

**AFRICAN INSTITUTE FOR
APPLIED ECONOMICS**

Promoting evidence-based decision making...



Activity Report 2009



ACTIVITY REPORT 2009



REVIEW OF 2009 AND PROSPECTS FOR 2010

The year 2009 witnessed a significant boost to the institutional capacity of the Institute to conduct and disseminate high quality policy-relevant economic research. The boost came in the form of core institutional support from the IDRC Think Tank Initiative for African independent policy research institutions. Under this multi-year support, the Institute will achieve greater effectiveness and impact in three broad outcome areas: research and research networking; communications and policy linkages; and organizational development.

Besides winning core institutional support, several significant developments were achieved during the year. For the first time in the life of the Institute, a Strategic Plan was launched. The launching took place at the Associate Fellows Conference/Retreat, 20th February 2009. The Strategic Plan covers 2009-2013. It is tagged "Project Leading Edge". Project Leading Edge is a framework of medium-term goals, policy thrusts, programmatic priorities and implementation mechanisms/tools covering the five-year period 2009-2013. The Plan articulates AIAE's purposes, objects and targets in its five thematic programme areas. These serve as benchmark to evaluate its competitive edge, organisational development and operational effectiveness. The Strategic Plan builds on the Institute's accomplishments since inception in the year 2000. It embodies desirable and appropriate guideposts and mechanisms for responding to the opportunities and challenges of the changing policy research environment. The underlying intent is to enhance and sustain the Institute's leading-edge position in the Nigerian and African economic research communities.

Research and research networking activities of the Institute also recorded positive landmarks during the year. The second cycle of the flagship programme - BECANS (otherwise known as BECANS II) progressed to the field survey and data collection stage. BECANS received renewed stakeholder endorsement and participation nod from the Joint Planning Board/National Council on Development Planning, the statutory Conference/Meeting of Commissioners of Planning and Planning Officers of the 36 states, convened by the National Planning Commission. The research collaboration with the Central Bank of Nigeria regarding the macroeconomic modelling of the Nigerian economy continued during 2009.

During the year, the Institute launched some new research. One is the macroeconomic modelling and forecasting project. The purpose of the AIAE macroeconomic modeling and forecast studies is to generate and supply regular forecasts of key Nigeria macroeconomic



indicators to inform and guide decision-making in government, private sector and civil society. The economic forecasts constitute leading-edge knowledge products in line with the mission of the Institute – to promote evidence-based policies and decision-making through research and critical analysis. Another new research launched during the year is the benchmarking studies/modeling of ministries, departments and agencies in Nigeria. The study involves the design and testing of model set of benchmarks and indicators to measure and monitor the performance and organizational effectiveness of federal government ministries, departments and agencies. The objective of the study is to evolve standard tools and procedures for measurement of organizational effectiveness in policy and programme formulation, staff and institutional capacity development, service delivery and budget and financial management. The study is undertaken under the auspices of the National Planning Commission.

The Institute achieved significant milestones in facilitating policy dialogue and stakeholder forums. The most remarkable policy forum was the National Symposium on the Global Economic Crisis and Nigeria: Taking the Right Lessons, Avoiding the Wrong Lessons, held in collaboration with the National Assembly's Policy Analysis and Research Project, on 18th June 2010 at Transcorp Hilton, Abuja. Others were the Enugu Forum Policy Seminar on Climate Change and Sustainable Development held on 21st May 2009, and the Enugu Forum Policy Seminar on Sustainable Social Security, held on 15th October 2009. Moreover, staff and Associate Fellows of the Institute attended several national and international conferences, workshops and seminars. Institutional networking/partnership was enhanced with the signing of MoUs with African Technology Policy Studies Network (ATPS) Nairobi, Kenya and Centre for Economic and International Studies (CEIS), University of Rome, Italy, respectively.

In line with the need to disseminate the results of research and policy dialogue, the Research Paper Series and Enugu Forum Policy Papers recorded additional publications during the year. The Institute launched a new series - Macroeconomic Forecasting Working Paper Series. Macroeconomic Forecasting Working Papers constitute one line of outputs of the macroeconomic forecasting initiative – one of the flagship programmes of the Institute. The Papers in the series contain reviews, analyses and discussions relating to the theory, practice and challenges of designing and using macroeconomic forecasting models. The Series is designed to rapidly transmit less technical and more generalist information for the purpose of informing, enlightening and stimulating the scientific and policy-relevant discourse about macroeconomic forecasting issues.



Human resource development was stepped up during the year. The Peer Learning Seminar Series was strengthened as a win-win vehicle for training of staff and Associate Fellows on new research methods and tools. Besides, staff and Associate Fellows benefitted from several national and international training courses. The Institute also conducted training courses for clients, upon demand. The year witnessed increased frequency of requests for research, technical and analytical services of the Institute, its staff and Associate Fellows, by government ministries, departments and agencies, private sector and civil society organizations, international development agencies and overseas institutions.

The institutional support from IDRC think tank initiative was helpful for the upgrading of the ICT facilities and employment of additional staff including Project Associate, Communications and Stakeholder Relations Manager and Internal Audit Officer. Logistics and operational efficiency were also boosted with the purchase of an official minibus.

With this harvest of positive developments, the year 2009 marked a turning point in the life of the Institute. The year 2010 will be devoted to consolidating upon the achievements and successes during 2009. In line with the Strategic Plan – Project Leading Edge, our guideposts will be the enhancement of research and research networking, deepening of research links with policymaking and capacity development for improved organizational effectiveness and sustainability. Within this frame, the Institute shall develop a robust monitoring and evaluation system as an element of the organizational strategy to improve research outputs, research dissemination/communication and research uptake by policymakers. Overall, the outlook of the year 2010 is very bright.

Prof. Eric Eboh
Executive Director



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ACRONYMS AND ABBREVIATIONS

ADSI	African Development Solutions International
AERC	African Economic Research Consortium
AfDB	African Development Bank's
AGRUD	Agriculture and Rural Development
AIAE	African Institute for Applied Economics
ASEE	African Society for Ecological Economics
ATPS	African Technology Policy Studies Network
BEC	Business Environment and Competitiveness
BECANS	Business Environment across Nigerian States
BFM	Budget and Fiscal Management
CBN	Central Bank of Nigeria
CEAR	Centre for Econometric and Allied Research
CEDR	Centre for Entrepreneurship Development and Research
CEIS	Centre for Economic and International Studies
CEIS	Centre for Economic and International Studies
CSAE	Centre for Study of African Economies
DeIPHE	Development Partnerships in Higher Education
DFID	Department for International Development
ECA	Economic Commission for Africa
ECOWAS	Economic Community of West African States
EEC	Étude Économique Conseil
ESAMI	Eastern and Southern African Management Institute
EU	European Union
FCT	Federal capital Territory
GCON	Grand Commander of Niger
ICS	Investment Climate Survey



ICT	Information Communication Technology
IDRC	International Development Research Centre
IFPRI	International Food Policy Research Institute
IMF	International Monetary Fund
IPD	Initiative for Policy Dialogue
MAMF	Macroeconomic Analysis Modeling and Forecasting
MDAs	Ministries, Departments and Agencies
MDGs	Millennium Development Goals
MOU	Memorandum of Understanding
MPI	MDAs Performance Index
MTEF	Medium-Term Expenditure Framework
MTSS	Medium-Term Sector Strategy
NDDC	Niger Delta Development Commission
NES	Nigerian Economic Society
NGOs	Non Governmental Organisations
NISER	Nigeria Institute for Social and Economic Research
NUC	National Universities Commission
OPS	Organized Private Sector
OSSAP-MDGs	Office of the Senior Special Assistant to the President of Nigeria on MDGs
PARP	Policy Analysis and Research Project
PIDLAM	Poverty Income Distribution and the Labour Market
PPF	Policy and Programme Framework
PSEM	Public Sector Economics and Management
PSOs	Private Sector Organizations
RIMAS	Research Institute for Managing Sustainability
RMRDC	Raw Materials and Research Development Council
SD	Service Delivery
SENEC	South East Nigeria Economic Commission



SOD	Staff and Organisational Development
START	Systems for Analysis, Research and Training
STI	Science, Technology and Innovation
TRAPCA	Trade Policy Training Centre in Africa
TRIC	Trade Regional Integration and Competitiveness
UNDP	United Nations Development Programme
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNEP	United Nations Environment Program
UNICEF	United Nations Children's Emergency Fund
UNIDO	United Nations Industrial Development Organization
UNN	University of Nigeria, Nsukka
VAR	Vector Autoregressive Model
WB	World Bank
WBI	World Bank Institute's
WTO	World Trade Organisation



1.0 IDENTITY, MISSION AND OBJECTIVES

AIAE is a not-for-profit, independent international research organization. It is registered as Company Limited by Guarantee (Ltd Gte) in Nigeria in 2000, but started operations in 2001. The Institute is devoted to economic policy research in line with its mission to promote evidence-based decision making. Based on its research outputs, AIAE facilitates policy advocacy, conducts training and participates in knowledge-based networking. It also provides consultancy services to governments, national organisations, international development agencies and the Organized Private Sector (OPS).

The Institute has Board of Directors, comprising internationally accomplished and respected scholars and professionals. AIAE is based in Enugu, south-east Nigeria. It is headed by an Executive Director, working with a good number of research and administrative staff. Much of the research is carried out through a network of local and international experts who are affiliated to AIAE as Associate Fellows. Each expert has at least a Masters Degree in Economics, Social Sciences, Management or related disciplines.

What We Do

AIAE's operational approaches consist of five mutually reinforcing modules:

1. Frontier economic research and policy analysis;
2. Expert consortium on topical economic questions;
3. Evidence-based stakeholder policy dialogue;
4. Networking with national/international research institutions; and
5. Capacity building services to clients. The five modules are otherwise known as the FEENC approach.

Thematic Programme Areas

These approaches are applied across the five thematic research areas. They are:

- Trade Regional Integration and Competitiveness (TRIC);
- Macroeconomic Analysis Modeling and Forecasting (MAMF);
- Public Sector Economics and Management (PSEM);
- Poverty Income Distribution and the Labour Market (PIDLAM); and
- Agriculture and Rural Development (AGRUD).



The thematic groups are the building blocks of the research programme. They constitute the research hubs for producing frontier knowledge based on teamwork, international research networking, scientific validation and quality assurance.

2.0 GOVERNANCE AND MANAGEMENT

2.1 Board of Directors

The Institute is governed by a Board of Directors. Professor Eric Chiedum Eboh is the Executive Director.



Prof. Eric Eboh
Executive Director

2.2 Management and Human Resources

Staff: The Institute is headed by an Executive Director. Other staff positions include the Finance and Administrative Manager, Communications and Relations Manager, Research Coordinator, Deputy Research Coordinator, Programme Officers, Research Associates, Research Assistants, Senior Administrative Secretary, Internal Audit Officer, Administrative Assistants, Finance Assistant and the Librarian.

2.3 New Appointments In 2009

Prof. (Mrs.) Nkechi Mbanefoh was appointed the Project Associate. She will use her wealth of experience to track and document all activities and outputs of the research teams, liaise with team coordinators to ensure smooth and efficient running of the teams and track the work of the research teams to achieve the workplan and timetable of the programme, among others.



Mr. Sola Oluwadare also joined the Institute in November, 2009 as Communications and Relations Manager. Oluwadare holds Bachelor of Science (B.Sc.) and Master of Science (M.Sc.) degrees in Economics of the University of Ado Ekiti and the University of Ibadan, Nigeria respectively; specializing in public sector economics. A UNIDO trained media executive, Oluwadare was a co-winner of the maiden edition of the Nigerian Breweries Golden Pen Award and a member of the Nigerian Economic Society (NES). He is a prolific writer with special interest in human and public





management and public policy advocacy. As the AIAE's image-maker, he is responsible for coordinating and organizing the dissemination of the Institute's research to government, media, academia, private sector, civil society and international development agencies.

The Institute in December 2009 appointed **Mrs. Aka Olivia** as the Internal Audit Officer. Mrs. Aka holds Bachelor of Science (B.Sc.) degree in Accountancy from the University of Nigeria, Enugu Campus. She has attended several workshops and conferences targeted towards strengthening her functions in business and financial risk management.



Associate Fellows: Much of the substantive research work of the Institute is carried out through a network of experts within and outside Nigeria who are affiliated to the Institute as Associate Fellows. By the end of 2009, the Institute has two hundred and four (204) Associate Fellows each with at least Masters Degree in Economics Social Sciences and related disciplines. Fifteen (15) new members were admitted in the year.

Visiting Fellow: Ms Ijeoma Kathrin Onyeji was offered a one year research fellowship in the Institute from 1st December 2008. An economist with special interest in energy economics, she holds a B.Sc. in Applied Economics of the Université Paul Cézanne – Aix Marseille III in Aix en Provence, France, and M.Sc. in Economics and Econometrics from the University of Southampton, United Kingdom. As a Visiting Research Fellow at the Institute, she worked on the socioeconomics of energy poverty and access, renewable energy policy in developing countries, as well as energy and climate change adaptation. She also participated in the Institute's research seminars, training workshops and policy dialogues. Miss Onyeji completed her internship in December 2009.

3.0 STRATEGIC PLANNING – PROJECT LEADING EDGE, 2009-2013.

In year 2009, the Institute gradually began the implementation of the AIAE 5-year Strategic Plan, tagged "Project Leading Edge". It is a Framework Plan, against which the Institute can benchmark and evaluate its competitiveness edge, organizational development and operational effectiveness.



3.1 Motivation and Objectives

The philosophy behind the Strategic Planning exercise lies in looking beyond our current circumstances to see the possibilities that lie ahead and the huge potentials to realise them.

The Five-Year Strategic Plan 2009-2013, tagged “Project Leading Edge” was motivated by the desire to intensify the drive to achieve the founding vision and mission of AIAE. In fact, Project Leading Edge is AIAE Vision Intensified. Project Leading Edge is a 5-year Strategic Plan embodying AIAE niche goals, policy thrusts and programmatic priorities from 2009-2013. The Plan is the outcome of participatory review and planning process that involved all the Institute’s stakeholders. During the strategic planning process, AIAE management and Associate Fellows examined the progress and achievements in the past years, analysed the scorecard and determined the challenges, opportunities and strategic priorities in the years ahead.

Project Leading Edge builds upon significant strides for enhancing and sustaining AIAE’s leading-edge position in Nigerian and African economic research communities. The Plan articulates AIAE’s priorities and targets across the five thematic research areas. It provides the framework of research and programme priorities for the next five years. The framework is the basis of focusing institutional energies and galvanising research communities in a proactive and dynamic manner. Overall, the Strategic Plan seeks to enhance the relevance and impact of AIAE research and programmes in the coming years.

3.2 Process and Milestones

It would be recalled that, AIAE commenced the process of articulating a 5-year Strategic Plan 2009-2013, codenamed Project Leading Edge, in January 2008. By the end of September 2008, the draft Strategic Plan was ready. Project Leading Edge is a 5-year strategic plan that articulates AIAE’s niche goals, strategies and programmes from 2009-2013. The Plan is a medium-term strategy aimed at intensifying the achievement of the AIAE mission by consolidating upon past successes, making self-correction and taking advantage of current and future opportunities.

The purpose is to enhance AIAE’s competitive position in the promotion of evidence-based research in Nigeria and Africa. It provides the monitoring framework for benchmarking and evaluating sustainable organizational development and operational effectiveness. Project Leading Edge serves as a paradigmatic menu of priorities for consolidating achievements and learning lessons. The Plan articulates robust strategies and programmes that will bolster AIAE’s relevance and impact in a changing research and policy environment. The Strategic Plan indeed



symbolizes AIAE Vision Intensified.

Project Leading Edge originated from the Concept Paper on “Repositioning AIAE for the Leading-Edge”, prepared by the Executive Director, Prof. Eric Eboh, in January 2008. Towards developing the draft document, we created four subcommittees and a general drafting committee. The subcommittees include: research and study programmes; institutional capacity strengthening; networking and collaboration; and financing and resource mobilization. Using the template and guidelines contained in the Executive Director’s Concept Paper, the subcommittees undertook information gathering, brainstorming sessions/group discussions, strategy/programme reviews and drafting sessions. The template provided for the review of achievements, experiences and lessons since inception; analysis of key challenges and opportunities, strengths and weaknesses; and forward-looking to 2013 in terms of strategic priorities, programmes and actions. The draft reports of the various subcommittees were synthesized into a Strategy Document by the General Drafting Committee, led by the Executive Director.

The draft Strategic Plan was presented for consideration by the Board of Directors on 17 October 2008 at Abuja. The Board of Directors adopted the Strategic Plan for further reviews. Sequel to the meeting of the Board of Directors and to ensure wide consultation, an Associate Fellows Forum was convened specifically to review the Plan on 6 November 2008 at Enugu. The Strategic Plan has since been produced in a book available for all stakeholders in the Institute.

3.3 Research Strategy

The tenets of the research strategy over the next five years have been articulated as follows:

- Develop economic research and related studies with Africa/Regional applications, lessons and implications. The research and study programme will be articulated having in mind its usefulness for solving Africa-wide developmental problems/challenges such as regional integration and trade, macroeconomic stability and growth sustainability, poverty, infrastructure deficits and environmental degradation. Across the five thematic research areas, AIAE will address economic and developmental questions whose solutions can generate lessons and insights across countries.
- Strengthen research-based collaboration, networking and cooperation with African and pan-African research institutions. AIAE will seek and enter into lasting collaboration and networking with fellow African and pan-African research institutes and development agencies. The collaboration shall be underpinned by the need to solve Africa’s common



development challenges through the production and supply of research evidence for policies.

- Deepen research on impact of sub-national economic governance on macroeconomic conditions, poverty and sustainable development. Decentralization, the transfer of authority and responsibilities to sub-national jurisdictions, has been one of the central elements of the reform agenda in much of Africa. Sub-national jurisdictions are an important tier of government whose development policies and economic management impact significantly on the overall economy. Despite the fact that sub-national government spending is growing and accounts for almost 70 per cent of poverty-reducing spending in some countries, there is little research on the impact of sub-national governments in growth, poverty reduction and sustainable economic development.

3.4 Capacity Building Initiatives

The Strategic Plan describes AIAE's capacity building programmes for Staff and Associate Fellows.

The capacity building measures include the Peer Learning Seminar Series, Sponsorship of training for staff and Associate Fellows and collaborative MSc Degree in Economics/Applied Economics. In addition, the Plan provides for Research Fellowship programme for Young Scholars and Visiting Senior Researchers.

AIAE will also offer training consultancies to clients in response to clients' demand that aligns with our core capacities and competencies.

3.5 Research Networking

The Strategic Plan describes measures to enhance networking and collaboration with leading regional and international knowledge centres. Given its pan-African mission of providing intellectual leadership to help Africa through economic renaissance, AIAE will employ proactive networking measures as follows:

- Utilising available opportunities for collaboration and synergistic relations with comparable African economic research institutions;



- Situating itself strategically to enhance its competitiveness in research and programming within the context of growing competition for research resources in Africa and globally; and
- Identifying and harnessing strategic pan-African research and policy advocacy partnerships within the framework of existing and prospective global support for Africa's development.

AIAE will seek to foster the Forum of Independent Policy Research Institutes in Nigeria (FIPRIN). The Forum will promote alliance between independent policy research institutes in order to improve the relevance and impact of research in policymaking. FIPRIN will catalyse links between economic research and policymaking, enhance collaboration and coalition of policy research institutes, foster capacities for policy-relevant research, galvanise critical national constituencies for policy research and develop engagement and interaction between researchers and policymakers.

3.6 Required Resources and Mobilisation Techniques

The income profile reveals the dominance of research and studies, an indication that AIAE has earned the bulk of its income from its core mandate.

The Plan describes the human resource and financing requirements of the research and related programmes. More researchers need to be mobilised through regular employment by the Institute. On the whole, the Plan will cost about US\$ 17 million over the next five years. Potential sources of income as well as projected expenditures are identified and quantified. During the next five years, the prospects for improved income hinge on strategic institutional partnerships, niche programming, competitive knowledge products and demand-driven policy analytics. On annual basis, the budget rises from about US\$2.9 million in 2009 to US\$4.1 million in 2013.

3.7 Monitoring and Tracking

To allow for systematic tracking of outputs, outcomes and impacts of the Institute, the Strategic Plan outlines the programme implementation framework, showing performance milestones, indicators and targets. The performance of the Project Leading Edge shall be assessed and reported on an annual basis. The Associate Fellows Annual Retreat shall be the primary avenue for conducting self-assessment. The Strategic Plan embeds monitoring and evaluation (M & E) framework which will be revised and updated from time to time to reflect dynamic circumstances.



4.0 RESEARCH UNDERTAKEN IN THE YEAR 2009

4.1 Business Environment and Competitiveness across Nigerian States (BECANS II)

Purpose and Objectives

The goal of BECANS is to promote evidence-based policy and institutional reforms for better business environment across Nigerian states. The purpose of BECANS is to produce and disseminate authoritative assessment of business environment across Nigerian states. The major rationale is the paucity of independent regular assessments and monitoring of business environment parameters across Nigerian states. Without such assessments, policymakers lack the evidence bases to carry out reforms of policies and institutions; similarly, civil society and private sector organisations would not have credible information with which to engage with government authorities for improved investment climate. Overall, BECANS is intended to inform, guide and stimulate governments, private sector and civil society to promote business environment reforms at the state level.

Project Components

BECANS consists of mutually reinforcing and complementary components. The components are research, survey and dissemination. The research component involves the development of a domesticated framework of methods and indicators for assessing and benchmarking sub-national business environment and competitiveness in Nigeria. It also involves the testing and validation of the methods, benchmarks and indicators to ensure their suitability, reliability and efficacy. The survey component involves regular annual surveys to collect and update data and statistics on business environment and competitiveness (BEC) across states, as well as empirical evaluation of the indicators of business environment and competitiveness. The dissemination component involves the preparation of state-level business environment reports and national synthesis report on all states. The reports would then be communicated to elicit feedback and utilization.

Progress on BECANS II IN 2009

During the year 2009, the Institute intensified the implementation of the 2nd cycle BECANS. Like the first cycle, the second cycle follows successive stages starting from the review of the



research instrument, consultation and mobilization, collection of data, analysis of data and writing of reports. The second cycle builds upon the successes and lessons of the first cycle. The participation of stakeholders, particularly, state-level private sector and civil society organizations are being strengthened to ensure strategic engagement towards more effective and sustained advocacy. Also, engagement with state governments will span the entire gamut of the second cycle beginning from the review of the data collection template, supply of relevant data and cooperation with field assessors. Like the first cycle, the second cycle of BECANS engages with the state governments through their respective Ministries of Economic Planning or Planning Commissions.

Activities in 2009 include:

- Meetings of the Technical Working Group. The purpose of the meetings was to review, validate and fine-tune the data collection plan, survey instrument and data quality criteria. At the end of 2009, the survey planning and data instruments were ready.
- Consultations with federal and state governments and private sector organizations in the states and survey assessment visits to the states.
- Recruitment and training of field officers for data collection from across the 36 states and FCT. The training exercise took place on 28 October 2009 in Abuja.
- Launch of the data collection. The data collection is in two simultaneous paths. One is the collection of primary data from private sector operators and enterprise managers as well as from ministries, departments and agencies (MDAs) in the 36 states and FCT. The other is the search for and collection of secondary data/statistics from the relevant national institutions and agencies.
- Consultative and feedback meeting with Federal and State Governments' planning officials under the banner of the Joint Planning Board and National Council on Development Planning held on 9 December 2009, organised by the National Planning Commission. The meeting afforded opportunity to interact with Federal and State Governments' Economic Planning Officials for the purpose of disseminating the survey instrument and seeking their inputs and cooperation for the successful conduct of the survey exercise.



4.2 Investment Climate Survey in Nigeria

The Institute partnered with Étude Économique Conseil (EEC), Montreal (Quebec), Canada, to carry out Investment Climate Survey in Nigeria, for the World Bank's Regional Programme on Enterprise Development. An Investment Climate Assessment is a new tool aimed at providing insights, analysis and benchmarking for countries seeking to promote private investment and enterprise growth. Each assessment is based on a standardized establishment level survey methodology designed at measuring a number of investment climate constraints in a country and comparing the findings across countries. The main objective of the Investment Climate Survey (ICS) is to generate enterprise-level quantitative information that will help both Governments and the World Bank to assess the performance of firms and conditions that affect their competitiveness. The survey is underpinned by the need for firm-level evidence on the impact of policy reforms in respective countries.

The approach of the survey is structured face to face interviews of establishments in Nigeria. The survey covers establishments in all sectors of activity and sizes. Each industry has a different survey instrument (questionnaires) and is administered at the establishment level. The questionnaires are designed to seek opinions and information from the establishment's senior manager, accountant, and/or human resource manager. Several questions are designed to solicit managers' opinions on different aspects of the investment climate. Other portions of the questionnaire solicit information that is to be taken from the establishment's financial statements.

4.3 Macroeconomic Forecast Modeling Initiative

During the year, AIAE started Macroeconomic Forecast Modeling Initiative. The Initiative is designed to design and operationalise macroeconomic forecast model for Nigeria. This research task is being done under the Macroeconomic Analysis, Modeling and Forecasting (MAMF) Thematic Working Group of the Institute.

The modeling project that combines 'appropriate' frameworks for modeling that involves critical thinking on the model structure with an outreach programme that elicits and incorporates regular inputs from diverse end-user institutions and agencies. The approach is to adopt rigorous theoretical processes that incorporate recent developments in the model-



building literature with current developments in the economy and use these to analyze their present as well as make projections about their future trends and impacts. Secondly, using simulations, the model will make alternative assumptions about shocks and relate their implications for the evolution of selected macroeconomic indices in the economy in a way that informs the policymaker on available options to ensure minimal negative impact of such shocks on the economy. More importantly, the current model is designed to exist as a “going concern” to meet up with the challenges of policy shifts rather than be associated with a particular regime. In this regard the current work shall be regularly updated. A major value added is that the current model is self regulatory since the output from the forecasts will be disseminated and communicated to the end users on a regular basis.

The objectives of the modeling initiative are to:

- track trends major macroeconomic indices including gross output, inflation rate, money supply, interest rate, aggregate and sectoral credit supplies, savings rate, domestic investment, balance of payments indicators (trade balance, portfolio flows, foreign direct investment, etc) and reserves (the last only under assumption of market forces);
- evaluate impact of alternative government fiscal and monetary policy programmes on the above variables and interpreting their implications for the broad macroeconomic indices, with particular reference to growth;
- evaluate impact of various modes of shocks (particularly external) on the above variables and interpret their implications for broad macroeconomic indices;
- make projections on the future values of the above variables under alternative assumptions of the behaviour of agents and use such to gauge and project direction of economic welfare;
- provide a tool for the private sector to feed macro trends into their micro decisions and have better grasp and assessment of the implications of broader economic numbers on firm level performance;
- improve networking among institutions that work on modeling to better coordinate ideas and strengthen the input of evidence into policy as well as application of evidence-based policymaking;



- positively influence government fiscal and monetary actions through providing proactive dissemination of implications of alternative action plans on growth and welfare;
- improve interaction between the academia and policy makers and thereby increase the breadth of intellectual input into policymaking; and
- improve overall appreciation and understanding of methodologies and challenges in modeling African economies among academics, organized private sector and policymakers.

The expected outputs and impacts are conceived in such a manner that they meet the needs of the present, and are sustainably serve as reference for future work in modeling of the Nigerian economy. Consequently, outputs from the project will be a mix of analytical papers that assess and make projections of trends in the macro economy and consultative meetings that bring together relevant stakeholders and end users of the products from the classroom work. Some of the expected outputs from the project include:

- **Research Papers:** in line with the mission and culture of the Institute, research paper that consist outcomes of literature surveys, qualitative assessments and quantitative analyses of trends in the economy shall be produced. Most of such research papers shall be published as AIAE working papers. In many cases, they shall depict efforts to timely transmit information emanating from the different segments of the project to the general public even before final works have been concluded. This ensures that some findings are communicated to those that need them before they get overtaken by events while the larger work is still being undertaken;
- **Journal Articles:** As an academic institution, findings from different segments of the project shall ultimately be sieved and compiled into publishable formats in reputable journals. The preparation of such journal articles shall take different approaches and be based on the different findings of the project. But on the whole, the target audience of such journal articles shall be professionals in the field of economic and related sciences.
- **Quarterly Economic Forecasts:** This is the principal output of the macroeconomic modelling project. The Quarterly Economic Forecast Journal is expected to be a prime publication of the African Institute for Applied Economics and is to be issued quarterly.



It shall summarize the major developments in the economy and have a section that shall outline the forecasts for the next quarter and beyond based on estimates from the model. It is expected that such quarterly publication shall be the major outlet through which AIAE fulfils one of its key objectives of providing intellectual support to the emerging Nigerian economy, driven by the private sector. It will be a reference point for public policy as well as private decision-making and shall serve as the principal means of disseminating the Institute's intellectual concerns to the general public. As such, the publication shall aim to be as comprehensive, but succinct as possible. Unlike the journal articles therefore, it shall aim at the non-economics public. The language and packaging shall appropriately reflect this focus.

- **Book Publication:** In addition to the research papers, AIAE intends to regularize model-building in Nigeria. This implies designing a systematic process of communicating, not just peculiarities and challenges, but also prospects and opportunities of modelling in Africa as well as assembling experiences of different researchers both within and outside Nigeria on modelling. This, in our view, can best be achieved through book project(s) that target a larger audience of students, the academia, policymakers and the private sector. Such book projects generally have larger reach within the local communities than journal articles. As such, the Institute will undertake at least one major book project that will be the outcome of the efforts under this project.
- **Training and Capacity Building:** capacity building will be a major component of the AIAE modelling project. There will be two major segments of training delivered under the project. The first will consist of students with the prospects and interests to pursue a career in modelling or are involved in projects that involve analytical models. The second set will consist of policymakers and private sector decision agents that intend to improve their skills on interpreting and/or using set models to forecast important aggregates. The delivery mode will usually be diverse; the aim however, remains to multiply the skills and equip different segments of the society to not only appreciate but also adopt the culture of evidence-based analysis and decision making that modelling naturally involves.
- **Policy Dialogue and Stakeholder Consultation:** As earlier noted, one of the major challenges facing models in Nigeria is the lack of update mechanism. Such lack arises mainly because the demand for the models ends with the first client that requests for it.



As such, one means that will be adopted to make AIAE model sustainable is to regularly involve end users in the process. This will be achieved through encompassing advocacy meetings. Such meetings shall regularly be structured as national modeling workshops in which other modelling institutions can be invited to present findings from their models for brainstorming purposes. But in addition, targeted meetings with specific policy institutions like the National Planning Commission, Central Bank of Nigeria, the Nigerian National Petroleum Corporation, the Debt Management Office and Bureau of Public Enterprises as well as selected private sector organizations shall be instituted to more appropriately communicate implications of model outputs and policy choices they present.

- **Networking:** Under the AIAE modelling Project, networking shall not only be seen as a means to an end, but also an end in itself. This is primarily because one major reason why model-building efforts of many institutions in the past failed is the lack of appreciation of what is going on elsewhere. Consequently, many models in Nigeria lack synergies with either past efforts or other ongoing ones. While diversity remains a desirable characteristic of models within any nation, it is important not to duplicate efforts in one area. But more so, it is important that outcomes from different efforts benefit from criticisms and inputs from others and that a culture of healthy competition is developed among model builders in the country to ensure continuous improvement in the quality of the end product. This generally augurs well for intellectual and economic growth. In addition, the world has shrunk in space owing to technology and it is easier to compare works and experiences across long distances in short periods. With global economies being interlinked, it becomes important that a modeling programme in Nigeria should equally benefit from experiences from other parts of the world. As such, collaboration and networking under the AIAE modeling project shall not be limited to only institutions in Nigeria but shall be extended to global institutions involved in model building and use.
- **Paradigm shift in modelling approach:** The intended overall impact of these outputs is a change, not just in the modelling culture, but also in the appreciation and use of models (and by extension other aspects of quantitative data inputs) into private and public decision making. While the programme will generate forecasts, the process of delivering on such products is equally important in the design of this project. So, there will be deliberate efforts to ensure rich intellectual component of the project through the



different products aimed at impacting students and the academia. But the project is equally interested in tweaking the lens through which the policymaker views products from the academia. These, of course, are in addition to meeting the earlier identified needs of the private sector to have a regular means of tracking, not just the past and present trends in major macroeconomic indices, but also of gleaning into their future under alternative scenarios

4.4 Macroeconomic Modelling Research Collaboration with Central Bank of Nigeria (CBN), Centre for Econometric and Allied Research (CEAR) and Nigerian Institute for Social and Economic Research (NISER)

During the year under review, AIAE's macroeconomic modelling collaboration with the Central Bank of Nigeria (CBN), Centre for Econometric and Allied Research, Ibadan and Nigerian Institute for Social and Economic Research, Ibadan made significant progress. The purpose of the project is to develop operational and up-to-date macroeconometric model of Nigeria, as a means to solve monetary policy questions facing the Central Bank of Nigeria.

The CBN model (CBNM) is specifically designed to address three main policy issues: the relationship between the monetary and the real sector; illuminating on the effects of fiscal policy shocks; and systemic responses of macroeconomic variables to oil shocks in the economy. Conceptually, the model is a departure from the traditional approaches built strictly upon conventional economic modelling theories. Rather, the model is aligned to the eclectic features of the Nigerian economy, while maintaining the critical macroeconomic theoretical foundations.

The model is a large-scale macroeconometric model. The model has seven blocks (sectors): the aggregate demand block; supply block; government block; price block; monetary and financial block; and external block. It has thirty six (36) behavioural equations and forty four (44) identities. The non-mean reverting character of the Nigerian macroeconomic data was accommodated by applying the conventional unit root statistics to stationarize the data. The data is a quarterly series from 1985 Quarter 1 to 2008 Quarter 4.

The project has three phases. The project commenced in 2008 with a series of seminars on the macro-economy and the macroeconomic data landscape. The seminars were addressed by relevant government ministries, departments and agencies (MDAs) including the National Bureau of Statistics (NBS), Budget Office of the Federation (BOF), National Planning Commission (NPC), and Monetary Policy Department of CBN. Resource persons from AIAE and other



collaborating research institutions also addressed the seminars. AIAE gave seminar on the South Africa inflation targeting model and the effectiveness of using the Bayesian approach in solving the model.

The year 2009 was devoted to doing model design, model specification and model estimation - in and out-of sample simulation. The final phase will be study visits to four Central Banks in countries with comparative modelling experience - Chile, Brazil, Malaysian and Indonesia. The study visits are scheduled for 2010. The visits would provide opportunity for sharing of experiences, peer review and cross-fertilisation of ideas between the modelling team and those of the other comparative countries. Following the visits, the model will be presented to the academia and research community, development partners particularly the WB and IMF, for the purpose of eliciting further expert inputs.

4.5 Benchmarking Studies of Ministries, Departments and Agencies (MDAs)

Consolidating upon its feat in pioneering the scientific benchmarking of policy and institutional reforms as well as business environment across Nigeria States since 2005, the African Institute for Applied Economics (AIAE) has developed a benchmarking model for evaluating performance of government ministries, departments and agencies (MDAs) in Nigeria. The MDAs benchmarking tool is another feat in policy-oriented modelling to support reforms in Nigeria. The MDAs tool comes on the heels of a similar paradigm for benchmarking business environment across Nigerian States (BECANS) which was launched in 2007 by His Excellency, Dr. Goodluck Jonathan, Vice President, Federal Republic of Nigeria. The MDAs benchmarking template was produced under the auspices of the National Planning Commission.

The goal of the MDAs benchmarking model is to promote public service reforms through evidence-based independent monitoring and assessment of government ministries, departments and agencies (MDAs). The Ministries, Departments and Agencies (MDAs) are the vehicle by which federal and state governments formulate, implement and monitor policies, regulations and service delivery. The benchmark model is designed to provide a credible standard monitoring tool for measuring current and future performance of government institutions in the country.

The MDAs Performance model defines institutional governance and reform compliance along four benchmark pillars or benchmarks. The benchmarks cover the critical factors that potentially impact the efficiency, transparency, accountability, effectiveness and



responsiveness of MDAs. Every benchmark is divided into factors, reflecting the criteria or requirements for analyzing/computing the benchmark. The number of criteria varies across the benchmarks. The overall measuring scale of the quality of institutional governance and reform compliance is the MDAs Performance Index (MPI).

The four benchmarks are: policy and programme framework (PPF); budget and fiscal management (BFM); staff and organisational development (SOD); and service delivery (SD). These four benchmarks reflect the critical requirements for effective functioning of government institutions in the country. The benchmarks, collectively and individually, represent yardsticks by which a government ministry, department or agency can be said to be performing well or not. The monitoring tool can be used for government own-monitoring as well as for independent monitoring by non-governmental agencies, private sector organisations and other non-state stakeholders.



4.6 The Databank Initiative

Origin and Purpose

AIAE established the Research Databank in 2006. The purpose of the Databank is to develop and maintain an ongoing robust, credible and up-to-date statistical database. The databank consolidates macroeconomic, microeconomic, social sector and human development indicator in a coherent and cumulative manner. Since inception, the Databank has been undergoing constant updating and enhancement to make it more useful, accessible and comprehensive. The statistical database is a critical research resource. It is intended to make research more efficient and effective at the Institute. The Databank is managed by a coordinating team. The team is charged with the function of mobilizing statistical information from various sources, conducting data verification and transformation as well as updating them as and when due. Today, the Databank provides the Institute's researchers with quick, convenient and inexpensive access to verifiable datasets on various economic and development indicators. The Databank is also a ready statistical resource for government, academia and private sector.

Methodology

The Databank Unit employs inventive methods to source and organize data into meaningful and usable datasets for research and related uses. It assembles and harmonizes existing data from government statistical agencies, international agencies and other statistical organizations. It draws data also from existing primary surveys of the Institute and other research institutes. It carries out data transformations based on data history and theoretical framework. It uses literature based on the behavioural pattern and general acceptability of data (as proxy and indicator) and their relationship with social, political and economic variables to develop a specific indicator.

Sources of Data

The sources of the data for the Databank include official Nigerian government sources such as the National Bureau of Statistics, Central Bank of Nigeria, National Planning Commission. Other sources include the international agencies such as the World Bank (WB), United Nations Development Programme (UNDP), International Monetary Fund (IMF), World Trade Organisation (WTO), Economic Community of West African States (ECOWAS) and others. Also, the Databank Unit undertakes data transformation based on data history, while adopting interpolated and extrapolated data techniques.



Progress in the Year 2009

As at December 2009, the Databank has over 7,092 indicators: time series and cross sectional. The bank contains 209 sub-data generic names, 23 Sources (including AIAE transformed data and surveys). There are 13 generic names as follows: macroeconomic indicators, agriculture, health, migration, labour, governance, corruption, elasticities, energy (including the 2008 monthly energy review), trade, human development indices, human poverty indices and population. The traditional indicators constitute 30 percent of the total data while the transformed data, based on data history formed 60 percent. The remaining 10 percent are primary data.

The bulk of the data in the database are disaggregated into quarterly and monthly series (from 1960-2008). Recent developments about the Databank include the increase in the number of AIAE-transformed database, extension of the base data set and the introduction of DevInfo software where the data is being uploaded for easy access and retrieval. The data bank group was able to develop a peculiar DevInfo template called the AIAE-DevInfo template containing all the indicators in the AIAE data base. This AIAE-DevInfo template is developed around the five thematic groups in the database namely: AGRUD, MANF, PSEM, TRIC and PIDLAM. The next phase of the process is data entry into the the template. It started during the year 2009. It is expected that the Databank Unit will produce the DevInfo databank in the coming year 2010.

4.7 Peer Learning Seminar Series

In line with the Institute's resolve to provide regular training and skills enhancement for its Staff and Associate Fellows, Mrs. Zubie-Okolo, PME Specialist, UNICEF A Field Office, Enugu was invited by the Institute to make an in-house presentation on the Use of DevInfo as a development database management software. The Learning event held on in February 2009. After the session, the Institute resolved to adopt DevInfo as its database management software and to develop skills on the use and application of the software for the management of the Databank.



Participants after a Peer Learning Seminar

Towards consolidating the gains of the initial training exercise, the UNICEF A Field Office, Enugu partnered with the Institute in more intensive training and hands-on management of the DevInfo data management resource. To this end, UNICEF conducted for the Institute two more rounds of four-day training sessions on the DevInfo software between March and May, 2009. Through this partnership, the Institute has developed staff capacity in the administration and use of the DevInfo software.

Also in April 2009, Dr. Moses Oduh of the Department of Economics, University of Nigeria, Nsukka, and a Research Fellow in the Institute made a presentation on Data handling and time series modeling during a Peer Learning session.



Mr. Emmanuel Nwosu

In the May edition of the Peer Learning seminar, Mr. Emmanuel Nwosu of the Department of Economics, UNN made a presentation on the title: *Panel data modeling – issues, challenges and benefits*

The June edition of the Peer Learning Series held with a presentation made by Chief Emeka Godwin Ofili of the National Bureau of Statistics, Abuja on *National Accounts Compilation: Issues and Challenges*.



Participants at the Peer Learning Session on National Accounts Compilation

In the July edition of the Peer Learning Seminar, Mr. Friday Kanu Ohuche of the Central Bank of Nigeria, Abuja Office, made a presentation on the topic: *Financial Programming and Policy – the CBN experience*; while in August, Dr. Charles Chibundu Ezema of the Central Bank of Nigeria, Abuja Office made a presentation at the Peer Learning Seminar on the title: *Monetary Policy Framework in Nigeria – Formulation and implementation challenges*.



Mr. Friday Ohuche



The last edition of the Peer Learning Seminar for 2009 was held in September as a result of many activities that took several key personnel of the Institute out of Enugu. In this edition of the Peer Learning Seminar, Mr. Chinedum Nwoko of Policy Associates, Abuja made a presentation entitled: Public Expenditure Management Frameworks: *theories and applications in Nigeria*.

4.8 Other Training Activities

Training of Field Officers for BECANS II

The Institute organized training workshop for the field officers involved in the Business Environment and Competitiveness Across Nigerian States, second cycle (BECAN II), from the six geo political zones of the country. The workshop was held on the 27 to 28 October, 2009 at Valencia Hotels Abuja, Nigeria. The basis for the workshop was to equip the participants with the necessary skill required to collect and analyze data and also to create synergy among the field officers for a common goal. The facilitators at the workshop included; Professor E.M. Igbokwe, Dr. (Mrs.) A.I. Achike, Dr. Vincent Onodugo, Dr. Jones Lemchi and Mr. Oliver Ujah. Forty two field officers and four AIAE staff attended the workshop.



Members of the BECANS Team and Enumerators at the Enumerator's Training in Abuja



4.9 Staff Training

From July 1-3, 2009 Emeka Celestine Nzeh attended training on **“Marco Economic Policy Modeling and Analysis in Nigeria: Emphasis on Agriculture led Growth and Poverty Reduction”** organized by **International Food Policy Research Institute, (IFPRI)** at National Bureau of Statistics, Abuja.

Dr. Uzochukwu Amakom, a Research Fellow attended series of workshop which included;

- Methodology Workshop Series, Training the Trainers with the Theme: Quantitative and Qualitative Methods in Social Science Research, Ndiambour Hotel, **Dakar, SENEGAL**, October 26–30, 2009
- Workshop on the Deployment of Medium-Term Sector Strategy (MTSS) and Medium-Term Expenditure Framework (MTEF) in the Niger Delta Development Commission (NDDC) by 2010 for Members of the National Assembly; NDDC Board Members and the Management of NDDC held at Landmark Hotel, Worlu Street, Off Olu Obasanjo Road, **Port Harcourt, Nigeria**, September 25-26, 2009.
- National Training of Trainers/Sensitization Workshop for Child State Directors on Child Development on **“The Effective Operation of Children Parliament”** organised by the Federal Ministry of Women Affairs and Social Development in collaboration with the United Nations Children Fund (UNICEF) held at Roban Hotels, Enugu, August 3-5, 2009

Mr. Oliver C. Ujah, the Deputy Research Coordinator participated in a workshop on **“Evaluation of Sustainability”** held at the University of Basque Country, Bilbao, Spain between July 6-10, 2009. The training was organized by the Department of Applied Economics, University of Basque Country in conjunction with Research Institute for Managing Sustainability (RIMAS), Vienna, Austria. His participation in the workshop was at the instance of a scholarship by European Union (EU) after a successful 4-month e-learning course on the subject. The focus of the training was on evaluations in the specific context of sustainable development.



Oliver Ujah other participants at a workshop on Sustainability held at the University of Basque Country, Bilbao, Spain.

The Librarian, Miss Queeneth Anyanwu attended a one week conference at Jogor Centre, Ibadan, Oyo State between July 26th – 31st, 2009 (47th NLA National Conference and General Meeting).

The Administrative Secretary, Mrs. Beatrice Ndibe attended a training workshop tagged 'Information Technology Workshop for Executive Secretaries and Personal Assistants'. The workshop which was organized by the Nigerian Institute of Management held in Abuja on July 13 – 17, 2009.

Mr. Amaechi Chukwu, a researcher in the Institute attended a two-months training course on Trade Policy and Trade law at the prestigious Trade Policy Training Centre in Africa (TRAPCA). The training which held at Eastern and Southern African Management Institute (ESAMI) campus in Arusha, Tanzania lasted from October 3rd to November 28th 2009. The training was co-sponsored by TRAPCA and African Institute for Applied Economics as part of a regional effort by TRAPCA in raising the trade policy capacity in Africa as well as effort on the part of the African Institute for Applied Economics to strengthen the Trade, Regional Integration and Competitiveness (TRIC) thematic Desk of its research department. Following that, Mr. Chukwu also attended the World Bank Institute's (WBI)/TRAPCA course on Preferential Trade Agreements for Development: Issues and Implications. The course ran from 30 November - 4 December 2009 and also held at TRAPCA/ESAMI campus.



Amaechi Chukwu and other participants at the TRAPCA course in Arusha, Tanzania

5.0 NETWORKING, OUTREACH AND AFFILIATIONS

5.1 Associate Fellows Network

The research network of the Institute connects Associate Fellows within the five thematic groups. These thematic groups are the research hubs of the Institute. They serve as research workshops for generating critical frontier and applied knowledge in line with the mission of the Institute.

The Institute's Associate Fellows is a networking model that has proved to be a very credible and beneficial platform. The networking arrangement provides rich opportunities for intellectual self-enhancement, academic interaction and mutual learning. The thematic groups constitute the research hubs of the Institute.

There is a mutual relationship between the Institute and its Associate Fellows. The Associate Fellows constitute the critical mass of intellectual resources from which the Institute draws for research and consultancy activities. The Institute benefits from the diversity of skills and expertise of Associate Fellows. On the other hand, the Institute provides Associate Fellows with institutional platform for networking, research programming and capacity building and career advancement. By the Institute's research network, Associate Fellows have a credible platform for international networking with scientific institutions, research organizations and academic and professional societies.



The Associate Fellows Network has contributed to strengthening scientific capacity of members. Through its research networking, AIAE has impacted positively in connecting researchers to national and international knowledge centres. Our programmes have provided opportunities for academics, scientists and researchers to conduct problem-solving research. In addition, AIAE's library facilities have continued to offer up-to-date literature on economics and development. Post-graduate students and users from different parts of the country have benefitted from the library resources.



A Cross Section of Associate Fellows at the Fellows Retreat and Conference in Enugu

The Associate Fellows Retreat for the year 2009 was held on 20 February, 2009 in Enugu. The theme was *Project Leading Edge: From Blueprint to Reality*. The total number of participants was 110. The Retreat featured a Welcome Address by the Executive Director, Prof. Eric Eboh and presentation titled ***Project Leading Edge as Vehicle for Mission Accomplishment***. The key presentation was given by an Invited Guest- Prof. Osita Ogbu - former Chief Economic Adviser to President. Speeches were also given by Former Governor of the Central Bank, Prof.



Chukwuma Soludo, Dr. Ifediora Amobi, Senior Special Adviser to the Vice President on National Development Matters, Dr. Kevin Urama, Executive Director of the African Technology Policy Studies (ATPS) and Prof. Akpan Ekpo.

5.2 The South East Nigeria Economic Commission (SENEC) Initiative

In 2009, SENECA build on these milestones. It took off in the year with a visit to the Chairman of Conference of South East Governors and the Executive Governor of Anambra State, Mr. Peter Obi to update him on the activities of SENECA. The climax of SENECA activities in 2009 was the decision by the Coordinating Group to hand over the registration of SENECA to the committee of Attorney-Generals of five South East States as well as the signing of the Memorandum of Understanding for the establishment of SENECA by three out of the five Governors of South East States.

5.3 Partnership, Networks and Affiliations

- **International Development Research Centre (IDRC):** AIAE joined the network of 24 African Think Tanks under the Canada's International Development Research Centre (IDRC) Think Tank Initiative IDRC is one of the world's leading institutions in the generation and application of new knowledge to meet the challenges of international development. The policy research institutions were selected from 11 East and West African countries, including Benin, Burkina Faso, Ethiopia Ghana, Kenya, Mali, Nigeria, Rwanda, Senegal, Tanzania and Uganda.
- **African Economic Research Consortium (AERC):** AIAE Associate Fellows are active participants in the research programme of the AERC, Nairobi, Kenya. The Institute also receives institutional support in the form of book grants from AERC. During the year, AIAE intensified institutional partnership with AERC in capacity building, institutional development and research networking.
- **Centre for Study of African Economies (CSAE), Oxford University, UK:** The Institute collaborates with the CSAE in a number of areas including training, economic research, publications and capacity building.
- **African Society for Ecological Economics (ASEE):** The Institute is exploring arrangements to conduct collaborative research with member organizations of the African Society for Ecological Economics. Joint research projects are being prepared in response to



international calls for proposals.

- **African Technology Policy Studies (ATPS) Network:** AIAE's institutional partnership with ATPS for the purpose of deepening technology policy research in Africa was strengthened in 2009. During the year, AIAE and ATPS co-hosted 2009 International conference on the theme: "Africa's Response to Global Challenges through Science, Technology and Innovation".
- **Initiative for Policy Dialogue (IPD):** The Institute collaborates with the Initiative for Policy Dialogue, under the auspices of Prof. Joseph Stiglitz, Nobel Laureate and member of AIAE Board of Directors.
- **Centre for Economic and International Studies (CEIS):** The Institute entered into Memorandum of Understanding (MOU) with CEIS, an internationally recognized research centre in the Faculty of Economics, University of Rome during the year. While Professor Eric Eboh signed on behalf of the AIAE in September 24th 2009, Prof. Giovanni endorsed the document for the University.

6.0 PUBLIC POLICY DIALOGUE AND CONFERENCES ORGANISED/CO-ORGANISED BY THE INSTITUTE

6.1 National Policy Symposium

The Institute, in collaboration with the Policy Analysis and Research Project (PARP) of the National Assembly held a National Policy Symposium on the Global Economic Recession and Challenges for Nigeria on 18th of June, 2009 at the Transcorp Hilton, Abuja. The Symposium provided a forum to carry out a critical analysis of evidence based knowledge to differentiate between the 'right' and 'wrong' lessons garnered from the global economic crisis. This distinction is expected to help federal and state governments avoid the risks of making mistakes in assimilating these lessons. It also aimed at providing evidence-based knowledge for advocacy by private sector and civil society groups across the country. The Symposium which had His Excellency, Dr. Good luck Jonathan, GCON, Vice President of the Federal Republic of Nigeria as the special guest of honour was attended by Senator Ike Ekweremadu, Deputy Senate President, Dr. Osita Ogbu, Former Economic Adviser to the President/Chief Executive, National Planning Commission and Prof. Mike Obadan of the University of Benin in attendance. The programme described as landmark event helped to generate a better understanding of the



implications of the global recession for Nigeria while providing a platform for policy dialogue on options and challenges for responding to the crisis. The papers presented at the Symposium are being developed into a book, with funding from DFID. The book will be published in the year 2010.



Participants at the Policy Seminar on the Global Economic Crisis, in Abuja

6.2 Enugu Forum (Development Policy Forum)

Enugu Forum is a civic platform, created and run by the Institute, for evidence-based policy advocacy. The purpose is to debate, propose and advocate policy options based on concrete evidence and sound analysis. It brings together diverse stakeholders including government officials, private sector operators, civil society groups, independent think-tanks, academics and NGOs to exchange views and examine critical social and economic issues affecting the country. It seeks to promote stakeholder interaction and shared understanding of policy alternatives. The primary objective is to create and sustain a platform for promoting the interactions among researchers, professionals and policy makers,



The Four Discussants at the Policy Seminar

thereby enhancing the links between research and policy making process. Its members include non-governmental organizations (NGOs), private sector organizations (PSOs), business



associations, religious (faith-based) organizations, professionals, academics and researchers, businesspeople and government technocrats. It is supervised by a Steering Committee and managed by a Coordinating Committee hosted by the Institute.

The Institute held the first edition of Enugu Forum on 21st May, 2009 at Sunshine Guest House Annex; Ebeano Housing Estate Enugu in collaboration with New Millennium Foundation (NMF). The theme was, “Implications of Climate Change for Nigeria’s Growth and Sustainable Development”. Prof. Anyadike, a professor of Geography at the University of Nigeria, Nsukka, Dr. Nicholas Ozor, a lecturer at the Department of Agricultural Extension . Mr. Chidi Magnus Onuha, an Associate Fellow of AIAE, Mr. Oliver Ujah, a Research Fellow at AIAE formed part of the discussion panel. The Forum was attended by Associate Fellows, state government officials, public policy analysts, members of the academic community and the general public.

The second edition of the Forum was held on 15th October, 2009 last year. The theme of the edition was, “Inclusive and Sustainable Social Security in Nigeria”. Various discussants agreed that social security systems were justified by the empirical failure of economic policies and development paradigms which assume, what it called, automatic trickle-down effects. It was also submitted that that recent institutional and policy reforms in social security, particularly in pensions and health insurance, are commendable and many social assistance schemes that target the vulnerable segments of society such as the aged, sick, unemployed, homeless, disabled and poor often do not inspire public confidence because of low accountability and transparency .The seminar attracted 120 participants all over the country.



Dr. Nwafor, the Lead Discussant



6.3 Conference on Global Challenges through Science, Technology and Innovation (STI)

The partnership between the Institute and African Technology Policy Studies (ATPS) waxed stronger during the year as the duo organized a conference with the theme, “Africa's Response to Global Challenges through Science, Technology and Innovation”. At the programme held at NUC, building Abuja on November 24-27, 2009. The Executive Director, Prof. Eric Eboh led a team of AIAE's staff including; Professor Nkechi Mbanefoh, Mr. Chiwuike Uba, Mr. Sola Oluwadare, Mrs. Aka Olivia and Mr. Emeka Celestine Nzeh to participate in the conference. Professor Eboh presented a paper on, “Towards an Integrated Policy Response to Global Financial Crisis, Climate Change, Environmental Degradation and Poverty through STI: Avoiding Type 1 and Type 11 Errors.” He was also one of the Lead Discussants in other topics. Mr. Emeka Nzeh also presented a paper titled “Study of Technological and Farming Systems Adaptation to Climate Change in Farming Communities of Enugu State, Nigeria”. Professor (Mrs.) Nkechi Mbanefoh gave the AIAE's goodwill message and was also nominated to work with a team of experts who distilled the various presentations and produced their highpoints read to and adopted by the Conference.



From left - Emeka Nzeh staff of AIAE with other participants during the ATPS conference/workshop held in Abuja.

6.4 Workshop on Climate Change

The Institute collaborated with global change Systems for Analysis, Research and Training (**START**), Development Partnerships in Higher Education (**DelPHE**), and University of Nigeria,



Nsukka (UNN) during the year to organize a workshop to sensitize the University Community on the need for a revised of University Curriculum that accommodates climate change issues in its programmes in the relevant Faculties of the University. Emeka Nzeh, who represented AIAE, presented a paper with the theme, ***“Influencing Curriculum Development and Knowledge of Climate Change Issues at the University of Nigeria Nsukka and Environs”***. It was held on 3 December 2009 at the Centre for Entrepreneurship Development and Research (CEDR) Auditorium, UNN.

International Conferences, Seminars and Workshops Attended by Staff

- Prof. Eric Eboh was a resource person at the International Ad Hoc Experts Group Meeting on “Financing for Development and Fiscal Policy” held from 16-17 February 2009 in Abuja, Nigeria. The meeting was organised by the United Nations Economic Commission for Africa (UNECA), Addis Ababa, in collaboration with United Nations Development Programme (UNDP), Nigeria. The meeting was convened to deepen African member States understanding of the nexus between fiscal policy and development finance. In particular, it was expected to shed some light on the challenges as well as the prerequisites for successful mobilization of domestic resources and the role that fiscal policy can play in this area. The outcome of the meeting was designed to feed into the documents to be prepared for the 2009 ECA Conference of African Ministers of Finance, Planning and Economic Development.
- Prof. Eric Eboh attended the Stakeholder Workshop on “Enhancing Agricultural Productivity and Responding to the Global Food Crisis in Nigeria”, 24-25 February 2009, Abuja. He presented a paper titled “Governance Structure in Agriculture: Appropriate Roles for Federal, State and Local Governments”. The overall objective of the Stakeholder forum was to define a long term pattern for sustainable agricultural development. The specific objectives were: to review the performance of the agricultural sector in promoting non-oil growth in Nigeria; to assess the impact of the global food crisis in Nigeria and articulate strategies to mitigate potential impact and to articulate strategies to enhance productivity in agriculture and enhance food security. The Workshop was organised by the Federal Ministry of Agriculture and Water Resources in collaboration with the Food and Agriculture Organisations and World Bank Country Office.
- Prof. Eric Eboh was a resource person at the Conference on “The role of sub-national jurisdictions in efforts to achieve the Millennium Development Goals (MDGs) in Africa”, Jointly Organized by Federal Ministry of Finance of Nigeria, Office of the Senior Special Assistant to the President of Nigeria on MDGs (OSSAP-MDGs), and The United Nations



Economic Commission for Africa (UNECA) in collaboration with The World Bank, 7-9 May, Abuja, Nigeria. The objective of the Conference was to contribute to a deeper understanding of the place and contribution of sub-national jurisdictions/governments in the efforts to advance the MDG agenda in Africa. The Conference addressed two key questions: First, what does the scorecard on the contribution of sub-national governments to efforts towards reaching the MDGs in Africa look like? Second, how can sub-national jurisdictions play a more effective role in efforts to achieve the MDGs?

- Prof. Eric Eboh, Executive Director, represented AIAE at the Conference of East and West African cohort of selected institutions under the IDRC Think Tank Initiative, held from May 11-13, 2009 in Dakar, Senegal. The objectives of the Conference were: to promote an opportunity for peer learning and networking among grantees and lay the foundation for a community of excellence; receive initial input and feedback from grantees on strategies for rolling out the program in East and West Africa; and provide an opportunity for engagement and networking with high-level policymakers, donors and other development actors.
- While attending the Conference of East and West African cohort of first set of grantee institutions under the IDRC Think Tank Initiative, the Executive Director also participated in the African Development Bank's (AfDB) Annual Meetings of 2009, held in Dakar from May 10-14 2009.
- International Conference and Capacity Building Workshop on Africa's Responses to Global Challenges through Science, Technology and Innovations, 24-27 November 2009, Abuja, Nigeria. AIAE was one of the co-organisers of the Conference. Others include African Technology Policy Studies Network (ATPS) and its partners, the United Nations Human Settlements Programme (UN-HABITAT); the United Nations Environment Program (UNEP); The Raw Materials and Research Development Council (RMRDC) of the Ministry of Science and Technology, Federal Republic of Nigeria; and the World Bank Science and Technology Education Post-Basic (STEP-B) Project, Nigeria; the National Universities Commission (NUC), Federal Republic of Nigeria; African Institute for Applied Economics (AIAE) and the African Development Solutions International (ADSI). The Conference was designed to identify and prioritize strategies for African countries to respond to the triple global challenges of poverty, climate change and global financial crisis through Science, Technology and Innovation (STI). The Conference examined the triple challenges of global financial crisis, global poverty and climate change and the capacity of African science and technology to respond to these challenges. Critical cross-cutting issues that underpin Africa's response to these challenges were discussed. They include intellectual property rights and knowledge appropriation strategies, socialization of science and technological research and innovation policy in Africa; and models of innovation systems that will catalyse the efforts of African scientists and government to

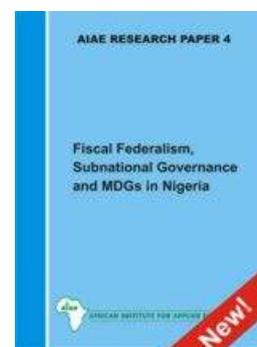


attenuate the crisis of development. Prof. Eric Eboh presented a paper titled “Integrated policy response to the global financial crisis, climate change, environmental degradation and poverty through STI: Avoiding Type I and Type II error”. In addition, he served as Discussant for other technical papers delivered at the Conference/Workshop.

7.0 PUBLICATIONS

7.1 AIAE Research Paper Series

AIAE Research Paper Series presents technical research results from work done by the Institute and/or its Affiliate scientists and researchers. The purpose is to disseminate research reports and analyses that promotes policy debate as well informs policy choices. It is directed to a professional audience and readership among economists, social scientists in government, business as well as in universities, research institutes and international development agencies. Before acceptance for publication, the papers are subjected to rigorous independent technical reviews to assure scientific quality. AIAE Research Paper Series seeks to engender high quality scientific and intellectual discourse on key development questions and hence, enhance strategic understanding of policy and programmatic options.



During the year, AIAE published the third in the Research Paper Series. The publication is titled: **Fiscal Federalism, Sub-national Governance and MDGs in Nigeria, Research Paper 4.**

Abstract

The underlying logic of decentralisation and development has both supply and demand sides. On the supply of good governance, theorists posit that lower layers of government can better discern, and are likely to respond more efficiently and effectively to local needs and aspirations. The overarching economic postulate of fiscal federalism is that the provision of public services should be located at the lowest level of government consistent with the incidence of costs and benefits, since lower tiers of governments have greater information about local conditions and can therefore provide services that are better suited to the needs and preferences of the local population. On the demand for good governance, decentralisation is believed to provide a better way for local people to hold governments accountable.



While the MDGs are globally-enunciated development benchmarks, country-level achievement of the 2015 targets depends on appropriate and effective policies and public spending by both central and sub-national governments/authorities. Perhaps, no other setting typifies the simultaneity of opportunities and challenges for achieving the MDGs better than federal states like Nigeria where the three tiers of government (federal, state and local) have overlapping but autonomous fiscal and policy jurisdictions for basic public services that directly impinge on the MDGs. In such federal settings, progress towards the MDGs will be hindered or accelerated depending on synergy and coordination of policies and service delivery across the layers of government. In particular, because Nigeria's state and local governments ideally should be closest to the grassroots in terms of providing basic public services, their actions or inactions could impact greatly on MDGs.

Given the constitutionally guaranteed autonomy and growing exercise of fiscal and policy powers of state governments, especially since the return to democratic rule in 1999, Nigeria's federal setting exhibits right context for critically examining the impact and challenges of sub-national governments in meeting the MDGs 2015 targets. This paper therefore explores the relevance, impact and challenges of sub-national governments in the progress towards the MDGs by 2015. The central hypothesis is that policy and spending autonomy alone cannot enable a sub-national government to significantly enhance the achievement of the MDGs. It argues that fiscal and policy autonomy must necessarily be matched with governance capacities in terms of economic planning, fiscal responsibility, policy accountability and delivery of public services. Thus, the paper posits that policy and spending autonomy is a necessary but not sufficient condition for state and local governments to significantly impact the achievement of the MDGs in Nigeria. The study x-rays Nigeria MDGs status at the national and sub-national (state) levels and explores the links between the differential MDGs status of sub-national entities and their political, economic and institutional conditions. The paper advocates that state governments should develop the right institutional capacities matched by proper alignment of fiscal policies and service delivery. Otherwise, the constitutional autonomy of state governments will not significantly impact the achievement of Nigeria's MDGs 2015 targets.



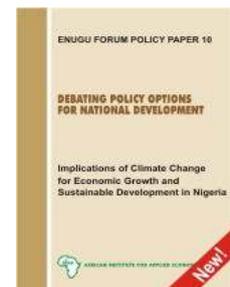
7.2 AIAE Policy Briefs

This Series publishes short, soft and general-interest papers. The objective is to provide rapid and easily comprehensible policy- and development-oriented discussions. Policy Briefs are targeted at a wide audience comprising policy makers, policy advisors, bureaucrats, non-governmental organizations, academic community, civil society groups and international development partners. Policy Briefs seek to identify practical development challenges and options for solving them.



7.3 Enugu Forum Policy Paper Series

Enugu Forum Policy Paper Series publishes the proceedings and outcomes of workshops, conferences, seminars or public lectures held by the Enugu Forum. The Series provides documentation of the topical presentations, debate, comments and perhaps consensus at the Forum. It is intended to disseminate the Forum's intellectual discourse to a wider audience. The essence is to stimulate broader policy debate and promote multi-perspective dialogue on policy options. Enugu Forum Policy Papers constitute an advocacy instrument to canvass alternative development solutions and policy roadmaps, and hence, promote appropriate policy responses to development questions. The Series also draws attention of government, private sector and civil society to salient dimensions of contemporary development challenges in Nigeria



During the year, AIAE published the tenth edition of the Enugu Forum Policy Paper Series which is entitled: **Implications of Climate Change for Economic Growth and Sustainable Development in Nigeria**. The Monograph reports the presentations, discussions and communiqué of the Enugu Forum Policy Seminar held on 21st May, 2009 and focused on Climate Change and its implications for sustainable development in Nigeria. The Monograph covers topics including “Implication of Climate Change for National Development: The Way Forward” “Climate Change and Sustainable Development in Nigeria: Conceptual and Empirical Issues”, “Climate Change and Sustainable Development in Nigeria: The Mitigating Role of Green Wall Sahara Nigeria Programme” and “The Development Challenge of Climate Change and



Impacts on Nigeria". The monograph also reports comments and discussions on the papers delivered. The Seminar brought together researchers, policymakers and development practitioners to share informed opinions and experiences on the local manifestations of climate change and proffer ways to enhance policy and programmatic strategies and measures to mitigate its potentially negative impacts on livelihoods and sustainable development. The purpose of the Seminar was to increase stakeholder awareness on the local manifestations of the global problem of climate change, critically discuss community-level and policy-based climate change adaptation strategies and engender sustained attention to the development challenges which climate change poses to all stakeholders.

Based on the papers presented and the discussion by participants, the main observations of the Forum include:

- Climate change is a global phenomenon which has huge implications for local people, their communities and their environments.
- The framework for analysing the impacts of climate change extends beyond limited range of traditional environmental parameters to include microeconomic and economywide perspectives. This is because economic factors are implicated in both causes and consequences of climate change.
- Human social and economic activities including deforestation, unsustainable agriculture, industrialisation and the production of energy have contributed significantly to global warming over time.
- Among many other manifestations, global warming and its aftermaths have exposed many local communities to greater environmental risks such as flooding, drought, desertification, soil degradation, erratic rainfall patterns, heat stress, pests and diseases and others.
- The environmental consequences of global warming are impacting negatively on livelihoods, employment and sustainable economies of local peoples.
- Agriculture is a major victim of climate change impacts. The situation becomes more critical because agriculture contributes significantly to employment, livelihoods sustenance and poverty reduction in developing countries, including Nigeria.



- At the economy-wide level, the effects of climate change could manifest in declining agricultural productivity and competitiveness, greater risks to human health, stymied prospects of increased employment, worsened poverty, diminished food security and conflicts of resource use.
- Simultaneous measures should be taken at the household (micro) and national (macro) levels to mitigate the effects of climate change and manage adaptation mechanisms more efficiently and effectively.
- At the household (micro) level, it is necessary to increase education, enlightenment and training on more efficient agricultural methods, less destructive/disruptive farming systems and viable agribusiness models.
- Measures to enhance agricultural productivity through more efficient environmental-friendly technologies will alleviate the pressures to expand agriculture in unsustainable patterns.
- There is need to explore and utilise alternative (clean) energy sources, to reduce environmental pollution and improve energy efficiency and sustainable energy production.
- It is imperative to strengthen the mechanisms for constant tracking of climate change and its impacts across the country. Such tracking and monitoring mechanisms provide critical database upon which decisions can be made.
- The Green Wall Sahara Nigeria Programme is crucial effort to combat environmental problems of drought, desertification and deforestation. The intensification of the programme will reverse the cycle of resource degradation, productivity decline and worsening poverty in local communities of affected areas.
- The Climate Change Bill at the National Assembly is a welcome development. Stakeholders should assume their assigned responsibilities and functions under this legislative framework.



- Effective collaboration and partnerships are critical to climate change adaptation, mitigation and management. There should be strong institutional collaboration and policy synergy between the Federal Ministry of Environment and Federal Ministry of Agriculture and Water Resources as well as with private sector and civil society organizations.

7.4 AIAE Newsletter Series

The AIAE Newsletter is published in electronic and printed versions on a quarterly basis. The Newsletter complements the Institute's website in bringing information to the doorsteps of Associate Fellows and stakeholders. The Newsletter is designed to inform and enlighten our stakeholders and the general public on the programmes, activities and developments at the Institute. It is intended to respond to the information needs of researchers, government agencies, private sector and civil society. It also features guest articles, feedback from stakeholders on Institute's activities and programmes and functions as a medium of interaction among Associate Fellows and with the Institute.



Three editions of the Newsletter were published during the year 2009. These are:

- Vol. 4 No. 9: February, 2009
- Vol. 4 No. 10: May, 2009
- Vol. 4 No 11: August, 2009

7.5 AIAE Macroeconomic Forecast Series

AIAE Macroeconomic Forecast Working Papers constitute one line of outputs of the Institute's macroeconomic forecast initiative-a flagship programme of the Institute. The Papers in the series contain reviews, analyses and discussions relating to the theory, practice and challenges of developing and sustaining macroeconomics forecasting models. The series is designed to rapidly transmit less technical and more generalist information for the purpose of informing, enlightening and stimulating the scientific and policy-relevant discourse about macroeconomic forecasting issues. The Series is intended for cross-disciplinary readership audience in





academia, government, civil society and development community.

The maiden edition of the Series was published in 2009 entitled: Designing and Operationalizing Macroeconomic Forecast Model for Nigeria: Context and Prospects, Working Paper 1.

The economic forecasts constitute leading-edge knowledge products in line with the mission of the Institute- to promote evidence-based policies and decision-making through research and critical analysis. Some of the issues addressed by the paper include; Bases and Objectives of the Modeling Initiative, Review of Literature on Macroeconomic Modeling Initiative, Reviewing of Literature on Macroeconomic Modeling, Keynesian Modeling, Vector Autoregressive Model (VAR) and others. It also examines Methodology, Conceptual Framework, Model Building and Identification and Expected outputs and deliverables. The intended overall impact of these outputs is a change, not just in the modeling culture, but also in the awareness, appreciation and use of models (and by extension other aspects of quantitative data inputs) into private and public decision making. While the programme will generate forecast, the process of delivering and communicating the products is equally important in the design of this project.

7.6 AIAE Website Statistics

The AIAE website has been a focal point for the dissemination of AIAE's vast research activity and public policy dialogue. Since its recent re-designing and upgrade, www.aiaenigeria.org has continued to grow in the number of visits it receives. In 2009 it averaged about 50 independent visits on a daily basis.

8.0 LIBRARY

Generally, the library unit recorded some milestones and especially in collection development, staff training, compilation of library database, newspaper binding among other things. The library also was open for business throughout last year except for the periods of official travels.

Collection Development: The library's collection was increased by at least 220 books/journals, six CDs, and at least two National daily newspapers from January to December. Dr. Simeon



Ehui donated 150 books and journals on 21st August, 2009. Other donors include Dr. Uzo Amakom, Prof. Eric Eboh, CBN, NBS, PARP, Levy Institute, UNRISD, etc.

New Membership: There are additional 22 library users and a total of 133 users by the end of 2009.

Networking: The librarian maintained unbroken communication with the Institute's partners such as; the JSTOR, OARE, the World Bank and others to ensure sustainable partnership and networking. The staff, Associate Fellows and other users of the Library were regularly updated of the various developments.

9.0 AIAE INFRASTRUCTURE

During the year, the Institute commenced the construction of an office complex at Nza Street Independence Layout, in Enugu. The ICTs facilities including internet services were upgraded to improve efficiency.

The logistics and operations of the Institute also received a boost with the purchase of an official vehicle (bus).



Construction at the Permanent Site of AIAE



The new AIAE Bus

10.0 PROSPECTS FOR THE YEAR 2010

Overall, the year 2009 was generally satisfactory. The progress recorded in research and research networking, policy linkages and organizational development met our expectations. Also, the developments during the year have revealed the scope and nature of opportunities for improvements towards optimizing our goals of informing and influencing economic policies and decision-making through research and analyses. No doubt, the positive turning points in 2009 provide important new organizational capabilities and motivation for the year 2010. Hence, the outlook for the year 2010 appears very bright. In line with the Strategic Plan – Project Leading Edge, our guideposts for the year 2010 will be the enhancement of research and research networking, deepening of research links with policymaking and capacity development for organizational effectiveness and sustainability. Within this frame, the Institute shall develop a robust monitoring and evaluation system as an element of the organizational strategy to improve research outputs, research dissemination/communication and research uptake by policymakers.