

DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

The Department for International Development (DFID) is the British government department responsible for promoting development and the reduction of poverty. The government elected in May 1997 increased its commitment to development by strengthening the department and increasing its budget.

The policy of the government was set out in the White Paper on International Development, published in November 1997. The central focus of the policy is a commitment to the internationally agreed target to halve the proportion of people living in extreme poverty by 2015, together with the associated targets including basic health care provision and universal access to primary education by the same date.

DFID seeks to work in partnership with governments which are committed to the international targets, and seeks to work with business, civil society and the research community to encourage progress which will help reduce poverty. We also work with multilateral institutions including the World Bank, UN agencies and the European Commission. The bulk of our assistance is concentrated on the poorest countries in Asia and Sub-Saharan Africa.

We are also contributing to poverty elimination and sustainable development in middle income countries, and helping the transition countries in Central and Eastern Europe to try to ensure that the widest number of people benefit from the process of change.

As well as its headquarters in London and East Kilbride, DFID has offices in New Delhi, Bangkok, Nairobi, Dar-es-Salaam, Kampala, Harare, Pretoria, Dhaka, Suva and Bridgetown. In other parts of the world, DFID works through staff based in British embassies and high commissions.

COUNTRY STRATEGY PAPERS

Country Strategy Papers (CSPs) are prepared for all countries where we provide development assistance programmes, and are normally produced every three years. CSPs set out how we aim to contribute to achieving the international development targets in the country in question. Progress will be assessed against the strategic objectives set out in Section E of the paper. In preparing CSPs, we consult closely with governments, business, civil society, and others within both the partner country and the UK.

Department for International Development
September 2000

NIGERIA: COUNTRY STRATEGY PAPER 2000 - 2002

CONTENTS	PAGE
A SUMMARY	1
B THE CHALLENGE	2
C PARTNERSHIPS	7
D CURRENT UK PORTFOLIO	9
E FUTURE UK DEVELOPMENT STRATEGY	11
F IMPLEMENTING THE NEW STRATEGY	14
G PROGRAMME RESOURCES	14
 ANNEX 1 Summary of Consultation Process	 15
ANNEX 2 Country Programme Expenditure Profile	16

A. SUMMARY

A1. Nigeria has endured more than fifteen years of military rule. Its substantial human and natural resource endowments should make it the region's engine for economic growth. Instead its population is one of the poorest in Africa. There are enormous challenges ahead to meet the international development targets. Success will spread benefits beyond the country's borders.

A2. Although Nigeria has substantial resources of its own, the case is strong for international support for the reform agenda of President Obasanjo's Government. The overall purpose is to share international experience and expertise and to help Nigeria design and implement a comprehensive poverty reduction strategy. Central to achieving success is a genuine and demonstrable commitment to poverty eradication by the government which allows the people of Nigeria to participate fully in their own future.

A3. Poverty persists in Nigeria because of the mismanagement of resources and corruption, found particularly but not exclusively in the public sector. Improved governance lies at the heart of the strategy to reduce poverty. There are now opportunities to support the forces of reform of a kind which have not existed for at least a generation. One challenge for the Nigerian government is to win the trust of its people by living up to its promises. The elected government made a start on some economic and other reforms in its first year but many efforts have simply exposed the seriousness of the situation.

A4. The scale of the task requires the sustained and combined efforts of the Nigerian authorities, the country's ebullient private sector, civil society and the international community. We want to promote new ways for government and donors to work together effectively. Nigeria's poverty reduction strategy and the proposed Comprehensive Development Framework will provide the basis for this. As part of the international effort, DFID will focus on three areas of assistance:-

- we will help the Government drive forward the reform programme at the Federal level with particular emphasis on developing an effective poverty reduction strategy, implementing key economic reforms and strengthening the justice sector, including the police;
- we will collaborate with four reforming State Governments to demonstrate that reform can deliver practical benefits for the poor; and
- we will make the fight against HIV/AIDS a special priority because urgent action is needed to prevent the spread of the disease.

A5. We will open a new DFID office in Nigeria. This expresses in a practical way our confidence in, and support for, the country's reform programme. In view of the potential for rapid change in Nigeria, we will review this strategy in two years to assess the effectiveness of our choices.

B. THE CHALLENGE

POVERTY

B1. Nigeria's estimated population of more than 120 million (47% of the region's total) and a GNP of US\$36 billion make it the giant of west Africa. It is the key to prosperity and stability in the region, and beyond. Its people live in one of the poorest 20 countries in the world. GDP per capita in 1998 was estimated at US\$310, compared to US \$950 in 1980-85. Two thirds of the population (66 million) lived below the poverty line in 1996 compared to one third (18.3 million) in 1980.

NIGERIA IN FIGURES

- If the current 2.9% annual population growth rate remains unchecked, 1999's estimated population of 120m will reach 141m by 2005.
- Per capita income at \$310 is very low for such a resource-rich country. The average for sub-Saharan Africa (excluding South Africa) is \$315.
- Life expectancy at 50 years is 2 years less than the rest of sub-Saharan Africa.
- 70% of rural households have no access to sanitation.
- Adult literacy averages 56%.
- One-third of all school children did not enrol at primary school in 1996.
- 54% of Nigeria's poor (and 85% of the extreme poor) live in rural areas. 35 of Nigeria's 36 states experience poverty levels above 50%.

B2. Poverty persists in Nigeria because of the historical and continuing mismanagement of resources and corruption, particularly but not exclusively in the public sector. The economy is highly distorted (oil receipts account for 40% of GDP, 70% of budget revenues and over 95% of exports), and inefficient. It has been badly undermined by

military rule: poor governance has served to enrich the minority at the expense of an increasingly impoverished majority.

In 1999, *Voices of the Poor investigations in Nigeria identified their priorities as solutions to the following:**

Rural Areas

- lack of potable water
- inadequate access to education
- inadequate access to health
- lack of rural feeder roads
- unavailability of markets
- lack of electricity
- lack of processing machines

Urban Areas

- lack of piped water
- unemployment
- inadequate access to education
- inadequate access to health
- irregular electricity
- lack of agricultural inputs
- lack of good roads

*Research for *World Development Report* 2000.

B3. Powerlessness results in material deprivation characterised by poor housing, food insecurity, poor access to services and utilities and lack of dignity, security and hope. The causes of vulnerability vary regionally and with circumstance. They relate mainly to economic opportunity; for example, in rural areas to reduced access to credit and markets and the declining productivity of natural resources. Local institutions, formed on the initiative of local people, are more important to poor people than governmental or non-governmental organisations. State and local governments are beginning to face up to the responsibility for delivering services to poor people, and to overcome the mistrust of the people. Much greater effort is needed to benefit the poorest groups by strengthening the capacity of local government and civil society groups.

B. THE CHALLENGE

CONTINUED

BETTER GOVERNMENT

B4. Nigeria has been ruled by military regimes for thirty of the forty years since Independence in 1960. In 1998 Nigeria embarked on the transition to democratically elected government. Although the process was imperfect the election results were accepted by most Nigerians and the international community. On May 29th 1999, President Olusegun Obasanjo formally took office. In line with the Constitution, the Cabinet and Ministers are drawn from each state in the Federation.

After its first year in power, the challenges facing the Government remain:

- Tensions within the Federation stemming from the long-standing political dominance of the North, and calls for Yoruba separatism.
- Communal violence between different ethnic, political and religious groups. This is particularly serious in the Delta where it restricts the production of oil and gas.
- Increases in all forms of crime.
- Decay in Nigeria's justice system. The police (a national force) exploited rather than protected the community. The magistracy and judiciary are underpaid and subject to corruption.
- Corrupt and weak public services.
- Friction between the Federal Administration and the National Assembly.
- Weak State Assemblies, lacking in resources and uncertain of their role, which allow the executive to dominate.

B5. The dilapidated condition of government provides an opportunity to reconsider the role of the State. Improved governance must include the rationalisation of institutions; revival of the capacity, morale and trust of the civil and public services; anti-corruption measures; respect

for the rule of law; improved public service delivery; reform of public spending; and accountability of the armed forces and the police.

CIVIL SOCIETY

B6. Nigeria's varied and vibrant traditional civil society is based on hometown, religious, craft and professional affiliations. During military rule and as the economy declined, these organisations contributed to give voice and sometimes services to their members. The media and trade unions have had their powers, membership and influence reduced over the last decade. The Nigerian Labour Congress, the main umbrella body, is playing a significant role under the civilian government. Most radio and TV is state run and while there is a lively and independent newspaper sector, country coverage is low.

ECONOMIC GROWTH AND EQUITY

B7. Nigeria needs consistently higher growth rates than in the past to reverse the rising levels of poverty and to achieve the aims of Nigeria's Vision 2010 and the International Development Targets. Annual GDP growth rates close to 7-8% are needed to make noticeable reductions in the numbers of people below the poverty line. This compares with historical averages of -1.3% during 1977-87 and 3.3% during 1988-98. Moreover, growth must be significantly more broad based, equitable and environmentally sustainable.

B8. This means reducing the country's almost exclusive reliance on the petroleum sector and placing greater emphasis on agriculture, agriculturally based activities and other labour-intensive industries. Economic diversification would also greatly reduce Nigeria's vulnerability to periodic shocks, from global oil price changes or conflict in the Delta. Markets throughout Nigeria are distorted by monopolies and other controls which disadvantage the poor. A fairer distribution of land and other assets and income earning opportunities, and the removal of cartels and other harmful price distortions and practices, particularly in the rural, productive sectors are challenges for the government.

B. THE CHALLENGE

CONTINUED

B9. The government's ambitious economic reform programme is geared towards poverty reduction and reviving private sector-led economic growth through the reduction of unnecessary regulations and promoting a stable and conducive environment for trade and investment. Attitudes to public investment need to change. The tradition of large projects providing opportunities for corruption and patronage which often remain uncompleted (or are inefficiently operated for lack of adequate recurrent budgets and management) has let the country down. Privatisation, a key aspect of the government's reform programme, should inject greater efficiency into the productive sectors and release funds for higher priority programmes to combat poverty. Pursued rigorously this will help rebuild investor confidence.

GOVERNMENT'S 1999 DEVELOPMENT POLICY

- GDP growth 10% by 2003;
- single digit inflation and interest rates by 2003;
- introduction of universal basic education (grades 1-9);
- full national coverage of primary health care from present 40%, universal immunisation of children from current 40%;
- improved access to safe water;
- liberalisation of exchange rate, foreign currency transactions and trade regulations;
- deregulation of petroleum sector;
- rehabilitation and reconstruction of essential infrastructure
- prudent fiscal and monetary stance.

B10. Major efforts are required if the government is to improve budget performance to make it transparent, accountable, effective and pro-poor. Management of the economy to provide the equitable distribution of oil and gas sector earnings and encourage employment and improved living standards for the poor is some way off. There has been some progress : the exchange rate has been liberalised and off-budget funds abolished; the anti-corruption bill was passed recently; audits of the petroleum sector and the Central Bank have been conducted.

B11. The external payments crisis overshadows the economic landscape. In 1980 Nigeria's external debt totalled US\$4.1 billion (5% of GDP) and the debt-service to exports ratio was a modest 3.7%. By 1998, the total debt stock had risen to an estimated US\$28.8 billion, (80% of GDP) with debt service in excess of US\$4 billion per annum (42% of exports.) The exact current debt stock is unknown but could total as much as US\$34 billion. Two-thirds of the debt represents arrears to the Paris Club where the UK is the largest creditor. The combination of economic mismanagement, unproductive investments and, latterly, a deliberate policy of non-payment to the Paris Club, means that Nigeria cannot service its external debt obligations or normalise relations with the international community. Resolving this issue is a central part of the economic reform agenda.

IMPACT ON RURAL AREAS

B12. Extreme poverty is found largely in the rural areas. Agricultural policies have fluctuated and been variably implemented to the point that a state of 'policy confusion' now prevails. Rural areas have been served by multiple institutions with overlapping responsibilities and conflicting mandates, few of which are currently effective. Environmental and common property resources e.g. pastoral lands, water and forests, have been squandered. Employment opportunities for poor people in the formal or informal sectors are limited. The reform programme must aim to reverse this by improving the range and quality of opportunities available to them to earn income, increase access to credit and to productive resources, markets and services.

ENVIRONMENT

B13. Most Nigerians depend on natural resources for their livelihoods. Yet in both urban and rural areas severe environmental degradation threatens their health and economic well-being. 80% of the rural population relies on wood as its main source of energy, which adds to pressure on the forests. The poor are the most affected, at least partly because the State has failed to provide a framework for managing resources and resolving conflicts, especially in the

B. THE CHALLENGE

CONTINUED

Delta. Declining land productivity and growing pressure on environmental resources has marginalised the poor and stimulated community conflicts. There are some positive signs. The welcome, wide-ranging restructuring of the Ministry of the Environment should result in more cross-sectoral integration of environmental issues into policy development and implementation. New legislation provides for greater involvement of local people in resource management and environmental protection. The strong environment and development NGO community in Nigeria has proven experience in community based resource management, and will hold government to account.

HUMAN DEVELOPMENT

HEALTH

B14. A dilapidated health system is failing to deliver even the most basic health services. Life expectancy has declined steadily. Infant and under-5 mortality rates are amongst the highest in the world. Reproductive health is poor. Maternal mortality rates are dreadful. Access to reproductive health services has improved through social marketing, but contraceptive prevalence rates remain very low with the total fertility rate high at 5.8. Limited access to contraception means women cannot choose when to have children, and poor maternal health services are failing to prevent a massive waste of life through preventable death of women and children.

B15. TB and malaria are leading causes of death because of poor access to quick and accurate diagnosis and treatment. The cost of the drugs necessary for treatment of TB is beyond the reach of the poor. Nigeria remains a reservoir of infections such as polio and guinea worm.

B16. HIV median prevalence levels among women attending ante-natal clinics have reached 5.4% (rising to 21% in one state and with average levels of 8.4% among the 20-24 age group). Without adequate intervention, once the 5% threshold is crossed there is likely to be rapid increase in HIV incidence, and by 2003 Nigeria will have the largest number of people infected of any country in Africa. When HIV prevalence is above 5%, annual economic per capita growth starts to be affected, there is deepening poverty, reduced life expectancy, and increased adult death rates and infant mortality rates. The loss of skilled personnel in public and private sectors due to HIV threatens governance across sectors. Deteriorating quality and efficiency of education systems will further reduce human capital. Health systems will be over stretched, with one year of basic treatment for a person with HIV/AIDS costing more than current per capita GDP in Nigeria. Concerted action is needed across all sectors to slow the pace of the epidemic and reduce its impact.

B17. Water resources are under growing pressure. Only three states (Kaduna, Oyo and Lagos) have sufficient to provide adequate drinking water supplies to 80% of their people. This contributes to a high incidence of diarrhoea and other diseases, leading to high infant mortality rates. The physical burden of fetching water on women and young girls is enormous, resulting in poor health, low productivity and low school attendance. Increasing population and economic activity will exacerbate the problem in future years.

MORTALITY RATES		NIGERIA	SUB-SAHARAN AFRICA
Infant (1)		112/1,000	97
Under 5 (1)		187/1,000	147
Maternal (2)	- average	948/100,000	
	- south west	339/100,000	
	- north east	1,716/100,0	
(1) UNICEF	(2) Federal Office of Statistics 1999		

B. THE CHALLENGE

CONTINUED

EDUCATION

B18. Implementing the new policy of free, compulsory Universal Basic Education depends on better planning, more resources and system reform. Low and declining primary school enrolment remains the norm. Girls have a particularly low attendance record in the north whereas boys attend school much less than girls in some southern states.

B19. Parents are less inclined to send children to poor schools. Most primary education is ineffective because of a lack of teachers, teaching resources and adequate infrastructure. The result is a high level of illiteracy among school-leavers. There are also inadequate facilities for overcoming adult illiteracy and for children not in school, particularly among nomadic communities.

B20. Government resources going into the sector are inadequate and uncoordinated. Management is weak. Schools are heavily dependent on community support, particularly for rehabilitation and maintenance, and there is

a heavy reliance on private, particularly Islamic, education. Inadequate government funding results in poor pay, with teachers frequently not paid over lengthy periods. Poor working conditions, inadequate facilities, little training and supervision and shortages of books and other teaching materials contribute to low teacher motivation and effectiveness. Quality universal basic education needs an increase in sector resourcing, effectively used. Communities can play a leading role.

B21. To reduce poverty and vulnerability, issues to be addressed for education, health and water are

- a policy environment with clear definition of roles and responsibilities;
- transparent and accountable management of enhanced sectoral resources;
- encouragement for communities to assert their rights to education, health and water; and
- an enabling environment for private sector service providers.

PARTNERSHIP WITH THE INTERNATIONAL COMMUNITY

C1. Making progress towards the international development targets in Nigeria represents a real challenge for the Nigerian government and the international community. It will demand a coherent approach which should cover a wide range of political and economic issues, such as debt reduction and trade, as well as development assistance. Nigeria is an important player in the international arena, actively involved in areas such as conflict reduction and economic integration in the region. This adds a further dimension to the dialogue. However, a broad-based partnership will take time to establish because government and the international community are re-engaging after the years of military dictatorship. DFID will work with the international community as a whole to support Nigeria's efforts to achieve the International Development Targets.

C2. The World Bank is facilitating a Comprehensive Development Framework for Nigeria to promote effective donor coordination for programmes under national leadership. At the same time, Nigeria is developing a Poverty Reduction Strategy Paper (PRSP) linked to a possible medium-term facility with the IMF. This is a key process which should provide the policy framework for engagement by the international community. The Government will need help to take forward both these initiatives. Britain strongly supports them and will work closely with the World Bank and IMF, both of which have offices in Abuja. We are promoting effective donor co-ordination by the Ministry of Finance and the National Planning Commission and we will provide technical assistance for the poverty reduction strategy process (para E.6).

C3. The European Commission is potentially the largest source of grant funds. It is developing a new National Indicative Programme for Nigeria and we will continue to encourage the Commission to match its programme to the priorities of Nigeria's poverty reduction strategy. We have seconded a community participation specialist to the Commission Delegation in Abuja to strengthen its capacity to address poverty issues. UN agencies are well represented

and respected though their funding levels are low. We expect to develop programmes with several UN agencies, particularly in the areas of HIV/AIDS, water and health. Re-engaging bilateral donors include Japan, USA, Germany, France and Canada. We are co-financing the economic management capacity building programme with the Nigerian government, the World Bank, the European Commission, USA and Japan.

WORKING WITH GOVERNMENT

C4. An effective partnership with the Federal Government of Nigeria (FGN) will depend on its commitment to human rights in their broadest sense (economic, civil and political, social and cultural). Recent FGN policy statements and plans show strong reform intentions with a commitment to reducing poverty but do not incorporate the International Development Targets. Prospects for a comprehensive approach are uncertain but have the potential to strengthen if the Poverty Reduction Strategy Paper (PRSP) becomes a platform for real reforms aimed at reducing and eventually eliminating poverty. FGN discussion of development policy issues is hampered by lack of capacity.

C5. Indicators of a strengthening partnership with the Government will include:

- Nigeria staying on track with its economic reform programme. Key aspects will be improved accountability and transparency to ensure the poor benefit and are protected in any privatisation and deregulation measures;
- the development and implementation of policies to meet FGN's poverty eradication goals, within a strategic framework of a Poverty Reduction Strategy Paper process, and the production of an Interim PRSP;
- effective plans in place for reform of government at state and local government levels linked to pro-poor budget allocations between and within sectors;
- a detailed strategy to fight corruption which is implemented;
- continued action to strengthen the democratic process.

C. PARTNERSHIPS

CONTINUED

C6. Nigeria's federal constitution means that State Governments and local authorities have important roles in delivering services and encouraging livelihoods for the poor. We already have well-developed relationships in Benue State and intend to build strong partnerships for poverty reduction in four states over the next two to three years (para E.13) to demonstrate that effective reform can deliver real benefits to the poor.

WORKING WITH CIVIL SOCIETY AND THE PRIVATE SECTOR

C7. DFID has a strong relationship with civil society aimed at developing capacity to promote a dialogue with Government on key issues of governance and livelihoods. DFID supports key players in the women's movement, the media, human rights organisations and community based networks.

C8. Civil society groups consulted during the development of this strategy perceive their main aims to be public education, advocacy, networking, and creating partnerships with the private sector to support access to and dialogue with government. Specialised civil society organisations in the south west of Nigeria are well placed to play a new role in democratic Nigeria since they have experience of advocacy and service delivery, particularly in health and human rights. Capacity is limited in other parts of the country. Ability to make demands on government for effective measures to reduce poverty is weak.

C9. DFID will seek to develop stronger relationships with civil society, the private sector and NGOs to deliver the strategy proposed, in particular, where organisations support awareness of people's rights or can influence government or the private sector to take better account of poor people's needs and interests.

D. CURRENT UK PORTFOLIO

D1. The UK's development assistance programme responded to government abandoning its responsibilities in the mid 90's. Working outside government, the programme aimed to help improve the quality of life particularly for those living in selected poor rural communities in remote areas of their country, in the following ways:

- **Health** - strengthening primary and secondary health care, with initiatives to increase locally generated resources for health, has been a strong component of our support at the state and local government level. Increasing access to and utilisation of good quality health services requires significant reform of the health sector.
- **HIV/AIDS** - Action on HIV/AIDS to date has helped increase access to and use of barrier contraception and promote behaviour change through social marketing and working with civil society to support high risk and vulnerable groups. A multisectoral response is now needed.
- **Education** - A community education programme in three states has improved access for communities (and nomadic groups in the north-east) to basic education, enhanced teaching skills and improved functional literacy for adults.
- **Water and Sanitation** - A community based project to provide clean sustainable water supplies to villages and reduce the incidence of water related diseases has had some impact in building capacity with partners including local institutions in two Local Government Areas.
- **Rural Livelihoods** - Projects aim to develop the capacity of poor rural people to voice demand, and of rural service deliverers to provide quality services. They work with a range of government and civil society intermediary agencies and directly with farmers. A third project is developing community-based approaches to sustainable forest management.

- A range of **civil society organisation** programmes to support democracy building and human rights with key interest groups, including women and the media.

LESSONS LEARNED

D2. 19 Projects and Programmes costing £40million, were completed between 1990 and 1999. The analysis of Project Completion Reports in the charts below shows that over half were judged to be satisfactory or better. However, the sustainability of many of these projects must be questionable without fundamental governance reforms.

CHART 1

PROJECTS AND PROGRAMMES COMPLETED BETWEEN 1990-9

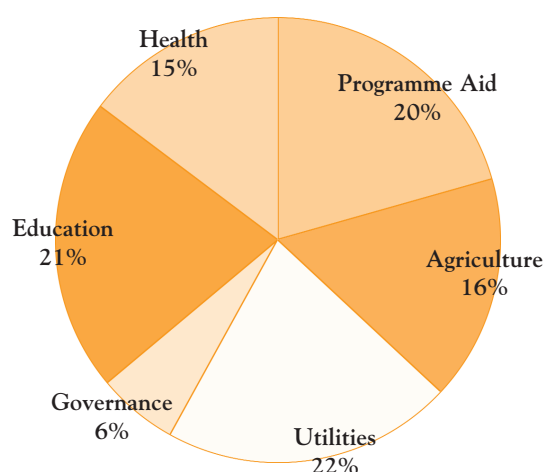
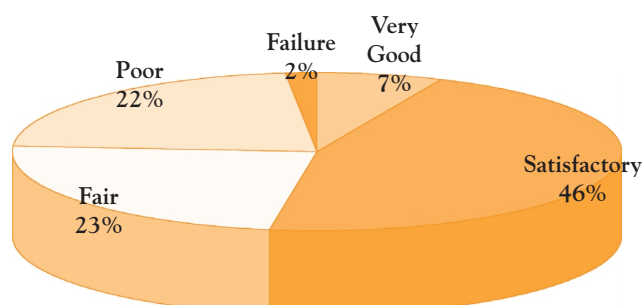


CHART 2

DFID PORTFOLIO PERFORMANCE (WEIGHTED FOR EXPENDITURE SHARES)



D. CURRENT UK PORTFOLIO

CONTINUED

D3. It is too early to judge the likely outcomes for most projects in the current portfolio. Those where we can do so (about half the portfolio) look likely to achieve their outputs. The main lessons are as follows:

- i. Local government authorities and other state institutions can contribute to poverty reduction by encouraging community participation. This helps fulfil the needs of poorer people by extending reach, improving quality and reducing costs.
- ii. Direct partnerships with civil society organisations can facilitate links between government and communities. With support, both community based and non-governmental organisations can play a major and active role in poverty reduction.
- iii. Implementers should identify and involve those specific groups of men and women who are most in need, particularly focusing on the priorities of women and young children.
- iv. Successful programmes are sensitive to the many variations that exist within and between communities in Nigeria. Gradual development of community responsibility can make programmes more responsive to specific conditions, especially when smaller schemes are expanded.

- v. Regular flows of information to and from all participants accelerate project progress, encourages participatory involvement and develops mutual trust. Institutional network capacity building enables useful information to be shared more widely across government and civil society.
- vi. To be sustainable, programmes need to build capacity through training and institutional reform. Repeat costs can be reduced through planned community involvement thereby further increasing sustainability.

D4. The programme introduced targeted groups to innovative approaches and ideas at a time when the country was largely excluded from the development process. The impact spread beyond project boundaries. Our relationship with government since mid-1998 has started to explore questions over cost effectiveness, replicability and sustainability. It proved difficult to reach the poorest, particularly through government programmes without effective commitment to poverty elimination and institutional reform. These projects offer practical lessons and models to inform Nigeria's poverty reduction strategy, and the international community's contribution to this.

E. FUTURE UK DEVELOPMENT STRATEGY

E1. The key factor underlying Nigeria's current poverty is its recent history of bad governance. This has to be tackled if Nigeria is to stand any chance of meeting the International Development Targets. Reducing poverty through better governance will mean taking action:-

- to provide macro-economic stability and to facilitate private sector investment and trade.
- to organise pro-poor policies and to plan and account for the use of resources in relation to policy.
- to operate political systems which provide opportunities for all people, especially the poor and disadvantaged, and civil society to organise and influence state policy and practice.
- to guarantee the equitable and universal provision of effective basic services.
- to ensure personal safety and security in communities with access to justice for all.
- to manage national security accountably and to resolve differences between communities before they develop into violent conflicts.

E2. Achieving this will take a concerted effort by the Government, at federal, state and local levels over a lengthy period. It will require strong engagement by civil society and the private sector, together with effective and well-coordinated support from the international community. Our strategy is to work with the international community in the following three areas:

- We will help the Government drive forward the reform programme at the federal level with particular emphasis on developing an effective poverty reduction strategy, implementing key economic reforms and strengthening the justice sector, including the police.
- We will collaborate with reforming State Governments to demonstrate that reform can deliver practical benefits for the poor. Initially, we will focus on two but expect to move to four States within 18 months.
- We intend to make the fight against HIV/AIDS a special priority because urgent action is needed to prevent the spread of the disease. This will build on our strong recent experience in this area in Nigeria.

The strategy for taking forward each of these strands is explained in more detail below.

E3. This focused approach, working with the international community to support Nigeria's pro-poor reforms, is a shift from our previous strategy of decentralised bilateral interventions. Much of the existing programme will act as a foundation for the new programme from which important lessons can be derived. We will phase out activities located outside the four focus states.

E4. Nigeria's public financial resources are substantial, at current and expected future oil prices. At present, the priority for external assistance is to build local capacity to drive forward the reform programme. Moreover, there are real problems of financial accountability in providing budgetary support, given Nigeria's history of corruption, when financial systems are weak. For these reasons, we will focus our assistance initially on building local capacity rather than providing large-scale budgetary support. We will review this as circumstances change and the reform programme moves forward.

AREA 1: SUPPORTING FEDERAL GOVERNMENT REFORMS

E5. The keys to effective poverty reduction in Nigeria are faster, more equitable and more sustainable growth, together with government that is effective, accountable and responsive to the needs of the poor. We will support the Federal Government in developing and implementing the core economic and governance reform agenda. There will be three components to our engagement under this objective:-

- support for the development of Nigeria's poverty reduction strategy. This will set the framework for the reform effort and the role of the international community;
- support for economic reform to enable Nigeria to tackle the mismanagement of resources and corruption;
- and

E. FUTURE UK DEVELOPMENT STRATEGY

CONTINUED

- support for security and accessible justice for the poor so that one of the key concerns of poor people is tackled directly.

E6. In concert with others, particularly the World Bank, we will support the development of Nigeria's **poverty reduction strategy**, building on our past support to participatory assessments of poverty and ensuring that environmental issues are taken fully into account. We will assist the Federal government's Technical Committee on Poverty to promote and manage a process of improved poverty analysis, budgeting and planning. We are providing specialist support to help the committee develop an Interim Poverty Reduction Strategy Paper (PRSP) process, to promote institutional and governance improvements, budget reform and planning procedures, and priority setting for human development and social policy. The PRSP will be reviewed on an annual basis. We will help to build capacity within and outside government for the analysis and debate of public policy, so that policy choices can be influenced and monitored by civil society and the poor on a regular basis. In addition, we are working with UNDP to strengthen its support to poverty data and diagnostic capacity through the nation-wide network of state planning commissions.

E7. The PRSP process will need to be supported by reforms in key sectors such as basic health and education, rural water supply and livelihoods of the rural poor. We are already working with the Federal Government and other agencies to help define the reform agenda in some of these areas, drawing on our experience of development issues at local level. We will continue to support policy dialogue and change in such areas where they are integral to the PRSP process, working closely with other members of the international community.

E8. The UK will continue actively to support the **economic reform** process with a twin track approach. We will promote a generous debt agreement in the Paris Club of bilateral creditors which will not press for the full repayment of all that is owed. The deal will be coupled with the successful negotiation of a one year Stand-By Arrangement with the IMF. This will provide the stable economic framework to enable Nigeria to build a track-record of

reform. The UK will then give positive consideration to writing-off some of Nigeria's debt, as part of a comprehensive international deal, once a track record of reform has been established, in the context of a medium-term reform programme, and if a debt sustainability analysis shows this to be appropriate.

E9. We will actively support the process of economic change, as part of the international community, by helping the new government to formulate its policy framework, by providing further technical assistance, and to build the capacity and systems needed to implement pro-poor reforms. As part of a broad economic management capacity-building programme, which includes all the major donors, we will continue to help the Government rejuvenate its debt management capabilities and improve the generation and use of economic and social statistics for economic policy and planning. We will also consider technical assistance to support other aspects of the Government's reform programme, as priorities emerge, including taxation, trade policy, privatisation, public-private partnerships, the regulation of the private sector and fiscal federalism.

E10. **Safety, security and access to justice** is a major concern of poor people. The Government is considering how to improve the justice system, including the police, so that it will become responsive to the poor. We will help the Government develop its strategy for tackling these issues and provide assistance, in response to evidence of real commitment, to build capacity in the police, prisons and courts.

E11. We will support Nigeria's programme of work on economic reform and on the poverty reduction strategy in close partnership with the World Bank, IMF, Paris Club, European Commission, African Development Bank and key bilateral donors. On the justice sector we will work closely with the Federal Government and the USA. In all these areas, Nigerian civil society and the private sector will be key partners.

E12. The previous Government had isolated itself from the concerns of the poor and from the civil society institutions which can help develop the strategies and

E. FUTURE UK DEVELOPMENT STRATEGY

CONTINUED

approaches for reducing poverty. DFID will seek to ensure that **civil society** groups are included in the PRSP process, and will provide resources to build the capacity of advocacy organisations and independent research institutions which can monitor public policy and disseminate information. Resources will also be available for community based and local organisations which strengthen people's opportunities to participate through social policy initiatives. The models for civil society support will draw on the experiences of DFID's innovative approaches to rural livelihood groups.

AREA 2: SUPPORTING REFORMING STATE GOVERNMENTS.

Ei3. Although Nigeria's Constitution is evolving under the new administration, it is clear that effective and responsive State and local governments will be crucial to reducing poverty, both through direct service provision and through the political framework they provide for private sector initiatives. The task of reform is immense and will require sustained and in-depth engagement for some time to come. The depth of our involvement and the speed with which we will be able to move ahead will depend on the commitment of the State Governments to reforms to eliminate poverty.

Ei4. In collaboration with other donors, we will seek to build strategic partnerships for poverty reduction with two States immediately, increasing to four over the next two years. The aim will be to support State Governments that are committed to reform so that they demonstrate real progress on poverty reduction. This will involve helping State Governments develop their own poverty reduction strategy, linked to that at Federal level, which will lead to agreement on each partner State's priorities for future activities by DFID and other members of the international community. We will provide assistance for reform of the key institutions of State and local government. In parallel, we will also support reform efforts in sectors which offer prospects for rapid impact on poverty. These are likely to include water and sanitation, health, education and rural livelihoods, with physical access a high priority.

Ei5. We will implement a programme of support for State and local government reform in each of the four focus States. The programme will enhance their capacity to manage resources and ensure the delivery of services in an environmentally sustainable manner, in the interests of poor people and in a transparent, accountable and responsive fashion. The programme is likely to include assistance aimed at making the key institutions of government more effective, encouraging a dialogue between civil society and government, reforming personnel and financial management systems, and ensuring that basic services are prioritised and delivered according to the needs of the poor.

Ei6. We will build on the strong relationship we have developed with Benue State in the middle belt to establish our first strategic partnership there. This will include support for the reform of State and local government institutions and continuing assistance in health, water and rural livelihoods. We will also develop a strategic partnership with Jigawa State in the north. This is a relatively new location for DFID but we have already developed a promising dialogue on reform. We expect to take forward technical assistance for institutional and policy reform and for work on rural livelihoods. The latter will initially be focused on helping manage conflicts over land and water that threaten livelihoods in the eastern part of the State and neighbouring areas in adjacent States. We will also take forward interventions in other sectors, depending on Jigawa's priorities for poverty reduction. With the Government we will identify two further States for strategic partnerships in the south of Nigeria. The State and local government reform programme will be introduced in those States by the middle of 2001 together with complementary activities in key sectors as implementation capacity allows.

Ei7. In addition to the State and local governments themselves, we will seek to work with civil society, the private sector and with other donors active in the States concerned. We will feed back our experience from working at State level into our dialogue with the Federal authorities and with other donors, with a view to influencing the national policy framework, reinforcing programmes at State level and spreading good practice to other States.

E. FUTURE UK DEVELOPMENT STRATEGY

CONTINUED

AREA 3: HIV/AIDS

Ei8. DFID will mainstream HIV/AIDS interventions across its Nigeria programme. Only urgent action will prevent the HIV/AIDS epidemic from reaching the appalling proportions evident in other parts of Sub Saharan Africa. DFID is working with others in the international community to respond to national priorities on HIV/AIDS. We are supporting the Federal Government's multi-sectoral approach and building the capacity of the National Action Committee on AIDS (NACA) and parallel state and local level structures. DFID is participating in the development of a National Interim Action Plan and a longer term National Strategic Plan, and will support the government's effort to coordinate donors through the UNAIDS theme groups and other mechanisms.

Ei9. DFID will scale up its support to a national communications strategy for both advocacy and behaviour change. We will support improved understanding of the epidemic through HIV/STD surveillance procedures. We are expanding support for cost effective interventions to promote safer sexual behaviour, including the provision of condoms. Linking prevention with care and support interventions will continue to receive high priority through the building of national capacity for counseling and appropriate management of STDs and HIV. Support to the private sector, civil society and community initiatives to address the epidemic will continue and be expanded. We will ensure HIV/AIDS is taken into account throughout our programme in Nigeria

F. IMPLEMENTING THE NEW STRATEGY

Fi. Much stronger DFID capacity is needed in Nigeria to handle the policy dialogue with Government at all levels and with other donors and to manage expanding programme resources. West and North Africa Department will fully establish DFID Nigeria in Abuja by early 2001 to take the lead in policy dialogue and managing the Nigeria

programme. Staffing will continue the team approach and include the core skills required to address the strategy. West and North Africa Department will retain responsibility for monitoring implementation of the strategy, maintain close working relationships across Whitehall and provide specialist support for the in-country team.

G. PROGRAMME RESOURCES

Gi. British development assistance to Nigeria totalled £11m in 1999/2000. A significant increase is planned over the next few years with £15m allocated this year, £25m in 2001/02 and £35m in 2002/03. This expansion is based on Nigerian Government commitment to put in place an effective strategy for reducing poverty and, in particular, to introduce effective reforms to public financial systems. Over the next two years, the bulk of British development

assistance will focus on building Nigerian capacity rather than transferring significant financial resources. Nigeria's financial systems lack the integrity to allow significant disbursements through public channels and the revival in oil prices is generating substantial government resources. The financial plans attached will be increased in later years if this is justified by a strong Nigerian performance in reducing poverty.

SUMMARY OF CONSULTATION PROCESS

1. Consultations began early in the strategy formulation process. The election of the civilian government gave us the early opportunity to validate our insights into the nature of poverty in Nigeria stemming from our decentralised programme maintained under the previous regime. It was also important to learn about the priorities and plans of the new Government and the role envisaged for civil society, the private sector and donors for tackling the poverty agenda. The consultation process involved discussions with representatives of these main stakeholders. This included senior members of the Nigerian Government, civil society organisations in Nigeria and in the UK, private sector representatives in Nigeria and UK, and bilateral and multilateral institutions.
2. The April 1999 meeting of the Nigerian interim administration and donor representatives in Paris, organised by the World Bank, provided the first opportunity to listen to and engage with emerging government thinking. Given the limited knowledge on

trends within civil society throughout Nigeria, a series of workshops was held in early 2000. A number of key lessons were drawn from the Secretary of State's visit in March 2000 which endorsed the strategy's overall approval. These included the need to focus on a limited number of discreet issues and the need to adopt a flexible, lesson learning and opportunistic approach. This would need strengthened capacity in-country to engage more fully at the strategic policy level. This is reflected in the paper's conclusions.

3. The UK Government has a long standing and considerable interest in Nigeria's development. The strategy represents an agreed view amongst Whitehall Departments, including the Foreign and Commonwealth Office, HM Treasury and British Trade International. Their views have been sought and incorporated throughout the consultation process. We shall hold regular strategic talks with the Nigerian Government and other donors, and maintain and build on the contacts established with civil society in Nigeria by this process.

COUNTRY PROGRAMME EXPENDITURE PROFILE

£ MILLION	2000/01	2001/02	2002/03
COMMITMENTS			
Supporting Federal Government reforms	1.40	1.20	1.00
Supporting Reforming State Governments	4.20	5.00	3.30
HIV/AIDS	4.00	1.80	1.00
Current Programme/other	5.40	2.80	1.20
COMMITMENTS SUB TOTAL	15.00	10.80	6.50
PLANS			
Supporting Federal Government reforms		3.60	6.50
Supporting Reforming State Governments		6.00	13.00
HIV/AIDS		4.00	8.00
Current Programme/other		0.60	1.00
COMMITMENTS SUB TOTAL	0.00	14.20	28.50
GRAND TOTAL	15	25	35