and generally carry out policy analysis. This stage ends when the actual design of the policy or system begins. The end is signalled by any of the following:

- Consultant/s are employed to draft the document (policy, plan, bill of legislation), or commence designing the system.
- The team commences the drafting of the document/design of the system
- Stakeholders meet to start writing the policy/plan/bill for legislation
- The “drafters” put pen to paper and start drafting the policy/legislation.

Proof of this activation stage includes:

- Report of inaugural meeting of technical working group
- Report of meeting at which technical working group was made
- Copies of letters written by authority involved to inform members of assignment

STAGE THREE - DEVELOPMENT/CONSOLIDATION: This stage begins when the consultant/drafters are recruited. It includes all processes that lead to the finalised document agreed upon by stakeholders, which will then go on for final approval by the “policy makers/legislators. This stage continues until a final draft has been developed adopted at stakeholder level and sent to the relevant authorities to commence the approval process. The relevant authority is a unit of government or the organisation that gives the first level of approval.

Proof of this stage includes:

- Draft copy of the policy/legislation
- Report of meetings/workshops that led to the draft document

STAGE FOUR - APPROVAL AND LAUNCH: This stage begins when a final draft of policy, legislation, has been submitted for approval at the first level of authority in the chain of command. It includes all processes that lead to the ultimate approval of the policy. The approval of the policy is finalised once the policy has been gazetted in the government gazette.

Proof of this stage includes:

- Evidence of the submission of the final draft copy of the policy/legislation for approval.
- Approval of report of meetings/workshops that led to the draft document.

STAGE FIVE - IMPLEMENTATION FRAMEWORK: This stage commences once the policy has been launched or gazetted and includes all activities undertaken with the aim of the development of draft implementation framework. For the purpose of this indicator, activities in this stage will be limited to developing the framework for implementation, but not the actual implementation itself.

Other activities under implementation which will include capacity building activities to strengthen organisations ability to implement the policy (strategic plan development, development of systems, like M&E systems, coordination structures, etc.) are measured in the indicator *Institutional Capacity Index*.