

NIGERIA – EUROPEAN COMMUNITY (EC) COOPERATION:

2003 JOINT ANNUAL REPORT

1. EXECUTIVE SUMMARY

This report was produced in early 2004; however, section 6 and annexes 2 and 3 were finalised on 11th February 2005 to take account of the results of the Mid-Term Review.

The Country Support Strategy was signed in 2002. It focuses on reform at state-level, and identifies two sectors, called ‘Institutional and Economic Reform at State Level’ and ‘Water and Sanitation’. The basic approach is to work with six focal states out of Nigeria’s thirty-six states, in two stages:

- Stage 1: reform: the EC funds reforms in the six states (€90mn), while the states take measures to reform. This is expected to result in improvements in public finance management, and especially in the management of the water and sanitation sector, allowing progress to stage 2.
- State 2: budget support (€350mn) to the same states, distributed according to progress in reforms.

In the event, the support intended under stage 1 has been delayed, partly due to unsatisfactory consultants’ reports, and will only be adopted in early 2004. At the same time, states (focal or other) have not reformed their public finance management in a way that would allow serious consideration of budget support in the immediate future.

In parallel with this, projects outside the focal sectors have started up in earnest in 2003, showing that EC-Nigeria cooperation has accelerated and can function effectively. This is in part a reflection of the new impetus given to this cooperation by the new economic team, including the NAO, since August 2003. More broadly, a home-grown poverty reduction strategy has been presented by government in early 2004, under the title of National Economic Empowerment and Development Strategy, and has been strongly endorsed by donors such as the IMF and World Bank. One crucial component of this strategy, which links well with the CSS, is emphasis on coordination with state reforms and support to reforming states. At the same time, there is renewed need for and interest by government in EC support to federal-level institutional and economic reform, such as the national population census and support for anti-corruption bodies.

In the light of the above, the overall CSS remains valid, but there is a need for adjustment within it:

- the funds intended originally for budget aid should be scaled down and instead used, still at state level, for projects both for water/sanitation and for institutional and economic reform;
- allowance should be made for increased support for reform at federal level, by broadening the coverage of one focal sector and renaming it from ‘Institutional and Economic Reform at State Level’ to ‘Institutional and Economic Reform’.

2. THE POLICY AGENDA OF NIGERIA

In September 2003 President Obasanjo's government announced a new national policy strategy, the National Economic Empowerment and Development Strategy (NEEDS), Nigeria's home-grown poverty reduction strategy (PRSP). It is being prepared with involvement of State governments, civil society and international development agencies. It is a medium-term strategy running to 2007, the year of the next elections.

The draft NEEDS document was presented on 15th March 2004, launching a six-week nationwide consultation of all stake-holders. It involves a pro-market policy which has identified some key sectors, such as Agriculture, Manufacturing (especially SMEs), Solid Minerals, Oil and gas, Service sector (Arts, Culture and Tourism) and Human capital, as engines for economic growth and for local and foreign investment. The ultimate goals are poverty reduction, employment generation and wealth creation. The policy has identified four priority areas for reforms:

- **Reforming government and institutions**, with an emphasis on fighting corruption and orienting expenditure to service delivery;
- **Growing the private sector**. NEEDS sees the private sector as the engine of growth, for wealth creation, employment generation and poverty reduction. Government's role is as enabler, facilitator and regulator
- **Implementing a social charter**, covering education, HIV/AIDS, youth employment, pension schemes, empowerment of women, children, the handicapped and the elderly;
- **Value re-orientation**, to ensure that hard work is rewarded and corruption and rent-seeking are punished.

Many NEEDS programmes are already being implemented, or legislation being prepared to implement them. Several aspects of NEEDS differ from earlier, unsuccessful reform agendas:

- it is being prepared through a participatory process. The drafting committee has included not just government, but also the private sector, trade unions and civil society. The six-week nationwide consultation will allow further input from all stake-holders
- it is not limited to the half of public expenditure decided at federal level, but also incorporates the state and local levels which account for the other half, through the endorsement by states, through the concurrent development of state-level economic empowerment and development strategies (SEEDS), and through the development of sector-wide approaches involving all tiers of government for key sectors including water/sanitation.
- elements of the reforms are already being carried out. A fiscal bill to prescribe and regulate a macroeconomic framework for all tiers of government has been put to the national assembly; subsidies have been fully eliminated in the downstream oil sector; benefits-in-kind are being monetised for civil servants; public service reforms are being piloted in four institutions/ministries.

Under NEEDS, GDP growth is targeted to rise from 5% in 2004 to 7% in 2005. Given population growth of 2.8%, this will allow a start in reducing poverty. An emphasis on growth in employment-intensive sectors, notably agriculture, will allow the creation of 2 million new jobs per year from 2005 onwards. The fiscal deficit is to be capped at 3%, and recurrent expenditure (federal level) to be cut from 70% of the total in 2003 to 60% by 2005.

The 2004 budget was designed to be NEEDS-compatible on the basis of early work on NEEDS, which was still underway when the budget was submitted.

Under NEEDS, an Independent Monitoring Commission including all stakeholders will monitor and evaluation implementation of NEEDS/SEEDS policies and periodically report to the National Assembly (for information) and the President.

Despite this general approach, the Nigerian government has recently introduced trade restrictions and bans, which the EU considers inconsistent with current reforms and with Nigeria's obligations under the WTO. Discussions to resolve this issue are continuing.

3. UPDATE ON THE POLITICAL, ECONOMIC AND SOCIAL SITUATION

Type	Indicator	2000	2001	2002	2003	2004
Impact	1. Proportion of population below \$1 per day					
	2. Prevalence of underweight children (under-five years of age) (%)		27*			
	3. Under-five mortality rate per 1,000 live births.	184	183*	182	151 ¹	
Outcome	4. Gross enrolment ratio in primary education	95 ¹	93 ¹			
	5. Primary Completion Rate	76.8 ¹	83.4 ¹			
	6. Ratio of girls to boys in:					
	- primary education					
	- junior secondary education	83.2 ¹	82.6 ¹	81.7 ¹		
	- senior secondary education (15-17yr)	85.1 ¹	83.2 ¹	84.3 ¹		
	- tertiary education					
	7. Proportion of births attended by skilled health personnel (%)		42*			
	8. Proportion of 1 year old children immunized against measles		40*	40		
	9. HIV prevalence among 15-24 year old pregnant women		6			
10. Proportion of population with sustainable access to an improved water source (%)	57		62			

Sources of data (*) - Unicef

⁽¹⁾ - Federal Ministry of Education

Political situation

A successful civilian-to-civilian government transition in Nigeria took place through the 2003 general elections, though they were alleged by the different domestic and international observers to be flawed, especially in certain states.

President Obasanjo was sworn in for a second term on 29 May 2003. Since then there has been a new vigour in the pursuit of reform in all aspects of governance/economy. A 42-member federal cabinet was constituted in July 2003, with key posts assigned to young reform-minded technocrats with international experience. Though Nigeria was again ranked the second most corrupt country in the world by Transparency International, the government's fight against corruption was boosted by the indictment and arrest of a cabinet minister and other senior

politicians by the anti-corruption agency (ICPC) for allegedly receiving kickbacks on a \$214 million National Identity Card contract with a French company.

The relationship between Executive and Legislature has improved, partly because the ruling Peoples' Democratic Party (PDP) is more dominant and has strengthened internal discipline. However, serious difficulties are apparent in the relationship between the centre and some states controlled by the PDP, notably Anambra in the Southeast.

Women's representation in politics did not change much between 1999 and 2003. Many of the women were defeated at the party primaries. One reason is the practice of the politics of "cash and carry", where party nomination goes to the highest bidder. Few women are able to compete in this respect. There are three female senators out of 109 and 23 female members of the 360-strong House of Representatives. There are, however, six women in the cabinet with two holding the strategic positions of Minister of Finance and Minister of State for Finance. Two deputy Governors were elected in the States, an improvement over only one in 1999.

The Nigeria Labour Congress is resisting some reform policies of the government (civil service, pension reform, fuel liberalisation and taxation). A 12-day labour strike in June/July 2003 following a 54% increase in refined oil products by the government grounded most economic activities. The government backed down and agreed to a 30% increase.

2003 was marked by intermittent crises in the oil producing Delta States, especially among the three major ethnic groups of Itsekiri, Ijaw and Urhobo, resulting in the loss of hundreds of lives, due to competition among the various groups for access to oil revenue. In December, a short-lived but violent uprising by a small group of radical but well educated Islamic youths, locally termed "Nigerian Talibans", erupted in the north-eastern part of Nigeria. Islamic scholars opined that the "uprising was more of a symptom of economic and political discontent than of a rising tide of religious zeal".

In line with the International Court of Justice (ICJ) ruling, Nigeria handed over 33 villages in the Lake Chad region to Cameroon. The European Commission granted €400,000 to support border demarcation work by the Mixed Commission.

To crack down on cross-border banditry, smuggling and human trafficking along the Benin border, Nigeria closed it for a week in August 2003. Following talks, the countries re-opened it with increased joint border patrols and greater efforts to curb cross-border crimes.

Nigeria has continued to devote energy to the promotion of peace and security in the region:

- in June the former Nigerian president General Abubakar mediated a ceasefire agreement, facilitating the departure of President Taylor. Nigeria granted political asylum to Mr Taylor and deployed two Nigerian battalions to form the backbone of the ECOWAS Force in Liberia (ECOMIL).
- In Guinea Bissau, a visit by the Nigerian and Senegalese Presidents helped restore constitutional order in the country after a coup in September.
- In Sao Tomé and Príncipe, President Obasanjo helped ensure a return of constitutional legality after a military coup during a visit of President Fradique de Menezes to Nigeria.

However, at the Commonwealth Heads of Government Meeting (CHOGM) in Abuja in December 2003 Zimbabwe decided to withdraw from the Commonwealth despite Nigeria's

efforts. This was in reaction to the maintenance of Zimbabwe's suspension from the Commonwealth over the issue of land reform and associated human rights abuses.

Economic Situation

Government fiscal policy was aimed at ensuring budgetary discipline, due process and value-for-money audits on key projects to improve allocative efficiency. But President Obasanjo admitted in his 2004 budget speech to the National Assembly in December 2003 that "the pace and pattern of expenditure left much to be desired in the year under review ... large amounts of expected expenditure, e.g. for domestic debt service, were not included in the budget". Other manifestations of fiscal indiscipline include budget deficit (averaging 4.7% of GDP in the past five years), slow and limited releases of capital budget (the 2003 budget was implemented at 50%) resulting in poor implementation of the budget. Inflation rose to 13.8% by December 2003. The government recorded 8.6% GDP growth in 2003, mainly due to 15% growth in the oil sector; non-oil growth was 5.83%. There was a 30% decrease in the euro value of the Naira – from N125.5 per €1 at the end of 2002 to N163.5 per €1 at the end of 2003, but this was largely due to general euro appreciation. Foreign reserves fell from \$7.2 billion in 2002 to about \$6.7 billion in 2003 (about 5 months of import cover), though they have since rebounded. In 2004 four ministries/agencies are to pilot civil service reform: the Ministries of Finance, of Information and of the Federal Capital Territory and the National Planning Commission.

Despite reported low capacity utilisation by the Manufacturers Association of Nigeria (MAN) in the wake of increased costs of production, high demand for imports and unreliable infrastructure services, the Nigerian capital market remained robust through 2003. Market capitalisation grew by 77.9% while the All-Share Index appreciated by 65%.

Private direct investments continued to be high in the telecommunication sector in 2003, mainly in mobile telephony. Fixed telephone lines have increased from some 300,000 in early 2000 to over 720,000 lines in 2003, while mobile leapt from under 50,000 to over 2.5 million lines over the same period.

The trade balance remained positive. However, it declined from \$5.6 billion in 2001, to a low of \$670,000 in the 1st quarter of 2002 (due to lower production); rising again to \$2.3 billion in the 1st quarter of 2003 on the back of the oil price.

Oil dependence has injured other sectors. Nigeria used to be a major exporter of palm oil, cocoa and tropical fruits. Today, the agricultural sector, which used to account for 39% of GDP and still provides employment for 70% of the labour force, accounts for only 1.8% of the country's exports. The import tariff regime, which does not support exports, has adversely affected this sector. According to the FAO, agricultural output grew from 5.9% of GDP in 2002 to about 7% in 2003 with the proportion of undernourished at 8% of the population.

With a GDP of approximately €46bn, Nigeria is the third largest economy in Africa, accounting for 55% of West Africa's GDP and 28% of its exports. Nigeria's support for initiatives such as the ECOWAS Trade Liberalisation Scheme (TLS) is thus essential if regional integration is to advance. In early 2004, the government announced a lowering of tariffs to the levels of UEMOA.

Global Trade Regime

Nigeria has been a member of the World Trade Organisation since 1 January 1995. Recently, Nigeria joined the G-20 group of countries, but is also a member of the G-90 group of developing countries.

Trade restrictions imposed on a range of products since April 2002 may have affected negatively the volume of exports to Nigeria. In January 2003, some issues of concern to EU exporters were resolved but other restrictions remain in place. Further measures were imposed on 3 March 2003, 1 July 2003 and 7 January 2004.

The New Economic Team in office since the 2003 elections, contains several trade experts who insist that trade policy reform should support the package of macro-economic reforms envisaged under NEEDS and become subject to broader consultation. The National Authorising Officer (NAO) has been assigned overall responsibility for coordinating Nigeria's position on the EPA negotiations.

Debt Service

Nigeria's external obligations stand at US\$30.9 billion (25 billion euro) with an expected debt service to the Paris Club, the biggest creditor, after rescheduling agreements of \$2.1 billion. Following agreement with the Club only \$1.0 billion was paid in 2003. Domestic debts, according to government figures, presently amount to about \$130 billion. These are mainly accumulated outstanding payments to national and international companies. The Ministry of Finance has recently produced an overview of this previously neglected debt with a view to agree a payment schedule. In some cases this may involve investigation of outstanding contracts that appear overly favourable to contractors.

To mitigate the adverse effect of high debt service transfers on the economy and in pursuit of the agreement reached with the 15 member countries of the Paris Club in 2000, the Nigerian government during the year negotiated and signed agreements on bilateral debt rescheduling with eight countries including: US\$3.6 billion debt with Japan; the United States and Denmark for outstanding debts totalling US\$1.2 billion; Belgium \$0.445 billion; \$2.8 billion with Germany; \$0.317 billion and \$0.122 billion with Austria and Switzerland respectively. The Debt Management Office in Abuja worked on reconciling its books with those of the 36 states, envisaging formal agreements between FGN and heavily indebted states to ensure that debt is prudently managed by all sides.

Privatisation

The privatisation of public utilities suffered setbacks during 2003. The privatisation of the national mint was put on hold following strong opposition from the National Assembly. A process to establish a management contract for the mint is now underway. The sale of NAFCON, the fertiliser company and HILTON Hotels fell through when the successful bidders failed to pay. NITEL, Nigeria's Telecommunications Company, is now run by a Dutch consulting firm, Pentascope International, who received the management contract when the privatisation of the company ran into difficulties. The National Electricity Power Authority, NEPA, will be split into three companies related to power generation, transmission and distribution in 2004, prior to privatisation. Plans to sell at least one of the four refineries before the end of 2003 did not materialise due to strong political opposition.

Social situation

Nigeria is one of the poorest countries in the world (148/174 on human development). About 70%-80% of the population live below the poverty line of one dollar per day. The country's health system ranks 187th among the 191 member states of the World Health Organisation (WHO). The maternal mortality rate is one mother's death for every 70 deliveries, while routine immunisation has dropped from over 89% in the early 1990s to below 50% in 2003.

The under-five mortality rate remains one of the highest in the world, though the statistics indicate a slight fall since 1960 (207 in 1960 and 183 in 2002). Life expectancy is around 53 years. A 2003 survey indicates that over 15 million children of school age are engaged in child labour in Nigeria with about 6 million of them not attending school. Over 15 million children of school age (5-9 years) are engaged in menial jobs. Cases of child trafficking across the Nigerian borders have been reported in the press. One case in 2003 involved over 200 children from the Republic of Benin, smuggled across the borders and found working in stone quarries in south-western Nigeria.

Over the last 6 years, the Human Development Index (HDI) has been roughly stable at around 0.45 out of 1, indicative of a low Human Development country (HDI < 0.5). Although Nigeria has achieved the Millennium Development Goals target of halving the population at risk to hunger, and is on track to meet the target for primary school enrolment and elimination of gender disparity in all levels of education, if present trends continue the country will not meet the targets to reduce under-five and infant mortality rates or increase access to water and sanitation.

Polio immunisation in Nigeria has been a subject of controversy in 2003. Certain northern states, notably Kano, suspended polio prevention measures following opposition from some influential clerics and scholars, who allege that the vaccines are not safe and contain some anti-fertility substance or some AIDS virus. The issue remains unresolved, and threatens the world-wide eradication of polio.

Education Fast Track Initiative

Nigeria was invited to participate in the World Bank-sponsored Fast Track Initiative (FTI), namely in the Analytical Fast Track. She is one of the five countries – with the most children out of school – to be provided intensified technical capacity building and consensus building support to strengthen the education sector. The government (federal and states), in partnership with civil society and the private sector, will work on an Action Plan - one of the requirements of the FTI. The process is scheduled for completion by mid 2004. With the on-going work on NEEDS, Nigeria is on track to meet the second AFTI criterion, for each participating country to develop a PRSP.

Human rights

State-sponsored human rights abuses in Nigeria have shown a general improvement since the return to civilian democracy in 1999. However, in the months leading up to the general elections of 2003 and after, abuses were reported: electoral violence and illegal detention of political opponents; extra-judicial killings by the police; harassment of political opponents, journalists, protesters and labour activists. In the prison system prisoners, mostly uncharged and awaiting trial, continue to be generally detained under deplorable and inhuman conditions

and are prone to bodily and sexual abuses. Widowhood practices (especially in the east) and female genital mutilation (in different areas across the country) continue to ruin the lives of many women.

Sharia courts in some northern States of the country have passed sentences of public flogging and amputation of limbs. These courts also passed several sentences to death by stoning but none have been carried out. A single mother, Amina Lawal, was convicted in 2002 of having a child outside marriage and sentenced to death by stoning by a Sharia court in Katsina State, but the Appeal Court dismissed the case in September 2003. Similar acquittals for adultery cases, mostly involving unmarried women, have been recorded in Sokoto and Niger States, while some cases are awaiting adjudication in the Appeal Courts.

4. OVERVIEW OF PAST AND ON-GOING COOPERATION

EC-funded Development Co-operation: Results, analysis, lessons and experience

After the installation of the civilian Government of President Obasanjo in May 1999, the European Union lifted all sanctions and the EC notified an 8th EDF allocation of €100 million in August 1999 and a 9th EDF allocation of €222 million (envelope A) and €44 million (envelope B) in March 2001. Including the unspent sums from previous EDFs, the total available for programming under the 9th EDF “A” envelope is about €552 million.

There are two elements to the current EC-Nigeria co-operation – the non-focal sector projects (including the so-called “Quick-start” package) and the focal sectors of the Country Support Strategy (CSS/NIP) signed on 16 July 2002. The non-focal sector projects (about € 180 million) took a long time to start up (see below), but are now proceeding with increasing disbursement rates (over € 20 million of disbursement in 2003 and over € 50 million forecast for 2004).

The focal sector programmes (€450 million) of good governance and water/sanitation are now in the final planning phase. Gaps in the original design caused delays while the recent reform efforts at the federal level necessitate significant amendments. Financing proposals reflecting these changes will be submitted in 2004.

For development programmes to have an impact in the Nigerian context, they must attain a significantly larger scale than in other African countries. Unfortunately, this means that virtually all cooperation activities are subject to the lengthiest procedures. However, experience with projects that have started (MPP3, MPP6, PRIME, EMCAP) shows respectable absorption rates and reasonably good progress after the initial slow start-up. During 2003, under a new leadership, the cooperation between the National Planning Commission and the European Commission has become more efficient. Further improvements are envisaged however to ensure that both new and existing programmes can be implemented effectively.

4.1 Focal Sectors

The two focal sectors of ‘Institutional and Economic Reform at State Level’ and ‘Water and Sanitation’ are closely intertwined, since they both focus on reform in the same six states.

The Country Support Strategy signed in 2002 foresees support to six focal states (Abia, Cross River, Gombe, Kebbi, Plateau and Osun) in two phases: phase 1 – Institutional support for

good governance and water and sanitation (€ 90 million for states + €10 million for watsan policy reform at federal level) and phase 2 – Budget support (€ 350 million) for states to undertake social investments.

4.1.1 Institutional and Economic Reform at State Level

a) Results

Since the programme has not started up (see (b) below), it is not meaningful yet to analyse the results of the programme.

b) Progress in activities

The financing proposal for the first phase submitted by consultants in December 2002 was unsatisfactory, and has been worked on in 2003 by Commission and Government services, with a view to finalisation in early 2004. In the course of analysis, it has become increasingly clear that no increase in the quality of public finance management is evident in the focal states, with the implication that it is very unlikely that the €350 million reserved for budget support to these states can be used in this way within the lifespan of the Cotonou Agreement, i.e. by 2007. The CSS foresees this eventuality, and provides for a switch to project support in that case. Discussions along these lines started in the 2003 Annual Review and will be finalised in the 2004 Mid-Term Review.

At the same time, the idea that support to states will be contingent on their demonstrated will to carry out institutional reforms is an element of the CSS that has gained greater significance in 2003, in light of the SEEDS initiative (State Economic Empowerment and Development Strategies). With the 36 governors agreeing to undertake concerted reform efforts, and the principle of reforming states receiving incentives firmly established as part of FGN's agenda, donors working at the state level are working to harmonise their support to states. A common set of benchmarks against which states' performance will be assessed is being developed in early 2004. To be compatible with overall government and donor approaches to state support, the EDF programme must therefore retain enough flexibility to add or switch states in case one or more of the focal states do not meet the agreed criteria.

At the same time, the change of administration in 2003 has introduced possibilities to advance institutional reform and good governance at the federal level that did not exist previously (see section 5).

An important component of support to state-level reform in the CSS is bottom-up, through civil society and the demand side of governance. To this end, a project was adopted by the European Commission in 2003 under the European Initiative for Democracy and Human Rights, to fund budget monitoring by civil society in the six focal states, through a coalition of NGOs coordinated by ActionAid.

Activities from non-focal projects have been channelled as much as possible on the focal states, to allow and exploit possible synergies:

- the PRIME programme's component to support routine immunisation (see below) is working in the six focal states
- it has been agreed to concentrate the democracy programme's support to state assemblies on the focal states

- the EMCAP programme (see below) has funded Core Welfare Indicator Questionnaire (CWIQ) surveys in the focal states in 2003 and will again in 2004.

4.1.2 Water and Sanitation

a) Results

Since the programme has not started up (see (b) below), it is not meaningful yet to analyse the results of the programme.

b) Progress in activities

Since the two focal sectors are being prepared jointly, water/sanitation is following the same timing described for 'Institutional and Economic Reform' in the previous section.

4.2 Projects and Programmes outside Focal Sectors

a) Micro-projects in the Niger Delta: Rivers, Bayelsa and Delta States (MPP3)

Project no.: 7 ACP/UNI 051
Project budget: €21,000,000
Fund disbursed: €8,207,000
Objective: To help improve living standards in poor settlements of the Niger Delta.

MPP3 started major activities in 2003, completing 170 projects. According to the mid-term review conducted in November, there are indications of high community acceptance of and involvement in the programme, which appears to be a success story in perhaps the most complex and challenging region of Nigeria – the Niger Delta.

The programme supports community-based projects in the sectors of water supply, local transports, health systems, income generating activities and micro credit schemes. Communities contribute 25% of the cost of projects, in the form of direct labour, in kind, or in cash. They are involved in all phases of the project, from conception to implementation, evaluation and the management after completion. Such a participatory approach requires capacity building among all the stakeholders of the project, not only the communities but also the implementing partners of the project, which are local NGOs and Community Based Organisations (CBOs). More information is available from www.mpp3.org.

At the end of 2003 the new Work Plan for 2004 (November 2003 – November 2004) was approved. Under the new work plan the Management Unit will implement a further 450 micro-projects.

b) Micro-projects programme in six states of the Niger Delta: Abia, Akwa Ibom, Cross River, Edo, Imo and Ondo (MPP6)

Project n.: 7 ACP/UNI 059
Project budget: €42,000,000
Fund disbursed: €5,457,100
Objective: Improving living standards of Niger Delta rural population.

MPP6 was conceived as a replication of the MPP3 programme to cover the remaining six states of the Niger Delta. A Service Contract was signed in the first half of 2003 between the NAO and a consortium of firms led by Agriconsulting SpA. In May the TA set up the Management Unit which will implement the programme from Owerri, Imo State. The first work plan was approved at the end of 2003. It will run from January 2004 to January 2005 and fund some 380 micro-projects.

c) Small Towns Water Supply and Sanitation Project (STWSSP)

Project No: 7 ACP UNI 056

Project Allocation: €15,000,000

Commitment: €4,306,636.42

Disbursement: €861,327

The overall objective of the programme is to improve the health of citizens in small towns in Nigeria. The project purpose is to develop the most appropriate delivery mechanism for water supply and sanitation in small towns, which will be replicated later across Nigeria. The programme will maintain close linkage with the ongoing World Bank-assisted Small Towns Water and Sanitation Programme. The contract for the TA was signed between the NAO and a consortium of firms led by GTZ of Germany on 10 November 2003. The TA will mobilise early in 2004.

d) Economic Management Capacity Building Programme, EMCAP

Project No: 7 ACP UNI 052

Project Allocation: €12,000,000

Commitment: €5,542,000

Disbursement: €1,196,641

EMCAP's objective is to improve economic governance in Nigeria by strengthening key institutions such as the Federal Ministry of Finance, the Central Bank of Nigeria, the Federal Office of Statistics (FOS) and the National Planning Commission, through activities on several components described below. After a slow start due to a lack of interest under the previous administration and due to difficulties by the contractor, IPP, to retain consultants, several of the project's components were started, and some completed, in 2003. Interest under the new administration has been notably higher and thus an extension of the project by 18 months is currently being considered.

A preparatory study for the move of the FOS from Lagos to Abuja was carried out in 2003 and a suitable building was identified by the government. The federal budget proposal for 2004 contains provisions of funds for purchase of the building. Once a down payment has been made, the necessary preparations for the move can be made.

In 2003, FOS, with EC funding, carried out six Core Welfare Indicator Questionnaire (CWIQs) exercises, thus providing baseline data for the six focal states. In addition, FOS continued work on the national consumer survey and on the livelihoods survey. Consultants are currently analysing how FOS can best focus on the collection of poverty-related data and is expected to produce results in the second quarter of 2004.

Outside of FOS, the project completed a review of the legal environment in the six focal states. A study on the effectiveness of public spending in all 36 states is currently being undertaken by the National Institute for Social and Economic Research (NISER). The programme to create an Integrated Financial and Economic Management Information System (IFEMIS), covering key federal institutions has begun with an assessment of the hardware and software requirements. The system will be established starting in 2004.

e) Programme of Support to the Office of the NAO

A Financing Agreement (€6,000,000) for the programme of support to the office of the NAO approved in 2000 was cancelled in 2003 since the project did not begin within the start-up period. A new long-term programme of support to the NAO is currently under preparation. Meanwhile, an Interim support programme (€400,000) to fill the gap started in May 2003. A national expert was employed to assist the NAO implement the programme. This is one of the factors that has helped cooperation accelerate in 2003.

f) Democracy Programme Supporting the Nigerian National Parliament and the Six Focal States' Assemblies (€6,600,000)

Project No: 7 ACP UNI 58

Project Budget- €6.6million

The project will strengthen the capacities of the National Assembly and of the State Assemblies of the six focal states and strengthen communication channels between the legislatures and the electorate, thus helping legislators to make informed decisions on public needs. Following a pre-qualification, the tender to select an implementing agency will be launched and concluded in the first half of 2004, allowing start-up on the ground in the second half of 2004.

g) PRIME (Partnership to Reinforce Immunisation Efficiency) – (Total €77.4 million)

Project no.-7ACP UNI 62

Initial Project Budget- €64,500,000

Additional 20% funding for NIDs - €12,900,000

Total Project Budget- €77,400,000 (€33.4m for NIDs & €44m for Routine Immunisation)

Total Funds Committed- €28,697,907

Total Disbursement: € 23,256,642

The purpose of the project is:

- i) Support to Polio National Immunisation Days (NIDs).
- ii) Support the establishment and implementation of necessary systems for sustainable delivery of quality routine immunisation in targeted areas.

The expected results include:

- i) Strengthening the immunisation service delivery;
- ii) Strengthening of the logistics system;
- iii) Improved advocacy and social mobilisation.

Achievements:

Routine immunisation: A TA contract was signed in May and the TA has since commenced activities in the six focal states. A six-month Interim Work plan for €5,061,605 was adopted in December.

Polio: An additional allocation of €12.9m was approved in March for the 2004 Polio National Immunisation Days (NIDs). With the agreement of the NAO, EC Headquarters commenced discussions, early in September 2003 with the WHO for a direct disbursement of the allocation through WHO, with a view to disbursement in early 2004. An international audit mission from OLAF was received by the Programme in December 2003. The report of the mission is expected early in 2004.

h) Nigeria Election 2003 Support Project

Project no.-7ACP UNI 064

Project Budget- €6,500,000

Funds Disbursed- €5,175,000

The project was successfully completed, but with considerable underspend mainly due to slow preparation of implantation by UNDP/UNEAD as well as late announcement of the electoral timetable. The three components were: civic education (€3,000,000), national election observation (€680,000) technical assistance to the Independent National Electoral Authority (INEC) (€384,000).

A particular success of the civic education component was the cooperation between civil society and the Independent National Electoral Commission (INEC). Domestic election monitors mobilised and appeared to improve their oversight of the electoral process by being better prepared and organised than in previous elections.

Project activity ended in November 2003 as foreseen in the Financing Agreement, with almost half of the funds unspent.

i) Nigeria component of Pan African Regional EDF programme: PACE - Pan African Programme for the Control of Epizootic Diseases

Project n.: 7 ACP RPR 744/745 - 8 ACP TPS 032/033 - 8 ACP ROC 009

Project budget: €2,600,000

Fund disbursed: €477,894

Objective: To relieve the poverty of those involved in the livestock farming sector

The PACE agreement was signed in April 2001 and the first funds were received in November 2001. Implementation has so far been very problematic.

Some activities took place: establishment of a national surveillance network; training programme on disease surveillance; laboratory reagent kits and equipments were procured for the regional laboratories and will be distributed in early 2004. Computers and communication lines (telephone, fax) were procured and distributed to the laboratories as well. Forty (40) motorbikes were recently supplied to the programme, following a local restricted tender.

However, the programme has suffered setbacks due to poor management at the national level and lack of counterpart funds from the Nigerian partners. In an attempt to save the programme implementation from total stalling, the NAO was requested early in November 2003 by the Delegation to reshuffle the management structure of the PACE national coordination unit. A new national co-ordinator was therefore appointed in December 2003.

4.3 Utilisation of EDF resources for non-State actors (NSA)

A proposal to establish a Human Rights Foundation (€4 Million), which will help build the capacity and support the activities of Nigerian Human Rights organisations, will be submitted in 2004. In 2003, guidelines for the use of resources for non-state actors were released.

A mapping exercise of the sector has started and will determine how the remaining resources for non-State actors (€10 Million) will be used to enhance their contribution to development efforts.

4.4 Utilisation of “B” envelope

The “B” Envelope was not used in 2003.

4.5 Other instruments

4.5.1 European Investment Bank

The Board of the European Investment Bank (EIB) approved a EUR50 million loan in favour of one of the private GSM operators for network expansion. Final processing for approval of a further global loan facility for SME's of EUR50 million through intermediation by a pool of local banks is underway. EIB is currently building a pipeline of new operations that could materialise in 2004/early 2005, it includes a possible co-operation with a local industrialist as well as investments in the water/sanitation sector in close conjunction with the EDF-funded six-states programme.

5. PROGRAMMING PERSPECTIVE FOR THE FOLLOWING YEARS

Annex 3a) indicates possible programming perspectives for coming years. These forecasts are based on the requests made by the NAO at the 2003 Annual Review, and are premised on a revision of the definition of one focal sector (see 5.1 below).

It is worth noting that the forecast is for a high level of commitments in both 2004 and 2005. To some extent this reflects the finalisation of CSS projects whose preparation is already well underway; the remainder reflects mainly new federal-level reform projects requested in 2003 by the NAO.

The proposal to fund a national population census calls for particular discussion, if only because it is the largest at €100 million. Considering the history of highly politicised census exercises, this is a project that will attract controversy. However, the potential benefits of a successful census exercise, i.e. one that is seen to be more credible than the last, are substantial, providing Nigerians with a much firmer basis not only for future elections but also for sensitive discussions about resource allocation and the division of political powers.

The addition of Kano as a seventh focal state for the PRIME project on routine immunisation (€7 million) is under discussion, as the most promising avenue to contribute to resolution of the recent blockage of polio immunisation in Kano state.

5.1 Integration of new EC/EU policy initiatives and commitments

The consideration of the integration of new policy initiatives in Nigeria must take account of the status of ongoing cooperation with Nigeria. Examination of table 3a will show that the projects already foreseen within the focal sectors have already defined a very challenging schedule for the NAO and the Delegation to meet in 2004 and even 2005. In 2004 alone, nine substantial global commitments are planned within the existing CSS. There is thus a serious danger, more than in other countries, that the addition of new initiatives could lead to ineffective implementation of both the existing commitments and the new initiatives. It is therefore proposed to re-examine integration of new initiatives to 2005.

This said, several of the new EC/EU policy commitments and initiatives are already being addressed:

- the social sector commitments to the European Parliament are already met, since water/sanitation and support to civil society already account for over 35% of the CSS
- analytical work will also continue on the Education Fast Track Initiative
- a project is under preparation to support Nigeria's EPA negotiations.
- Johannesburg summit commitments on water/sanitation are already incorporated in preparation of focal sector support

5.2 Proposal on a review and adaptation of the CSS

No change of strategy is proposed, but important changes are proposed within the existing strategy.

The basic strategy of concentration on reform in focal states in the two focal sectors remains valid. Within this, however, significant changes including a slight broadening of the definition of one focal sector are required to take account of the following developments:

- the lack of progress on public finance management in the six focal states, and in other Nigerian states
- the acceleration of reform and of cooperation with the EC since the new economic team, including the new NAO, took up their positions in August 2003
- the need to reflect in EC cooperation the consensus between the government and all major donors on: (i) the validity and importance of the NEEDS (National Economic Empowerment and Development Strategy) process (see section 2), and (ii) the practical and political importance for donors to support this process.

These factors can be taken into account in EC cooperation, by:

- abandoning the idea of using the €350 million set aside for state-level budget support in that way, while retaining budget support as a long-term objective
- switching €185 million of that €350 million to state-level investment as above, mainly in water/sanitation

- programming some or all of the remainder of that €350 million for support to federal-level good governance as above (€100 million for census, €20 million for Economic and Financial Crimes Commission, ...)
- renaming and slightly broadening the second focal sector from “state and local institutional and economic reform” to “institutional and economic reform”

Furthermore, EC cooperation should be open to extending or switching the state-level support to new reforming states, especially if determined by the benchmarks currently being defined between the federal and state governments with donor support. This does not require any adjustment of the original strategy, as such switches are foreseen in the original CSS. It is important for coherence with other donors and for support to the NEEDS/SEEDS process.

The projects foreseen under this approach are described in section 5 and listed in annex 2. It will be seen that they involve over-programming of €47.6 million, since they sum to €599.6 million whereas the funding available under the “A” envelope of the CSS is €552 million. It will also be seen that some of the projects in the early years have a degree of uncertainty at least as regards the appropriate total funding for them, notably the census, the support to Economic and Financial Crimes Commission. Should there still be a shortfall of €47.6 million or less once the 2004 and 2005 commitments have been finalised, this shortfall shall be subtracted in the ratio $\frac{1}{3} - \frac{1}{3} - \frac{1}{3}$ from the 2006-7 commitments foreseen for state-level investments in urban water (€70 million), rural water (€70 million) and good governance (€60 million).

6. CONCLUSIONS OF THE JOINT ANNUAL REPORT

The National Authorising Officer and the Head of Delegation met on 19th January 2005 for the in-country meeting on the Mid-Term Review 2004. The Head of Delegation presented a copy of the “Conclusions of the 2004 Mid-Term Review – Nigeria”.

At the same meeting, the Head of Delegation and the National Authorising Officer agreed to the Addendum to the Country Strategy Paper and National Indicative Programme (annex 7 below), and expressed their intention to sign it as soon as feasible.

Annex 1. Intervention Framework (partially updated February 2005)

Sector: State and Local Institutional Reform	Performance Indicators	Status 2003 (and previous years if available)	Target 2005	Target 2006	Target 2007	Sources of information	Assumptions
National Sector Target - Alleviation of poverty	- Adult literacy rate	64.1%				NEEDS	
	- life expectancy	47				World Bank	
	- prevalence of water-borne diseases						
	- frequency of clinic visits						
	- availability of medicines						
	- availability of learning materials						
	Proportion of population below \$1 per day	70.2% - 1995				World Bank	
	Prevalence of underweight children (under-five years of age)	27% - 1995-2000				http://hdr.undp.org/reports/global/2002/en/indicator/indicator.cfm?File=ctyf_NGA.html	
	Under-five mortality rate	201 per 1000 live births (1970) – 183 per 1000 live births (2001)				http://hdr.undp.org/reports/global/2002/en/indicator/indicator.cfm?File=ctyf_NGA.html	
	Net enrolment in primary education	56.8% (1999)				MICS 1999 – FOS/UNICEF	
	Primary Completion rate (reaching grade 5)	95% (1999)				MICS 1999 – FOS/UNICEF	
	Ratio of girls to boys in primary, secondary and tertiary education	45 % (1999, 2000/01)				http://hdr.undp.org/reports/global/2002/en/indicator/indicator.cfm?File=ctyf_NGA.html	
	Proportion of births attended by skilled health personnel.	42% (1995-2000)				http://hdr.undp.org/reports/global/2002/en/indicator/indicator.cfm?File=ctyf_NGA.html	
	Proportion of 1 year old children immunised against measles	39%			60%	NEEDS	
	HIV prevalence among 15-24 year old pregnant women.	Not Available; overall rate 6.1%			5%	NEEDS	
Proportion of population with sustainable access to an improved water source	64.1%			70%	NEEDS		
Intervention Objective: - Improved delivery of poverty-oriented services in six focal states	In each focal state: Input and process indicators:						
	- Level of funding disbursed from the EC to the focal states						
	- Timeliness of EC disbursements						
	- Timely preparation and adoption of the state budget						
	- Level of budget allocations for social expenditure (health, education, WS & S, and rural development)						
	- Actual social expenditure should not be less than x percent of the total budget.						
	- Budget related documents are published and disseminated widely and on time.						
	- Budget figures are gender-disaggregated wherever possible.						
	- Civil society effectively monitors the budgeting process and budget implementation alongside the state assembly						
	- Value for money assessment of public investment is carried out annually.						
	- Value for money indicator improves by x percent						
	- The ratio of procurement to market prices comes down by x percent						
- Measures to fight corruption are strengthened							

Sector: State and Local Institutional Reform	Performance Indicators	Status 2003 (and previous years if available)	Target 2005	Target 2006	Target 2007	Sources of information	Assumptions
	- Measures to fight corruption are operational, i.e. the number of prosecutions and convictions increases (targets in real figures not percentages?).						
	- Reduction in the average length of time it takes for a case to proceed from first registration to the start of trial and to reach a verdict.						
	- Data collection, processing and dissemination is improved.						
	- CWIQ surveys are established.	Yes - 2003				FOS	
	- Civil service reform plans are formulated.						
	- Civil service reform plans are implemented.						
	- Government policies become more gender sensitive.						
	- Government policies become more environmentally sound.						
	- State and Local governments cooperate in defining and respecting each other's mutual responsibilities.						
	-						
	-						
	Output indicators:						
	- Level of computerisation						
	- Number of civil servants trained						
- Availability of medicines							
- Availability of learning materials							
Results: - Transparent state and local governance in six focal states - Administrations reorganised to improve service delivery - Dissemination of lessons learnt to non-focal states and contribution to national water policy	Outcome indicators:						
	- Elections take place in a free and fair environment						
	- Reduction in percentage of people unable to satisfy food needs sometime during the year	AB: 64% CR: 68% GM: 48% KB: 27% OS: 41% PL: 45%				CWIQ – FOS 2003	
	- Reduction in percentage of people unable to satisfy food needs often or always	AB: 11% CR: 11% GM: 6% KB: 5% OS: 12% PL: 10%				CWIQ – FOS 2003	
	- x more people have access to safe water	AB: 59% CR: 23% GM: 9% KB: 52% OS: 69% PL: 33%				CWIQ – FOS 2003	
	- x more people have access to good means of sanitary disposal	AB: 72% CR: 40% GM: 35% KB: 41% OS: 48% PL: 34%				CWIQ – FOS 2003	
	- Health service user dissatisfaction reduced by x percent	AB: 36% CR: 33% GM: 61% KB: 45% OS: 28% PL: 33%				CWIQ – FOS 2003	
	- Dissatisfaction with schooling decreased by x percent	AB: 22% CR: 42% GM: 63% KB: 36% OS: 27% PL: 61%				CWIQ – FOS 2003	
	- Percentage of births attended by trained staff increased by x percent	AB: 95% CR: 51% GM: 22% KB: 9% OS: 85.8% PL: 33%				CWIQ – FOS 2003	
	- Percentage of children underweight reduced by x percent	AB: 16% CR: 27% GM: 48% KB: 38% OS: 18% PL: 32%				CWIQ – FOS 2003	
	- Percentage of households having access to drinking water supply in less than 30 minutes increased by x percent	AB: 75% CR: 75% GM: 83% KB: 91% OS: 93% PL: 84%				CWIQ – FOS 2003	
- Net Enrolment Rate increased by x percent	AB: 86% CR: 84% GM: 42% KB: 31% OS: 82% PL: 61%				CWIQ – FOS 2003		

Sector: State and Local Institutional Reform	Performance Indicators	Status 2003 (and previous years if available)	Target 2005	Target 2006	Target 2007	Sources of information	Assumptions
	- Frequency of clinic visits in the four weeks preceding interview up by x percent	AB: 22% CR: 14% GM: 10% KB: 8% OS: 6% PL: 10%				CWIQ – FOS 2003	
	Impact indicators: - % of population considering themselves poor*	AB: 84% CR: 76% GM: 74% KB: 53% OS: 41% PL: 68%				CWIQ – FOS 2003	
	- Adult literacy rate	AB: 80% CR: 74% GM: 52% KB: 41% OS: 72% PL: 56%				CWIQ – FOS 2003	
	- life expectancy increased						
	- infant mortality reduced						
	-						

Note: Some of the indicators suggested here are taken from the CSP while most were added in 2003 to reflect the availability of data, particularly from the six focal states. Not all data shown should be monitored, a selection should be made. Blanks do not necessarily indicate an absence of data, but since there is no significant EC presence in the states yet, it was not possible to assess the criteria given on good governance and institutional reform. Much of the data taken from the CWIQs can be disaggregated further to reflect age, gender, urban/rural differences.

SECTOR WATER AND SANITATION	Status 2002 (estimate)	Target 2003	Target 2004	Target 2005	Target 2006	Target 2007 (Presidential Water Initiative)	Sources of information	Assumptions
Long Term National Objectives – National Targets Provision of sufficient potable water and adequate sanitation to all Nigerians in an affordable and sustainable way.	State capitals: 42% Other urban: 42% Rural: 29%					100% 75% 64%	Independent national statistical studies Federal Office for Statistics (FOS) M&E reports Surveys	
Objective of the intervention <u>State and local levels:</u> Provision of sufficient potable water and adequate sanitation to the poor of the six focal states in an affordable and sustainable way and increase hygiene practices by the three tiers of governments and through							State Water Boards reports Reports of users' associations (watchdog) Programme reports M&E reports Health statistics Surveys	Political and institutional will for reform and service delivery improvement Development of WSS policy Commitment to the cost-sharing

* this indicator is based on poverty perception, comparison across states is problematic.

<p>private sector involvement when advisable. <u>Federal level</u> Contribution to progress in other states through generalisation of lessons learnt</p>								<p>formula by the three tiers of government Commitment in thirty other states to achieving national water goals</p>
<p><u>Results of the intervention</u></p> <p>State and local level</p> <ul style="list-style-type: none"> - Reforms of the finance management achieved - State and local government have the capacity to efficiently deliver WSS services - Greater awareness and management of environmental health risks and more effective hygiene education and good hygiene practices <p><u>Federal level</u></p> <ul style="list-style-type: none"> - Dissemination of lessons learnt to non-focal states and contribution to the national water policy 							<p>Public expenditure tracking survey State Water Boards reports National Water Resources Institute (NWRI) annual reports CWIQ surveys Health reports M&E reports</p>	<p>State budget properly implemented and followed Allocation of adequate funding for the sector Commitment from all stakeholders to sustainability and to fund maintenance Will at federal level and other states to absorb lessons learnt in focal states</p>

Annex 2. Chronogram of activities (updated February 2005 in light of Mid-Term Review)

Title of Project	Month	Amount (Global Commitment)
	2004 (achieved)	
Technical Cooperation Facility (TCF)	January	10,700,000
Support to the NAO	July	7,700,440
Water supply and sanitation sector reform	November	87,000,000
Support to Reforming Institutions Programme (SRIP) Phase A	November	27,600,000
3 rd Polio Eradication support	December	25,380,000
2005 Census Support	November	113,500,000
Economic and Financial Crimes Commission	November	20,000,000
	2005 (planned)	
Extension of Routine Immunisation to Kano State	June	14,000,000
Economic and Financial Crimes Commission	June	21,700,000
Cameroon Border Demarcation	June	2,000,000
20% increase to Microprojects Programme in three states (MPP3)	September	4,200,000
2007 Election Support	September	6,000,000
Support to Civil Society	November	10,000,000
Support to NEEDS including EPA negotiations	November	17,000,000

Annex 3. Indicative timetable for commitments and disbursements (updated February 2005 in light of Mid-Term Review)

3a.) Commitments

Commitments (million euros)	2001	2002	2003	2004	2005	2006	2007	Total
Focal sector 1: Water and sanitation								
Project 1: Reform of water/sanitation at state level				87				87
Project 2: Water investments in six states						40.8		40.8
Focal sector 2: Institutional and economic reform								
Project 1: Institutional support in six states				27.6		29.4		57
Project 2: Support to National Population Census				113.5				113.5
Project 3: Support to Economic and Financial Crimes Commission					21.7			21.7
Project 4: Good governance investment in six states (e.g. civil service reform)						22		22
Non-focal sectors:								
Sector a: Health								
Project 1: Polio and routine immunisation (PRIME) + 20% increase for polio	64.5			12.9				77.4
Project 2: 3 rd Polio support				25.38				25.38
Project 3: Addition of Kano for routine immunisation					14			14
Sector b: Human rights, capacity building, etc.								
Project 1: Election support 2003		6.5						6.5
Project 2: Election support 2007					6	3		6
Project 3: Support for Human Rights								3
Project 4: Support for non-state actors					10			10
Project 5: Support for NAO's office				7.7				
Project 6: Support to National Economic Empowerment and Development Strategy (NEEDS) including support to private sector and EPA					17			17
Project 7: Cameroon/Nigeria border demarcation					2			2
Project 8: 20% extension of MPP3					4.2			4.2
Project 9: Technical Cooperation Facility (TCF)				10.7				
Total	64.5	6.5	0	284.8	74.9	95.2	0	525.9

Note: the forecasts do not include expected global decommitments; as they become available, they will be added to forecast projects or other actions in line with the strategy.

3b) Disbursements

Disbursements (million euros)	2001	2002	2003	2004	2005	2006	2007	Total
Focal sector 1: Water and sanitation								
Project 1: Reform of water/sanitation at state level					32.5	20.3	21.0	73.8
Project 2: Water investments in six states							5.0	5.0
Focal sector 2: Institutional and economic reform								
Project 1: Institutional support in six states					2.5	11.0	12.4	25.9
Project 2: Support to National Population Census				38.4	62.5	7.1	2.7	110.7
Project 3: Support to Economic and Financial Crimes Commission					9.0	9.0		18.0
Project 4: Good governance investment in six states (e.g. civil service reform)							6.0	6.0
Non-focal sectors:								
Sector a: Health								
Project 1: Polio and routine immunisation (PRIME) + 20% increase for polio		20.44	2.6	15.1	3.6	14.0	12.2	68.0
Project 2: 3 rd Polio support					25.38			25.4
Project 3: Addition of Kano for routine immunisation					1.1	2.6	1.1	4.8
Sector b: Human rights, capacity building, etc.								
Project 1: Election support 2003		5.2	0.3		-1.0			4.5
Project 2: Election support 2007						1.9	3.5	5.4
Project 3: Support for Human Rights						0.4	0.6	1
Project 4: Support for non-state actors						3.8	3.8	7.6
Project 5: Support for NAO's office					1.9	2.4	1.2	5.5
Project 6: Support to National Economic Empowerment and Development Strategy (NEEDS) including support to private sector and EPA						3.0	6.0	9.0
Project 7: Cameroon/Nigeria border demarcation					1.6	0.4		2.0
Project 8: 20% extension of MPP3						2.0	2.0	4.0
Project 9: Technical Cooperation Facility (TCF)					0.9	2.0	1.5	4.4
Total	0	25.6	2.9	53.5	140.0	79.9	79.0	380.9

Annex 4. Donor matrix

DONOR	ECONOMIC GOVERNANCE	PRIVATE SECTOR	CDD/SOCIAL SERVICES
AFDB	<ul style="list-style-type: none"> • Institutional Support/ PRSP Process Project (grant for ABER/National Assembly/PRSP process to end in December, 2004). 	<ul style="list-style-type: none"> • COTECNA Project: support for improved custom inspection. To be appraised in 2004. • Lines of Credit to some selected commercial banks (UBA and FSB) on going; one other to be appraised in 2004. • Support to the NLNG Project (on- going). 	<ul style="list-style-type: none"> • Health Systems Development Project (on-going in 12 states of the federation). • Community Based Poverty Reduction Project (on-going in four states of the federation).* • Community-based Agriculture and Rural Development Project (signed in December, 2003, implementation begins 2004 in five states). • Fadama Development Project (signed in December, 2003 implementation begins 2004 in six states). • NERICA Rice Dissemination Project (signed in December, 2003 implementation begins 2004 in six states). • Niger Delta Environmental Study (the TOR to be prepared 2004. Study slated for 2005). • Multi-state Water Supply Project (on-going). • Rural Roads Project (preparation programmed for 2004). • NEPA-CEB Interconnectivity project (on-going). • Ogun State Farm Settlement/forest rehabilitation Project (Identification/Preparation scheduled for 2004). • Basic Education Project (preparation for 2004). • Rural Water Supply and Sanitation Initiative (scheduled for appraisal in 2004).
CIDA	<ul style="list-style-type: none"> • State-level Procurement support to NEEDs team • Support to selected states for SEEDS • Enhancing policy analysis in the agriculture sector 	<ul style="list-style-type: none"> • NEPA revenue stream management • Agriculture State-level land and water management 	<ul style="list-style-type: none"> • Primary health care • Roll Back Malaria • HIV/AIDS* • Investigative journalism

	<ul style="list-style-type: none"> • Management of natural resource-based internally generated revenue (IGR) in selected states 		<ul style="list-style-type: none"> • Health Systems Reform • Gender Mainstreaming • Human Rights and Democratic Reform • Polio Eradication
DFID	<ul style="list-style-type: none"> • State-level reform • Statistics • Democracy support • Human Rights • Access to Justice • Anti-corruption 	<ul style="list-style-type: none"> • Water/sanitation • Solid waste 	<ul style="list-style-type: none"> •
EC	<ul style="list-style-type: none"> • Economic Governance • Democracy support • Human Rights • (possible) Population Census • Anti-corruption 	<ul style="list-style-type: none"> • Infrastructure, especially water (public and/or private sector) 	<ul style="list-style-type: none"> • Micro projects • Immunization (routine and polio) • Capacity building for civil society organizations
FAO		<ul style="list-style-type: none"> • National Special Program for Food Security • Review of the Public Irrigation Sub-sector 	<ul style="list-style-type: none"> • Strengthening of the National Plant Quarantine Services • Strengthening the Horticultural Tree and Cash Crops Sector Higher Income Generation • Sustainable Legumes and Cereals Production through Integrated Production and Pest Management • Better Management of Post Harvest Technologies for Commercialization and Household Food Security in the framework of the SPFS • SPFS: Support to the Formulation of the Extended Phase • Assistance in the Preparation of a Medium Term Investment Program and Formulation of the Bankable Projects in Support to CAADP Implementation • Advisory Support to the NEPAD Secretariat • Establishment of a Mechanism for Tripartite Consultation in the Management of the Iullemeden Aquifer System • Strengthening and Coordination of Information System on Food Insecurity, Vulnerability and Food Trade in the ECOWAS Countries • Support to ECOWAS for Implementation

			<ul style="list-style-type: none"> of the RPFS at Sub-regional and National Levels Strengthening the Production and Quality Control of Gum and Resins in Africa Assistance for the Formulation of a Common Agricultural Policy for ECOWAS Member States
FRENCH	<ul style="list-style-type: none"> Police Training 	<ul style="list-style-type: none"> Community Based Rural Development 	<ul style="list-style-type: none"> Secondary and tertiary education Epizootic disease prevention Microprojects Support to art and audiovisual creation
IFAD		<ul style="list-style-type: none"> Root and tuber expansion program 	<ul style="list-style-type: none"> Community Based Agriculture and Rural Development Program (Northern Regions) Community Based Natural Resource Management Program (Niger Delta)
THE GOVERNMENT OF JAPAN/ JICA		<ul style="list-style-type: none"> Rural electrification State Level Water Supply Studies and Sanitation Projects 	<ul style="list-style-type: none"> Roll Back Malaria Polio Immunization HIV/AIDS Education Sector Analysis (UNESCO Trust Fund) Universal Basic Education Support Gender (UNIFEM Trust Fund) Environment (UNDP Trust Fund)
UNDP	<ul style="list-style-type: none"> Transparency, accountability and anti-corruption Gender empowerment Decentralization and local governance Aid coordination, policy dialogue and economic management 	<ul style="list-style-type: none"> Public-private partnership for development SME development Rural financial services 	<ul style="list-style-type: none"> Water/urban governance with emphasis on municipal waste management Sustainable energy services Restoration of environmental resources Sustainable development in Niger Delta HIV/AIDS
UNICEF	<ul style="list-style-type: none"> National, state and community capacity building Development of National and State Programs of Action Development of NEEDS/SEEDS 	<ul style="list-style-type: none"> Water and sanitation policies Food fortification with Vit A Production of impregnated bednets 	<ul style="list-style-type: none"> Primary/Girls' education Non-formal education Early child care & nutrition Community-based development Child immunization HIV/AIDS prevention Malaria control Child protection Safe water and environmental sanitation Guinea worm and river blindness eradication
USAID	<ul style="list-style-type: none"> Advocacy for Economic Reform 	<ul style="list-style-type: none"> Microfinance 	<ul style="list-style-type: none"> HIV/AIDS*

	<ul style="list-style-type: none"> • Domestic Debt Management • Budget Support Process • Anti-Corruption • Judicial Assistance 	<ul style="list-style-type: none"> • Agro. Input Marketing • Commodity Enterprise Development 	<ul style="list-style-type: none"> • Family Planning • Child Survival • Primary Education • Roll Back Malaria • Health Sector
WHO			<ul style="list-style-type: none"> • Health Sector Reform • Health Systems Strengthening • HIV/AIDS • Roll Back malaria • Making Pregnancy Safer • Integrated Management of Childhood Illnesses • Stop TB (DOTS expansion) • Essential Drug Programme • Polio Eradication Initiative • School and Adolescent Health • Surveillance, Prevention and Management of Non Communicable diseases • Communicable disease Prevention, Eradication and Control • Emergency Preparedness and Response to Epidemics.
WORLD BANK GROUP	<ul style="list-style-type: none"> • EMCAP • EMCAP II • Support for PRSP • Local Government Finances Study • Lagos SFAA • Lagos SPAR • WBI Activities 	<ul style="list-style-type: none"> • Privatization Support • Electric Transmission • Micro Small Medium Enterprise Project • Fadama II 	<ul style="list-style-type: none"> • Community Based Urban Development • Community Based Poverty Reduction • Health Systems Support • HIV/AIDS Project • Polio Project • Local Empowerment Project • Universal Basic Education

* Coordinated with WB activities

Annex 5. Country environmental profile

1. Introduction.

Nigeria has a surface area of about 930 million square kilometers, and extends from the humid zone of the Atlantic coast in the south, to the arid zone of the fringes of the Sahara desert in the north. This results in a great variation of climates, with over 3500mm of rainfall in the southeast to less than 450mm in the northeast. In consequence, a variety of ecosystems are present in Nigeria from the moist tropical forest in the South, through the savanna belt in the middle, to the Sahel in the North.

Environmental challenges facing Nigeria are results of natural and man-made threats, social-cultural problems as well as direct and indirect consequences of economic development. Major challenges include among others: loss of biodiversity, air and water pollution, pollution attendant to oil and gas exploitation, drought and deforestation. Flooding, coastal and gully erosion, land degradation, urban decay, industrial and domestic wastes in many urban centers are other environmental problems in Nigeria.

2. State of Environment in Nigeria.

The National Economic and Empower Development Strategy (NEEDS) (2004) presents the critical issues in the environmental sector as follows:

- Geometric production of waste by the populace especially in the cities;
- Lack of proper management of wastes including industrial waste;
- Uncontrolled development without regard for waste management and pollution control;
- Absence of significant private sector involvement in the sector;
- Desertification, erosion, and deforestation;
- Impact of oil and gas development on the environment and unsustainable use of land;
- Poor enforcement of environmental laws;
- Urban decay, pollution and biodiversity loss.

The policy thrust of NEEDS on the environment is to ensure a safe and healthy environment that secures the economic and social well being of Nigerians on a sustainable basis.

Targets are:

- Bring environmental and waste pollution in the cities and urban centers under control;
- Foster private sector participation in environmental protection;

- Achieve international standards in the process of control and monitoring of environment;
- Promote local manufacture of equipment and raw materials for environmental protection and conservation;
- Comply with international safety and health and environmental standards as they relate to specific industries and sectors of the economy.

3. Institutional Arrangement.

The Federal Environmental Protection Agency (FEPA) was established in 1988 (with the modifications of the enabling law in 1992 and later in 1999). The Agency was charged with the responsibility of overseeing sustainable development through environmental protection and conservation of the natural resources.

The Ministry of Environment was created in 1999 by the President Olusegun Obasanjo's administration to demonstrate his administration's commitment to issues of environment and sustainable development. The Ministry brought under one roof all the federal government's agencies and Departments whose activities related to environment (with FEPA as the nucleus of the new Ministry). The primary mandate of the Environment Ministry is to achieve environmental objectives as enunciated in Section 20 of the Constitution of the Federal Republic of Nigeria, whose basic premise is "to protect and improve water, air, land, forest, and wildlife of Nigeria".

Priority environmental programme areas of the Ministry are:

- Solid waste management with community pilot projects in waste minimization through source reduction, reuse and recycling and the use of biodegradable packaging materials;
- Industrial pollution;
- Niger Delta Environmental Programme;
- Forest Resources Conservation;
- Biodiversity Conservation;
- Flood and Erosion, including Coastal Erosion;
- Desertification;
- Environmental Education and Public Awareness.

Many State governments have also established Ministry of Environment, in some states, as a separate Ministry, and in others as a part the Ministry of Water Resources or Agriculture. Almost all the 36 States (and the Federal Capital Territory, Abuja) have in addition created a State Environmental Protection Agency whose duty is mainly to cart away solid wastes in the major towns of the State.

Few NGO's are involved in the environment sector. They are mostly involved in tropical forest protection and wildlife management, improvement of surrounding communities' livelihood and wetlands conservation.

4. Environmental Policy.

In 1989, the Federal Government of Nigeria formulated a National Policy on Environment with an overall goal of achieving sustainable development. The policy was revised in 1992. An Environmental Impact Assessment law (Decree 86) was promulgated in 1992. The Decree stipulates that all development projects shall be subjected to Environmental Impact Assessment before the commencement of the project. The National Policy on Environment was revised and updated in 1999 to address environmental concerns related to activities of some sectors of the economy not adequately covered in the 1992 edition.

Since 1999, with the establishment of the Ministry of Environment and FEPA forming the core of the Ministry, the policy thrust of the Ministry has centered on the so-called Environmental Renewal and Development Initiative (ERDI). The primary objectives of the ERDI are *“to take full inventory of our natural resources, assess the level of environmental damage and design and implement restoration and rejuvenation measures; and to evolve and implement additional measures to halt further degradation of our environment”*.

5. International Activities.

Nigeria is a signatory to many Environmental Conventions and Treaties. Nigeria has since 1963, ratified some two dozens of international agreements related to the Environment. Prominent amongst them are: the Ramsar Convention on Wetlands; Convention on Biological Diversity; on Desertification, Montreal Protocol on Substance that Deplete the Ozone Layer; the UN Framework Convention on Climate Change and the Kyoto Protocol. Nigeria participated in the UN Conference on Environment and Development (UNCED) in 1992, following which she launched a National Agenda 21 in 1999 focusing on the principles of sustainable development contained in the Global Environmental Action Plan.

6. Support by donors and international development assistance.

The World Bank is funding projects (\$70m IDA Credit) on Micro-Watershed and Environmental Management in six critically degraded watersheds in Nigeria. UNDP is also involved in the Country Framework under the component of the Sustainable Agriculture, Environment and Rural Development. According to Ministry of Environment's report, Nigeria has secured funds for a project on Integrated Management of Land and Water in Shared Catchments in the Transboundary Area of Niger and Nigeria. The Canadian International Development Agency, CIDA is funding projects on tropical forest protection in Cross River State.

7. EC Projects in the Environment Sector.

Project No	Project Name	Objective	Budget (Euro)	Timeframe
7 ACP UNI 012	Oban Hills Programme	Protection of tropical forest and improve livelihood of communities in the surrounding.	16.5m of EDF and ?11m of KfW. Only 3.3m was disbursed before suspension in 1995.	Suspended in 1995
7 ACP UNI 015	Katsina Arid Zone Programme	Land conservation, afforestation, livestock, rural infrastructure	25m. About a quarter was disbursed by 1995.	Closed
7 ACP UNI 024	Kaduna Arid Zone Afforestation Progr.	Capacity building, technical assistance and scholarship.		Dormant since suspension in 1995
6 ACP UNI 011 & 012	North East Arid Zone Dev. Progr.	Integrated rural dev.programme and management of natural resources to fight desertification.	EDF grant of 6m and a loan of 29m.	Dormant since suspension in 1995
6 ACP UNI 026	Coastal Management Research Programme	Developing capacity of staff and students in 4 Universities on understanding environmental problems.	2m committed, about 10% disbursed and the rest de-committed.	Dormant since suspension in 1995
FT/1997/13	Community Based Sustainable Mgt of Tropical Forests in Cross River State, Nigeria	Tropical forest protection and community livelihood programme.	695,000	Closed
PVD/1998/157	Hadejia-Nguru Wetlands Conservation Project	Wetlands conservation and biodiversity protection	425,682.00	Closed
B7-6201/ 92/20	Okwangwo Programme.	Protection of tropical forest within Nigeria and improving living conditions of rural communities.	1,141,757.75	Closed

Annex 6. Financial situation for 6th – 9th EDF (grants)

	Global commitments end-2002	Global commitments end-2003	Individual commitments end-2002	Individual commitments end-2003	Payments end-2002	Payments end-2003
6 th EDF						
7 th EDF						
Major projects						
7.51 MPP3	21,000,000	21,000,000		8,207,000		3,160,070
7.52 EMCAP	12,000,000	12,000,000		5,542,000		3,868,620
7.56 STWSSP	15,000,000	15,000,000		4,945,000		0
7.58 Democracy programme	6,600,000	6,600,000	0	0	0	0
7.59 MPP6	42,000,000	42,000,000		5,457,100		1,198,485
7.62 PRIME	64,500,000	64,500,000		23,804,700		21,096,484
7.64 Election 2003	6,500,000	6,500,000		6,456,000		5,175,000
8 th EDF	No projects					
9 th EDF	No projects					

Annex 7.

Addendum to the Country Strategy Paper and National Indicative Programme

European Community and NIGERIA

A mid-term review of the Country Strategy Paper (CSP) and National Indicative Programme (NIP) for Nigeria was carried out during 2004 in accordance with Article 5(6-7) of Annex IV to the ACP-EC Partnership Agreement.

Following the completion of the mid-term review (MTR), in the light of an assessment of the country's current needs and performance, the Community revises the resource allocation for Nigeria as follows:

	Initial 9 th EDF allocation	Initial 9 th EDF allocation + old EDF transfers (end 2003)	New allocation after MTR (also including transfers from previous EDFs)
A envelope	€222 million	€552 million	€ 552 million
B envelope (excluding peace facility)	€40.0 million	€ 40.0 million	€ 7.3 million

In particular the envelope A remains unchanged and the envelope B is reduced by M€32.7

The present addendum adjusts the indicative allocations for envelope B referred to in paragraph 2 of the general provisions, accompanying the CSP and NIP, as well as all other references to these amounts in the different chapters and annexes to the CSP and NIP.

As part of the mid-term review, it has been agreed to change the country strategy as contained in the CSP and NIP. This is because there have been important developments since its signature in July 2002, which require some adaptation of the CSS, although the fundamental approach and the basic choice of sectors have been confirmed by events. The reasons which justify the changes are as follows:

- public finance management at state level has not advanced to the point that state-level budget support can be considered in the foreseeable future;
- the new economic team which was established in August 2003 launched a serious strategy to reduce poverty ('National Economic Empowerment and Development Strategy', NEEDS) in March 2004, and is moving to implement it initially by reforming governance at federal level;
- this strategy is being extended to state level as 'SEEDS', with the involvement of state governments as well as the federal level. In particular, an approach is being developed to reward reforming and transparent states by concentrating donor funding and discretionary

federal funding on these states. This approach will include an objective benchmarking exercise to rank the different states according to their commitment to reform.

The new breakdown of the indicative allocation intended to cover long-term development activities (envelope A) is presented below:

	Initial indicative allocation		Indicative allocation after the MTR	
<i>Focal Sector 1 - Water and sanitation (modified to include project support)</i>	€230.0m	42 %	€150m	27 %
<i>Focal Sector 2 - State and local institutional and economic reforms (broadened to include support to federal level reforms*)</i>	€220m	40 %	€215m*	39 %
<i>Non-focal sector -</i>				
<i>immunisation</i>	€64.5m	12 %	€110m	20 %
<i>human rights, capacity building, etc. (modified to include new initiatives**)</i>	€37.5m	6%	€77m	14 %
Total	€552m	100 %	€552m	100 %

* Including, amongst the initiatives to support of the Federal Government, the financing of the 2005 Census (amount earmarked approximately ME 115.0)

** Such as extension of microprojects, peace support and reconciliation in conflict zones, further support to water and sanitation, etc.

Focal Sector 1 - Water and Sanitation

The specific objective in this focal sector is maintained. As allowed for in the existing CSS, the funding originally foreseen for budget support (€350m for water and sanitation, and reforms) will be reduced and used for project investments in the water and sanitation sector. Similarly to the other Focal Sector, it will be possible to switch to other States if the original six focal States will not demonstrate commitment to improve overall governance and willingness to reform. The amount earmarked is reduced to €150 million.

Focal Sector 2 - State and Local Institutional and Economic Reform

The specific objective of this second focal sector is maintained. However, support for institutional and economic reform, restricted in the existing CSS to state level, will also be allowed at federal level, to permit needed support for the ongoing reforms, notably for NEEDS itself, for the population census, and for the Economic and Financial Crimes Commission. In order to align the

CSS with the government's own strategy process, the CSS will allow the possibility of extending support to SEEDS states, and of switching from the existing focal states to states adopting SEEDS. The total amount earmarked remains broadly the same at €215 million.

Programmes outside focal sectors

The allocation for immunisation is increased to €110 million to take account of the key position of Nigeria in the global polio eradication initiative.

The allocation for capacity building and other initiatives is increased to an indicative amount of €77 million to take account of the need for capacity building at federal and state levels (specific objectives unchanged), the growing importance of non-state actors (underlined at the time of signing the CSS), and subject to the availability of funds, the potential needs in new initiatives such as confidence building in conflict zones (for example Plateau State and Niger Delta).

The adjustments in the focal sectors and programmes outside the focal sectors, as presented in this addendum, constitute adjustments to all the relevant sections of the CSP and NIP, including annexes, which relate to these same areas of intervention.

Date:

Signatures

For the Government of Nigeria

For the Commission