



POLICY

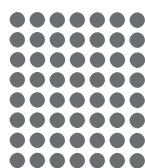
THE OFFICIAL DEVELOPMENT ASSISTANCE POLICY 2008

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BACKGROUND TO THE OFFICIAL DEVELOPMENT ASSISTANCE POLICY

The formulation and implementation of donor-assisted programmes are currently characterized by inadequate involvement of Nigerians, high cost of technical assistance, donor-driven approach to aid delivery, proliferation of aid agencies, uneven spread of donors' activities, institutional weaknesses, inadequate coordination and problem of counterpart funding.

Inadequate Involvement of Nigerian Experts

2. The design and implementation of most donor-funded projects and programmes were often done by nationals of donor countries and officials of funding agencies without adequate involvement of Nigerian officials and experts even when studies showed that the involvement of nationals in aid management is a prerequisite for aid effectiveness. This is also in spite of the United Nations Resolution No. 44/211, which assigns responsibility for aid management to nationals of recipient countries and the Paris Declaration of 2005. An analysis undertaken on the contents, procedures and manning of about 240 leading education sector studies in Africa from 1990 – 94 showed that all the studies were undertaken by expatriates-led teams with only nominal representation or inclusion of local researchers. Where they participated, they were never included as senior consultants or authors of documents. Apart from the high cost of implementation associated with this phenomenon, the inadequate involvement of Nigerians in the formulation and implementation of projects and programmes funded from Official Development Assistance sources often led to problems of ownership and sustainability in post-aid period.

High Cost of Technical Assistance

3. Technical Assistance component of official development assistance involve in the main grants to nationals of aid recipient countries to receive education or training; payments to consultants, advisers, administrators and similar persons working on assignments of interest to the recipient countries. Technical Assistance takes up a significant share of total aid and the large part of funds is expended on expatriate personnel. A World Bank study indicated that technical assistance component of aid represents between one-fourth and one-third of all external economic assistance to African countries. There are strong reasons to believe that the percentage is much higher than one-third as most donor countries' policies officially encourage the recycling of at least 50 per cent of the contents of their aid given to

developing countries by way of payments to consultants and importation of equipment from donor countries.

Donor-Driven Approach to Aid Delivery

4. Most of the assistance given to developing countries were donor-driven rather than demand-driven. In this context, projects and programmes were initiated by donors without taking into consideration the priorities, needs and capabilities of the recipients of such aid. In most cases, donors set standards and criteria to be adopted in project execution, determine procurement procedures and evaluation of projects. Ideally, projects and programmes should derive from national priorities as expressed in the national development plans of the recipient countries. However, rather than complement the efforts of the recipient countries, in some cases, donors pursue objectives that were not directly derivable from national objectives. Most times also, donor assistance were tied to economic and political interests of donor countries which were not necessarily coterminous with those of recipient countries. For example, the objectives may be to export equipment originating from donor countries or services of consultants. Apart from the fact that such assistance did not make the required developmental impact, they were often difficult to sustain in post-aid period. As a result, the projects and programmes were often seen as imposed, and belonging to the donors rather than the communities for which such projects were meant. Numerous pilot projects that were never scaled-up belong to the category of donor-driven pet projects with little impact.

Proliferation of Aid Agencies

5. In spite of the decline in the magnitude of aids, the sector has been witnessing a proliferation of aid agencies rising from about seven in 1960 to about 50 in the 1990s. Although, the expansion in the number of aid agencies has come in response to increased need for public accountability and improved aid delivery, it has also often resulted in high administrative cost of aid management and proliferation of enclave projects with the problem of coordination for recipient countries. It is instructive to note that there are as many reporting systems as there are donors. Some of the agencies which are supposed to be adding value to aid have ended up becoming net beneficiaries of aid themselves.

Institutional Weaknesses

6. There exists a great deal of institutional weaknesses in form of inadequate staffing both in quantitative and qualitative terms, bureaucratic procedures as well as lack of infrastructure and equipment to work with at the level of aid coordination and implementing agencies in the country.

Problem of Counterpart Funding

7. Some donor-assisted projects require counterpart funds from recipient governments to complement resources from donor agencies. In some cases, especially where the recipient governments are not adequately involved, payment of counterpart funds is usually not budgeted for. Some recipients

actually appear donor-dependent and expect donor partners to assume total responsibility. Even in some cases when they are budgeted for, because of prevailing macroeconomic conditions in the recipient countries, funds are not available as at when required to complement donor assistance. This hinders draw-down of donor funds for the implementation of donor assisted projects.

Effects of External Debt

8. There exists a strong correlation between external debt stock and effectiveness or otherwise of Official Development Assistance. Debt overhang also discourages domestic and foreign investment. While the debate on improvement in aid delivery continues, it is inconceivable that aid will be effective in assisting countries to achieve the goals of international development targets without resolving the debt problem. Nigeria currently expends a significant percentage of its revenue on debt servicing. Such huge remittances arising from debt servicing constitute avoidable flight of capital desperately required for development.

Corruption and Governance

9. A major development challenge in developing countries, including Nigeria, is the issue of management of resources. Corruption and mismanagement of resources are endemic in most developing countries and are often at the centre of the sub-optimal performance of their economies. Cases of such mismanagement of resources are not limited to funds from domestic sources but also donor resources. Since Nigeria's return to democracy in 1999, the present Administration has taken a number of actions aimed at reducing corruption to the barest minimum. These include the establishment of the Independent Corrupt Practices and Related Offences Commission (ICPC), the Economic and Financial Crimes Commission (EFCC) and other associated public sector strengthening institutions for better public sector management. It is expected that these reforms will have salutary effects on resource management and encourage an increased inflow of resources.



- 1.1 Nigeria's first attempt at articulating a comprehensive policy on Official Development Assistance (ODA) was in 1995 when the National Planning Commission launched the document entitled Technical Cooperation Policy for Nigeria. As evidenced in the title of the document, its focus was purely on grants and technical assistance thus leaving out an important element of official development assistance in form of concessionary loans. Technical Cooperation Policy for Nigeria was launched at a time when Nigeria was under military rule and coincided with the suspension of development assistance to Nigeria. This meant that the policy document had limited input from stakeholders. The present attempt, under a democratic dispensation, is aimed at reviewing existing policies relating to official development assistance with a view to making it a more effective instrument for promoting development. This policy document, unlike its predecessor, has benefited from comments and suggestions from stakeholders.
- 1.2 Official Development Assistance in this policy context is broadly defined to mean concessionary financial flows aimed at promoting economic growth and human development. It consists of concessionary loans, grants and technical assistance. If well-managed, it represents one of the windows of opportunities available to developing countries including Nigeria to bridge their resource gaps. The share of ODA in the combined gross domestic product of developing countries is currently estimated at about 8.0 per cent per annum. For Nigeria, it is about 0.5% due to many factors including absence of coherent ODA Policy. The relative significance of official development assistance declines as private capital flows increase.
- 1.3 In spite of the potentiality of Official Development Assistance as a catalyst for economic growth and development, there is a growing concern among development practitioners, donors and recipient countries about its effectiveness. Many factors have been identified as responsible for ineffectiveness of Official Development Assistance in Nigeria. These include inadequate involvement of Nigerians in the formulation and implementation of projects and programmes funded from official development assistance sources, high cost of technical assistance, such as the very high consultancy fees for foreign experts compared to their Nigerian counterparts even for similar skills and the focus on pilot project that never got scaled-up to wider programmes for meaningful impact.
- 1.4 Apart from the ineffectiveness of Official Development Assistance, the trends in aid flows from both bilateral and multilateral sources have, in real terms, been on the decline for a number of reasons. First, the collapse of communism has brought about some shift in strategic interests and an increase in the number of countries competing for concessionary capital flows. Secondly, aid budget is shrinking in many donor countries.

Thirdly, public opinion in donor countries has become increasingly skeptical about effectiveness of aid in developing countries. Fourthly, the external debt burden in developing countries including Nigeria, has more than off-set the benefits of the inflow of Official Development Assistance as well as private flows of capital. The combined effects of these factors manifest in wide savings-investment gap, increasing vicious cycle of poverty and great challenge to the achievement of the Millennium Development Goals (MDGs) by 2015.

- 1.5 Owing to the renewed commitment of the International Community made recently at the Mexico conference, it is estimated that the Organization of Economic Cooperation and Development (OECD) countries will need to commit 0.7 per cent of their Gross National Product as official development assistance. Along with the resolve of the Governments in Nigeria to the prudent and focused use of resources in priority areas, the commitment of OECD countries to ODA will assist significantly in achieving some of the key targets of the Millennium Development Goals which include, halving the proportion of people living in extreme poverty by 2015; achieving universal basic education in all countries by 2010; elimination of gender disparities in primary and secondary education; reduction in maternal mortality; increased access through the primary health care (PHC) system to reproductive health services by 2015 and effective combat of HIV/AIDS; and national strategies to reverse current trends in the loss of environmental resources and to put a halt on such trends by 2015. Also, for African countries including Nigeria to achieve these goals, it is estimated that they will require a minimum annual economic growth rate of 7.0 per cent. To achieve this growth rate, it is estimated that African countries need to productively invest an equivalent of 30 per cent of their gross domestic product annually for a sustained period of time. Given the current low savings rate and wide savings/investment gap, the challenges of achieving high economic growth rates sufficient to achieve the Millennium Development Goals are daunting. An enhanced and sustained inflow of ODA will help to a reasonable degree.
- 1.6 The cutting edge in attracting increased Official Development Assistance will be a policy environment, which encourages transparency and accountability, good governance, macroeconomic stability, and predictable investment climate and a strong human and institutional capacity. The present Administration is committed to laying a solid foundation for sustainable growth and development and has embarked upon a number of reforms aimed at achieving these. The reforms include privatization of erstwhile public enterprises, deregulation and liberalization in many sectors of the economy, ethical reorientation and strengthening of the public sector for better performance as well as improved planning and budgeting processes.
- 1.7 In line with these reforms, Official Development Assistance will be aligned with identified priority sectors of the economy and seek to increase the utilization of Nigerian expertise and resources. In this regard, the Federal Government's National Economic Empowerment and

Development Strategy (NEEDS) will allow donors to build assistance around Federal Government's priorities. Equally, the State's Economic Empowerment and Development Strategy (SEEDS) will allow support to States to be tailored more closely to individual State Government's priorities. Given that both the Federal and State Governments are committed to the broad objectives of public sector reform, poverty reduction, wealth creation, value re-orientation and the development of the private sector, ODA support to both levels of government will strengthen the achievement of national objectives including those of the Millennium Development Goals (MDGs). The NEED/SEEDS synergy will enhance ownership of donor assistance by Nigeria through an effective participatory process. Similar assistance will be systematically extended to Local Government Councils as their programmes take hold.

GOALS, OBJECTIVES AND PRINCIPLES OF ODA POLICY



- [i] improvement in the living standards of the citizenry through poverty reduction and growth enhancement initiatives;
 - [ii] encouragement of coordinated inflow of assistance into the national priority sectors as defined in the National Development Framework.
 - [iii] improvement in the national absorptive capacity and effective management of ODA resources;
 - [iv] promotion of peace, stability and national unity; Specific Goals
- 2.2** The Official Development Assistance policy is aimed at achieving the following specific goals which details shall be elaborated upon at the sectoral level:
- [i] ensuring the effective use of ODA resources through good governance and complementary public policies;
 - [ii] increasing the national absorptive capacity of ODA with a view to meeting the Millennium Development Goals and other important global and regional initiatives;
 - [iii] strengthening the institutional capacity of national focal point and Non-State Actors involved in the management and implementation of ODA;
 - [iv] integrating ODA into the medium and long-term national development framework;
 - [v] ensuring that ODA create multiplier effects on the domestic economy;

- [vi] technology transfer and development of indigenous technology;
- [vii] promoting efficient and unified systems for the management of ODA; and
- [viii] improvement in collaboration between Nigeria and its development partners.

Principles of ODA Policy

2.3 The principles of Nigeria's ODA policy shall include the following:

- [i] involvement of suitably qualified Nigerian professionals and officials in the preparation, formulation and implementation of projects and programmes funded from ODA to ensure ownership and sustainability
- [ii] increasing utilization of ODA resources on Technical Assistance (TA) in favour of Nigerian experts. Where a Nigerian is as competent as his foreign counterpart, preference should be given to the Nigerian expert. Between 10-20% of ODA resources should be used to build technical capacity of Nigerians. As part of capacity building measure, Nigerian consultants can be paired with expatriate consultants under TA resources. Also, ODA resources used for TA shall be demand-driven at the specific request of Nigeria;
- [iii] integration of ODA flows into the national plans and annual budgets;
- [iv] sensitivity to geo-political spread of projects and programmes funded from ODA with 50% of the funding driven by performance criteria so as to stimulate competition between States;
- [v] consideration will be given to certain minimum development goals e.g. where considerable risks exist that some otherwise performing States may be adversely affected by non-performance by other States such as the fight against HIV/AIDS and immunization of children;
- [vi] use of transparent and accountable procedures in the procurement of goods and services as may be mutually agreed with our Development Partners; where Nigerian goods are of equivalent standard with foreign ones, preference should be given to the made-in-Nigerian goods;
- [vii] residency for expatriate utilized in the formulation and implementation of ODA programmes and projects shall be for a maximum of twenty-four months at a time. Allowance may be made for a longer time period in case of a complex programme/project;
- [viii] adequate provision for counterpart funding in the annual budget ;
- [ix] prevention of fraud, corruption and improper diversion of ODA funds through regular Value-For-Money (VFM) audits, reviews, studies and investigations;

- [x] sanctions for violation of the rules, regulations, guidelines, procedures and elements of policies stated in this policy document, including those set in Chapter Five;
- [xi] evaluation of ODA implementation at all stages should involve Nigerian officials and experts;
- [xii] that all project designs for ODA shall be environmentally friendly and indices for measuring such friendliness shall be clearly stated by the proponent;
- [xiii] involvement of civil society organizations in the implementation and evaluation of ODA projects and programmes.

The Non-State Actors

- 2.4 The Non-State Actors include the private sector; economic and social partners, including trade union organizations; and the civil society. In recognition of the complementary role of and potential contributions of Non-State Actors to the development process, they will be involved in the implementation and monitoring of cooperation agreements in areas of their comparative advantage. The cooperation will subsist as long as Non-State Actors address the needs of the population and are organized and managed democratically and transparently.

INSTITUTIONAL FRAMEWORK FOR ODA COORDINATION



- 3.1 The government agencies with statutory responsibility for the coordination of Official Development Assistance at present are the National Planning Commission and the Federal Ministry of Finance. The National Planning Commission coordinates all grants and technical assistance while the Federal Ministry of Finance is responsible for the coordination of all concessionary loans.
- 3.2 Aside from these, other agencies of government deal directly with donors without notification to aforementioned national focal points. For example, Federal Ministry of Agriculture deals directly with FAO, Federal Ministry of Health deals directly with UNICEF and WHO, while the Federal Ministry of Education deals directly with UNESCO, to mention but a few. These arrangements without notification inhibit effective and efficient coordination, monitoring and evaluation of Official Development Assistance in the country. The major result of this is the exclusion of ODA

funds in the nation's annual planning and budgeting process. Another result is the inadequate provision or non-provision of counterpart funds for ODA funded programmes in the country's annual budget.

- 3.3 In order to ensure that the inflows of Official Development Assistance are effectively monitored and accounted for and to ensure maximum impact on the life of the citizenry, all subsisting dealings with line Ministries/Agencies should be reported to the National Planning Commission and the Ministry of Finance as appropriate for purposes of coordination and monitoring and for ensuring the provision of counterpart funding in the national budget as well as inclusion in the medium and long term national development priorities of the country.
- 3.4 It is also important to strengthen the coordination between concessionary loans and grants and technical assistance. It is therefore proposed to set up a technical committee comprising Federal Ministry of Finance (Chairman); National Planning Commission (Member); Central Bank of Nigeria (Member); and Debt Management Office (Member). The Committee will advise the Honourable Minister of Finance on concessionary loans as part of ODA in alignment with grants and technical assistance.



MONITORING AND EVALUATION

Integrated Executive Information Systems and Aid Database

- 4.1 The National Bureau of Statistics (NBS) shall host the Integrated Executive Information Systems and aid database as a unit of the ICT Department. Each Ministry/Agency will maintain a micro database for its ODA funded programmes which information should be fed into the EIS in the FOS. This network will ensure an improved public sector ODA-based database and Executive Information Systems (EIS) and processes that are transparent, accountable and financial management-driven and subject to due process. These systems and processes shall generate detailed reports on ODA flows through donors, by sectors, states and LGA's, at the federal levels as well as in the private sector.
- 4.2 The EIS shall be integrated with the national planning and budgeting systems, public accounts systems, statistical systems and security framework and shall be subject to annual Value-For-Money (VFM) audit/review.

4.3 The VFM Audit/Reviews shall verify and express opinions that:

- [i] donor financed projects examined were geared towards the empowerment of the Nigerian people and ownership by the local people primarily concerned with the projects. Specifically, that every donor sponsored project or programme during the period were owned by Nigerians and formulated according to Nigeria's development agenda, visions, policies and priorities;
- [ii] projects financed from donor resources over the latest three (3) year period were spread in the six (6) geo-political zones of the country on the basis of minimum presence and 50% performance criteria;
- [iii] increasing percentage of donor resources utilized for Technical Assistance (TA) is in favour of Nigerian experts and at least 10%-20% of TA resources are used to train Nigerians e.g. through pairing with foreign experts;
- [iv] donor resources used for TA were demand-driven and at the request of Nigeria;
- [v] residency for expatriates utilized in the formulation and implementation of ODA funded programmes and projects shall not be more than twenty four (24) months in Nigeria at a time; except for special cases where projects are known to be of a complex nature that will require a longer time period; Nigerians must be involved in the programmes/projects and should be made accountable for resources provided; and
- [vi] Accounting for the resources provided for the projects;

Management Reporting Systems, and Evaluation

4.4 The Nigerian Government shall establish and continually enhance reporting systems and processes of ODA implementation. There shall be periodic technical reports prepared by donors and implementing agencies and shared with the ODA Office. These shall include quarterly and joint annual review reports.

Regular Monitoring and Evaluation of Projects

4.5 The ODA Coordination Committee in collaboration with other arms of government and implementing ministries or agencies shall from time to time undertake regular and periodic monitoring of projects financed from donor resources. The overall purpose would be to examine whether targets set at the formulation stage were achieved as appropriate. Such monitoring and evaluation should ensure, inter alia, that the implementation of the programmes is consistent with clearly measurable environmental and social indicators.

Benchmarking of Development Partners

- 4.6 In line with the existing policy of Government and in full collaboration with the donor community, development partners will be benchmarked on their activities and programmes in Nigeria. The aim is to engender increased transparency, accountability and participation. The exercise will be conducted on an annual basis and the results will be well publicized.

Prevention of Fraud and Corruption

- 4.7 The National Planning Commission shall implement appropriate measures to ensure the transparency of the projects selection and implementation processes, and to prevent fraud, corruption, and improper diversion of aid. The VFM audits/reviews shall primarily focus on this public policy compliance by Nigerian officials and institutions involved with ODA management.
- 4.8 Secondly, the VFM audits/reviews shall verify whether appropriate values were received in the utilization of ODA resources given to Nigeria and report on instances of violations.



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