



22246
Volume 1

NIGERIA

COUNTRY PROCUREMENT ASSESSMENT REPORT

Volume I

SUMMARY OF FINDINGS AND RECOMMENDATIONS

June 30, 2000

**Nigeria Country Department
Africa Region**

PREFACE

1. This report is based on work done between July and December 1999 by a team¹ of staff from the World Bank and a Government (Federal and State) Task Force, with the assistance of consultants financed by the Bank and the Government of Denmark. The Bank retained two consulting firms: M/S PLS of Denmark; and M/S Emmanuel Chambers of Nigeria who jointly carried out the CPAR field work. The local consultant provided the local knowledge necessary to complete the questionnaire while the foreign consultant provided the international perspective and experience. The assignment was carried out through desk studies and interviews of public (ministries and parastatals) and private sector organisations in the Federal and State capitals. Six States were included in the Task Force: Abia, Borno, Cross-River, Kaduna, Lagos and Zamfara. A two-day meeting of the team and a three-day national workshop were held in November and December 1999 respectively, to discuss consultants' findings and recommendations and to provide further inputs to the exercise.

Acknowledgements:

2. The Team would like to thank the Federal Ministry of Finance, Governors and Commissioners of Finance of the six States that were involved in the exercise, all federal government ministries and parastatals that provided Task Force members and all the private sector organisations that participated in the CPAR study, for the support extended to the team throughout the exercise. The Team would also like to thank the Government of Denmark for financing the consultants.

¹ The team was lead by Mr. Rogati Kayani and consisted of staff from the Bank and a Government Task Force representing 24 public and private sector organizations. (a) From the Bank: Rogati Kayani, Bayo Awosemusi and Michael Stevens; (b) Task Force Members consisting of: Ministry of Finance – Mult: U.C. Okoye and O.D. Ilariogun; Auditor General: S. B. Adekoya and U.C. Ekpo; Accountant General: S.O. Ajose and E.O. Adore; Central Bank of Nigeria: Analogbe; Federal Tenders Board (Presidency): P. T. Ahire; Federal Ministry of Justice, Planning Research and Statistics: R. A. Olaitan; Public Accounts Committee: Institute of Chartered Accountants of Nigeria (ICAN): P.O. Omoregie; Institute of Purchasing and Supply Management (IPSM): A. O. Shoyeye, P. Alasi; Nigerian Association Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA): L.O. Awodapo; Federal Ministry of Works and Housing: L. A. Audu; Nigerian Customs and Excise Department: Mallam Abubakar Mallam; Federal Board of Inland Revenue Services: P. A. Akinlolu; Budget Office (FMF): D.A. Ogunkeye; States:- (i) SE -Abia State: U. E. Amaonwu; (ii) SS -Cross River State: (iii) SW – Lagos State: M. F. Adeyemo; (iv) NE – Borno State: Tijani Adams; (v) NW – Zamfara State: A. Moriki; and (vi) NC – Kaduna State: B. James.

CURRENCY EQUIVALENTS
(Exchange Rate Effective May 31, 2000)

Current Unit	=	Naira
US\$1	=	103.00 Naira

FISCAL YEAR
January 1 -- December 31

ABBREVIATIONS AND ACRONYMS

ASYCUDA:	Automatic System for Customs Data Entry
CAC:	Corporate Affairs Commission
CAMEL:	Capital, Asset, Management, Earnings and Liquidity system
CBN:	Central Bank of Nigeria
CEO	Chief Executive Officer
CIF:	Cost Insurance Freight
ECOWAS:	Economic Community of West African States
FOB:	Free on Board
FR:	Financial Regulations
GDP:	Gross Domestic Product
GNP:	Gross National Product
IDR:	Import Duty Request
IPSM:	Institute of Purchase & Supply Management.
NACCIMA:	Nigeria Association of Chambers of Commerce Industry, Mines & Agriculture
NAFDAC:	National Agency for Food and Drug Administration and Control
NBP:	No-Bribery pledge
NNPC:	National Nigerian Petroleum Company
PPC:	Public Procurement Commission
PS:	Permanent Secretary
PSI:	Pre-shipment Inspection
PU:	Procurement Unit
SON:	Standards Organisation of Nigeria
TB:	Tender Board
UNCITRAL:	United Nations Commission for International Trade Law
UNCTAD:	United Nations Conference on Trade & Development
VAT:	Value Added Tax
WB:	World Bank
WS:	Workshop 15-17 December 1999 hosted and organised by the Ministry of Finance
WTO:	World Trade Organisation

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INTRODUCTION¹

1. Nigeria, a Federal Republic comprising 36 states and the Federal Capital Territory of Abuja, is the largest country in the West Africa: around 121 million people (47 percent of West Africa's population) and a GNP of US\$ 38 billion (41 percent of West Africa's GDP). The country has the potential to become an economic giant in Africa by virtue of its size, human talent, rich resources endowment and economic capacity; indeed, it could become the "locomotive" that pulls other economies in West Africa forward. However, Nigeria is poor, and poverty has been getting worse in the past few years. Per capita income at about US\$310 today is below the level at the time of independence 37 years ago and below the US\$370 that it obtained in 1985. Over 60 percent of the population falls below the poverty line of roughly one U.S. dollar a day, compared to 46 percent in 1985. Only 50 percent of the population has access to safe drinking water.

2. Among the main reasons for the poor economic performance are economic mismanagement and corruption. In addition, the country's extreme dependence on petroleum exports (about 85 percent of the total) make it vulnerable to sharp swings in the international price of oil. The Nigerian economy is based on two major sectors, agriculture and upstream oil industry. Agriculture accounts for more than 36% (1998) of the GDP, predominantly composed of subsistence farmer with only a small number of commercial farms and domestic consumption. There is, however, a substantial export of cocoa. The upstream oil industry accounts for approximately 37% of the GDP and provides 80% of the Federal Government revenue. Manufacturing accounts for only 5% of GDP and shows the lowest growth rate of the economic sectors. Finally, the informal sector plays a vital role in the Nigerian economy and available evidence suggest this sector accounts for 70% of all economic activities.

3. The current democratically elected Government of Nigeria has set governance as one of its overarching objectives. The Government realizes that sound procurement policies and practices are among the essential elements of good governance. Getting public procurement systems on the right footing, at both federal and state level, is one of the highest priorities for a new government seeking to control corruption and begin getting value for money in public procurement. In a typical developing country around 10% of GDP may pass through public sector procurement systems - ranging from major infrastructure projects to routine departmental supplies purchasing each year.

4. President Obasanjo has made the fight against corruption and improving governance his topmost priorities. He has already begun taking measures towards these ends, including introduction of an anti-corruption bill at the Legislature, setting up committees to review past awards of public sector contracts, and conducting re-orientation workshops for senior civil servants. Several contracts for oil exploration awarded towards the end of the previous regime under questionable circumstances have been cancelled. The government has also cleaned up and

¹ Nigeria: Bank Group Interim Country Strategy Note

made more transparent the procedures for awarding contracts for the export of Nigeria's oil, a major source of patronage and corruption in the past. President Obasanjo has declared his intention to clean up procurement processes in the public sector and has requested World Bank assistance for the purpose, beginning with a review and audit of the oil sector and of selected public enterprises.

OBJECTIVES OF THE CPAR

5. The primary objectives of the CPAR are to:

- review the country's public sector procurement structure, including the existing legal framework, organizational responsibilities and capabilities, and present procedures and practices, including how these may differ from the formal rules and procedures;
- make possible a general assessment of the institutional, organizational and other risks associated with the procurement process;
- establish the basis for dialogue between the country and donors on how to streamline and improve the economy, efficiency and transparency of public sector procurement;
- develop a detailed action plan for reform to achieve institutional improvements, including interim modifications to existing practices in the country so that contracts being financed under current projects will meet the Bank's procurement standards pending completion of the broader reform program; and
- encourage better commercial practices in the private sector

SCOPE OF THE CPAR

6. The CPAR exercise reviewed the following aspects of the procurement system in Nigeria:

- (a) Legal Framework
- (b) Public Sector Procurement of Goods/Works/Consultants – Organization, Resources, Procedures and Practices
- (c) Procurement Performance in Bank financed Projects
- (d) Private Sector Procurement
- (e) Trade Practices
- (f) Financial Framework
- (g) Electronic Commerce

The Report consists of two main Volumes. Volume I contains a Summary of the findings and recommendations and an Action Plan for implementing the recommendations. Volume II contains the main text and supporting Annexes where the findings and recommendations presented in Volume I are analyzed in detail. In Volume II, the structure and issues related to the current procurement system are discussed and the recommendations appropriately derived from these discussions.

A. SUMMARY OF FINDINGS: STRENGTHS AND WEAKNESSES OF PRESENT PROCUREMENT SYSTEM

1. LEGAL AND REGULATORY FRAMEWORK

EXISTING LEGAL AND REGULATORY FRAMEWORK

7. The Constitution of the Federal Republic of Nigeria (1998) describes the division of powers between the Federal Government and the States of the Federation. Each state has the authority to issue its own laws and regulations. There is no specific law or other act of parliament regarding public expenditure or procurement in Nigeria. The Ministry of Finance, with the authority vested to it by the Constitution, issues “Financial Regulations” (FR) which regulate and delegate the responsibilities of public procurement and financial management at federal level. The FR is essentially an internal set of rules for financial/economic control of the Federal administration containing regulations concerning composition of Tender Boards (TB) and the limits of their jurisdiction, and regulations concerning the actual procurement process. At present the procurement regulations in the states consist mainly of local Financial Regulations based on the Federal FR, supplemented with circulars and guidelines from within each branch of administration in the state governments. The current legal system has the following weaknesses:

- The FR is not a law or an act of similar authority, but an administrative document, which could be amended by the Minister of Finance without regard to fundamental rights of the suppliers/contractors. Therefore, the rights of the suppliers/contractors with regard to the protective measures of for example open advertisement, public award criteria and so forth are only protected by the good will of the Government in power at any given time. In addition, the FR are superficial in their statutory regulation of the actual procurement process.
- The present regulations on public procurement have no permanent measures for surveillance and control. Instead ad hoc investigative groups can be set up within the public body that takes this initiative.
- As this system relies almost solely on a high degree of self-control within the ministries and other public entities this could easily be perceived by suppliers/contractors as lacking in transparency.
- There is no permanent body outside the purchasing entities monitoring and controlling the procurement process.
- There is no central policy making entity in the area of public procurement as this is left to ad hoc circulars issued by the Ministry of Finance and in some cases the Presidency.
- Neither the FR nor any of the circulars issued under its authority contains any provisions for the filing of complaints concerning public procurement.
- There is no permanent body independent of the procuring entity where contractors/suppliers can file complaints regarding the procurement process. A

supplier/contractor being maltreated by a purchasing public entity only has the option of lodging a complaint with the same entity that is accused of wrongdoing. The complaining contractors/suppliers are not guaranteed a formalised treatment containing legal assurances of transparency and equality of their complaints

THE ANTI-CORRUPTION LAW

8. The Parliament has recently passed an anti-corruption law to prohibit and punish bribery and corruption of or by public officers and other persons. The proposed law warrants the establishment of an independent Anti-Corruption Commission with widespread powers. The Commission shall be empowered to both investigate and prosecute crimes under the law. If implemented it will have far-reaching impact on the public administration involved in procurement. In particular, the extended investigative powers that the Commission would be granted will be able to aid the disclosure of malpractice in procurement. Once established, the Commission should look at the possibility of Nigeria's accession to the OECD Anti-Bribery Convention.

RECOMMENDATIONS ON LEGAL AND REGULATORY FRAMEWORK

9. There are two key recommendations related to improving the existing legal and regulatory environment.

- In the short term, establish a public procurement regulatory body, the Public Procurement Commission (PPC), independent of the tender boards with responsibility for the efficiency and effectiveness of the procurement function across the public sector. Its tasks will include: policy making; monitoring prices of currently tendered items including publishing of major contracts; keeping statistics on procurement; ensuring compliance of the procurement law by public entities; acting as an appeals body to deal with complaints from contractor/suppliers; and preparing standard bidding and contract documents for use by the public sector. The procurement oversight body shall issue an annual report to Parliament and make it available to the public. This report shall include information on major contracts awarded and their values. The report will also include statistical information and a benchmark comparing prices paid for goods and works through public procurement with prices paid in the private sector.
- In the medium term, introduce a public procurement law based on the United Nations Commission for International Trade Law (UNCITRAL) model. The UNCITRAL has adopted a unified model law on procurement of goods, works and services. The law is intended as a tool for countries in the process of modernizing their procurement regulations such as Nigeria. There are a number of countries which are in the process of adopting the model; with seven countries where the law has already been enacted: Albania, Azerbaijan, Kyrgyzstan, Latvia, Lithuania, Poland, and Slovakia. A copy of the UNCITRAL Law, accordingly annotated for application in Nigeria, is attached as **Annex 1**.

2. PROCEDURES AND PRACTICES – FINDINGS AND RECOMMENDATIONS

EXISTING PROCEDURES AND PRACTICES – STRENGTHS AND WEAKNESSES

Eligibility and Process

10. In order to be considered as a bidder in federal, state and parastatal tenders, it is a pre-condition for the bidder to be registered. The registration system is decentralized, every state has its own registration list and form and there are no binding country-wide guidelines describing the set-up and functioning of the registration system. A bidder can be disqualified i.e. taken off the registration list for a number of reasons. Once registration is cancelled there are no clear rules for how the bidder can get back on the list again.

Methods and Process

11. The scope of the FR on tendering methods is very limited and there are no detailed rules on the application of the methods included. It is left to the discretion of individuals to choose the tendering method. The following outlines the major weaknesses in the system.

- Negotiation of contractual conditions is the standard procedure.
- The rules for determining how and when advertisement should be used are not clearly spelt out in the FR. In some States and Ministries Advertisement is seldom used.
- The Official Government Gazette is not published on a regular basis
- There is no requirement in the FR for using standard bidding documents and different models of standard contracts are currently in use.
- Conditions for payment, advance payment and guarantee for advance payment, bid security, and penalty for late payments are not regulated in these contracts.
- The FR do not require nor do they give guidance on bid opening in terms of timing, location and participation. In practice bid opening is often performed in closed sessions.
- There is no requirement in the FR to include evaluation criteria in the bidding documents. Non-transparent criteria such as “reference price” and “profit margins” are often part of the evaluation.
- There are no specific instructions on how bid evaluation should be organized and carried out. Evaluation can be done by the Secretary to the Tender Board, a Sub-Committee to the Tender Board, technical experts or the implementing ministry or department.
- There are also no provisions to guard against conflict of interest of the evaluation committee. Thus, a member of the evaluation committee could have very close connections with a bidder, for example a family member, but that member would participate in the evaluation just like any other member.
- The principle of award of contract for goods and works is a combination of price and quality and for services quality is the only criterion.

Monitoring and Contract Management

12. The monitoring practice depends on the type of contract and locally developed routines. It does not follow what can be assessed as best practice. There are strong indications from representatives from the private sector and from persons from within the civil service that the monitoring system is weak and in fact ridden with corruption, as elaborated below.

- Many capital projects are implemented by using lower quality of materials than contracted. Allegedly, illegal actions take place during the monitoring process in the form of approval of low quality work in return for bribes. Most private contractors claim that it is not possible to implement contracts without taking part in the corruption. Contractors are not effectively held responsible for implementing and delivering according to the contract.
- The FR do not give guidelines for contract extensions. It also has no guidelines on when and how price variation should be determined. The lack of such guidelines often leads to unnecessary contract extensions and expenditure.
- In previous years budgeting was seen as a mere academic exercise, not something by which the Management could use to assess and control recurrent and capital costs. Thus, project estimated costs have not generally been based on thorough calculated cost estimates or feasibility studies. This subsequently leads to actual project costs which are completely unrelated to the budget estimates and usually much higher.
- Payments depend on cash flow, if funds are not available the contractor will often stop working and delays or total breakdown of projects is a common result. Lack of payments or delayed payments from the Government is more the rule than the exception. To compensate, suppliers adjust prices upwards to cover for the cost in relation to delays. The Federal Government owes significant amounts to contractors who have finished projects partly or fully.
- In reality no contractor ever complains about the procurement process due to fear for informal sanctions in terms of no future contract awards.
- There is a lack of filing cabinets, which means that files at times have to be stabled in big piles, which make access to files and record keeping generally difficult.

13. From the above, it is evident that the FR are insufficient to guide and support persons involved in procurement practice. Overall there is no benchmark from which procuring units can derive standards. Practice develops in different directions and becomes non transparent as it depends on the knowledge, will and interpretation of the procurement units and not on a uniform system regulated by law and regulations generally known. Such system is easy to manipulate, difficult to control and not transparent to bidders and the public. As a result, the Government does not get good value for money and is at the moment not perceived by the private sector as a reliable business partner.

RECOMMENDATIONS ON PROCEDURES AND PRACTICES

Short Term Recommendations

14. The following recommendations can be implemented immediately through appropriate amendment of the FR while awaiting implementation of the proposed Procurement Law.

- The practice of using registration lists as eligibility criterion for open competitive tendering should be discontinued immediately. Bidding should be open to all qualified eligible bidders irrespective of their registration status. These lists should be used for selective tendering only. If need be, pre-qualification should be carried out to ensure that only qualified bidders are allowed to submit bids. This is one of the two areas where the Task Force and the Bank have differing views -- the other relates to the approval of contract awards by Ministers – paragraph 16. The Task Force is of the view that registration lists should be used for all national competitive bidding.
- All tenders valued more than Naira 5 million must be advertised in the Government Gazette and at least two papers of wide circulation in Nigeria. The advertisement will be issued at least six weeks before the deadline for submitting bids for goods and works, and at least one month for consultancy services. All other tenders must be posted at the Notice Boards of the Procuring Agencies. All bids advertised will be opened in public at a designated place, date and time. Opening should immediately follow the closing of the bidding period to minimize the risks of bid tampering. Bidders or their representative should be invited to attend, and members of civil society or the press should not be excluded, if they wish to attend.
- The FR should be revised to incorporate details of the various procurement methods and their application for goods, works and services.
- Bid evaluation criteria should be clearly defined in the bidding documents. Negotiations of contracts in open competitive tenders should be discontinued immediately. Awards should be purely based on criteria defined in the bidding documents.
- Evaluation committees should be used as the basic framework for evaluating all tenders. Members of Evaluation Committees, tender boards and approval authorities should be obliged to declare any conflict of interest and exclude themselves from bid evaluation and approval process.
- The current practice of accepting bid bonds and advance payment security bonds from local insurance companies should be discontinued and only instruments issued by reputable Banks should be accepted.
- Provision for interest payments to contractors for delayed payments should be introduced in contracts.
- All major contract awards should be published including description of the contract, name of the contractor and the contract price.
- Contract variations should be done only under very exceptional circumstances. When this is absolutely necessary, approval must be obtained from the appropriate tender board. The method for determining price variation during contract execution must be

incorporated in the contract. The formula method is recommended rather than the method of documentary evidence.

- Develop and use procurement plans to determine the requirement of funds for various Government Agencies at different quarters during the fiscal year. Procurement Plans would spell out the timing for different procurement actions and hence the funding requirements at different stages. Release of funds should be on the basis of realistic approved and up-dated procurement plans.
- The services of international procurement agents of the highest repute should be obtained to assist in medium and large scale contracting. While rules and regulations can be quickly changed and tender boards restructured, it will take many years to build a strong professional capacity in Federal and State governments. Although procurement agents charge significant fees, experience shows that their costs are rapidly covered by savings.

MEDIUM TERM RECOMMENDATIONS

Tendering and Approvals

- Develop uniform process for registration of contractors/suppliers which includes qualification criteria. The list should be open to the public.
- Prepare and introduce standard bidding documents.
- Develop detailed procedures for monitoring contract execution that will involve all stake holders especially the beneficiary communities.
- For larger contracts, include as a condition for final payment, the requirement for an external expert together with the employer's representative to co-sign the certificate releasing final payment.
- Review the effectiveness of the current procurement filing system in all public entities to ensure transparency and accountability according to international best practice and develop a new filing system covering all procurement activities. Include record management as part of basic procurement training program.

3. ORGANISATION AND RESOURCES

TENDER BOARDS (TBs) – STRENGTHS AND WEAKNESSES

15. Tender Boards are an important part of the organizational set-up of the public procurement system at both federal, state, local government and parastatals. According to the FR, TBs are the units empowered to deal with contracts for goods, works and services. There are a number of issues related to the TBs, as presented below.

- There is a proliferation of these tender boards which are seen by the private sector as a source of delays and non-transparency. In addition, these tender boards appear to have a limited mandate with power to decide contracts *de facto* resting with the Permanent Secretary and the Minister/Commissioner.
- Due to inflation and lack of adjustment of the thresholds the authorisation of the TBs is constantly being eroded.

TENDER BOARDS – RECOMMENDATIONS

16. Once a law on public procurement has been enacted and regulations, manuals and standard bidding documents issued, carrying out public procurement including contract awards will clearly be an administrative function the mechanics of which should be disengaged from the executive. Currently, high level politicians such as Governors, Ministers and Commissioners are operationally involved in the procurement process. However, under the reformed procurement system, high level politicians should maintain their overall managerial oversight responsibilities while leaving administrative and operational matters (including procurement) to the civil servants. The benefits inherent in this arrangement are that (i) it clearly delineates responsibility for administrative decisions and actions and puts these in the hands of the professional civil service and (ii) it makes the professional civil servants accountable for their actions under the general responsibilities and oversight of politicians. What is most critical is to conduct regular audits to ensure that the resources have been utilized properly, procedures have been followed, and the Government is getting good value for money. This is one of the two areas -- the other relates to the use of registration lists as eligibility criterion for national competitive bidding -- paragraph 14, the Task Force and the Bank team had differing views. The Task Force is of the opinion that Ministers should continue approving contract awards even after these reforms have been implemented.

17. In addition to the above, to make the tender boards more effective, they need to be streamlined and have the power to approve formally delegated to them. The streamlining could be done along the following lines:

- Departmental tender boards to be abolished and thresholds for approval by the Permanent Secretary Departmental Heads revised. The rationale for this is to take advantage of reduction in unit prices for bulk purchases at ministerial rather than departmental level. Currently, each department purchases its own requirements

separately. If the requirements of the whole ministry are bulked and purchased together, the unit costs are likely to be lower.

- The Ministerial Tender Board should be chaired by the Permanent Secretary who is the accounting officer, and be composed of senior procurement, financial management and other technical specialists (such as engineers). The Tender Board should be given the powers to make final approval of all tenders for that ministry.
- The Federal Tender Board should be abolished and its functions assumed by the Ministerial Tender Board. There should therefore be only one tender board, the Ministerial Tender Board.
- The Executive Council should not be involved in the procurement process.
- Contracts issued by parastatals which are fully autonomous should be approved by their Board of Directors upon recommendation of tender boards, utilizing best practice procedures based on the model law.

HUMAN RESOURCES – STRENGTHS AND WEAKNESSES

18. The procurement function is not generally performed by professionally qualified staff. Although there is a shortage of such staff in the public service, even the few available are not properly utilized. There is a tendency to believe that the procurement function can be performed by anybody and hence the procurement profession is held in low esteem. Training in public procurement procedures for civil servants is generally insufficient due to low regard for the profession and due to lack of funding. In addition, procurement training is offered by few institutions in Nigeria -- The Institute of Purchase Management and Supply (IPMS) is the only organisation which has, for many years, provided training in public procurement and promoting professional standing of procurement staff, and their skills. It has recently introduced a system for certifying procurement specialists. However, IPMS is not recognised/chartered by the Nigerian Government as a professional body.

- Salaries and benefits for procurement staff, like most of the civil service, are not adequate to support a single family, let alone the usual extended one, with basic needs and are in general lower than the private sector. The promotion system is based on multiple criteria which include merit, seniority vacancy etc. However, the system appears non-transparent to many civil servants. Efficiency in the civil service appears generally low.

HUMAN RESOURCES - RECOMMENDATIONS

19. There is a need to restore and strengthen the professional procurement cadre and allow them to practice their profession. The procurement function should be carried out by these professionals. A number of actions need to be taken by the Government to restore this professional cadre who have been seriously relegated by successive military governments. These actions would include:

- Carrying out a needs assessment for procurement professionals for the public sector.

- Increasing training resources for public procurement staff and introducing a certification system. As a consequence, a suitable position in the grade levels for civil servants who obtain the new procurement certificate should be defined.
- Establishing a specific code of conduct/ethics for procurement staff.
- Supporting IPSM and other organizations that are engaged in training and promoting the procurement profession.
- Supporting IPSM's efforts to be established and recognized as a professional body.
- In the framework of the civil service reform, introducing pay scales and structures that will promote honesty and efficiency in the civil service
- Developing a comprehensive procurement manual based on the new law and regulations.
- Establishing a helpdesk function for example via e-mail or phone and a homepage on the Internet, which contains all documents and guidelines from the procurement manual.
- Developing a communication strategy supporting the procurement reform programme. As part of the communication strategy offer a course to Nigerian journalists in international procurement principles and their rationale to the Nigeria Environment.

4. PERFORMANCE ON BANK-ASSISTED PROJECTS²

BANK PROJECTS – STRENGTHS AND WEAKNESSES

20. A procurement audit was conducted by the Bank on 6 selected projects (3 in the Agriculture sector) in different implementing agencies: (i) National Water Rehabilitation Project; (ii) Oyo State Urban Project; (iii) Primary Education Project; (iv) National Agricultural Research Project; (v) National Fadama Development Project; and (vi) National Agricultural Technology Support Project. The following were the findings:

- There is lack of appropriate procurement planning leading to uneconomic procurement. Procurement planning of goods, works and services required for the project and the subsequent monitoring of procurement according to the plan did not exist.
- Procurement methods used were many times inconsistent with those stipulated in the Loan Agreement. For instance contracts which should have been awarded on the basis of ICB were awarded through NCB and contracts which should have been awarded on the basis of ICB/NCB were awarded on the basis of International/National Shopping. In the Agriculture Sector the use of International Shopping was particularly abused leading to contracts in excess of US\$28.0 million being awarded through this method instead of ICB. Even in those cases where the Loan Agreement permitted the use of Shopping procedures, these procedures were not followed and there was serious lack of transparency in the choice of firms selected under shopping procedures leading to uneconomic procurement and unacceptable practices.
- Non-observance of the requirement relating to prequalification of bidders for works contracts specified in the Bank's Loan agreements leading to the selection of non-qualified contractors. Problems relating to contractor's capability and endemic delays in completion of works are manifestations of this deficient practice.
- Wrong packaging of contracts for supply and works leading to uneconomic procurement. Contract packaging has not been done in a professional way and contains a mixed bag of goods and works.
- Absence of appropriate provisions relating to Pre-shipment Inspection and Manufacturer's Warranty in the bidding documents resulting in more costly procurement. In all cases of IS/NS procurement, there was no requirement by the Purchaser, either in the contract or through a provision in the Letter of Credit, as to "pre-shipment inspection certificate".
- There were definite weaknesses in the processing and managing of consulting services contracts, proper procedures were not followed.
- Quality of bid evaluation is generally poor. It was observed that many evaluation reports contain discrepancies and are not consistent with principles of transparency and competition.

² Nigeria Ex-Post Procurement Audit, July 1999

- Contract Management is generally poor leading to delays in project completion, poor quality and more costly contracts. In most cases liquidated damages are not collected and no penalties are imposed on delinquent contractors.
- Monitoring of procurement in Bank financed projects by the Government was generally poor because of over-reliance on project staff and Bank supervision.
- The overall state of “filing and documentation” and “contract documentation” is not satisfactory. Specifically, documentation for assets acquired under the project are particularly weak.

BANK PROJECTS - RECOMMENDATIONS

- At the design stage, focus on decentralization of project implementation and procurement to the State Level/End user with a need for appropriate coordination mechanism at Federal level. Specifically, beneficiary communities should be involved in the design and implementation of projects.
- Implement procurement for Bank financed projects within the framework of existing structures and such procurement to be subject to the same hierarchy of Government approvals in accordance with the Loan/Credit Agreement.
- Pay more attention to procurement during supervision missions. Post reviews to be carried out regularly during supervision. The Government and the Bank to devote more resources in monitoring procurement.
- Insist on preparation of detailed procurement plans with details of the contract bid packages, the method of procurement, the timing of contract etc. The Plan must be reviewed and updated at least once every year by the PIU in association with the Bank.
- At the beginning of the project, assess Capacity Requirements (including to carry out ICB in a professional manner), and fill the gaps between needs and availability, through outsourcing, training, and possibly recruitment. The use of professional Procurement Agents and Custom clearance agents should be considered as necessary.
- Provide procurement training to all project staff before project starts. This training to include, besides procurement staff, project managers and financial controllers in training Institutes such as GIMPA (Accra) and ESAMI (Arusha). Bank to organize one week courses in Nigeria also.
- Focus on post-contract award. Contract management capacity must be beefed up, adequate information must be provided to the end users on details of procurement such as warranties and availability of after sale service, pre-shipment and pre-delivery inspection that protect the purchaser and should be used systematically.
- Enforce adequate record keeping and periodic reporting in Bank financed projects.
- Carry out regular procurement audits. In addition to the financial audits, auditors should be asked to look systematically into procurement activities, contract management, and carry out end use verifications, as a minimum, on an annual basis.

5. PRIVATE SECTOR PROCUREMENT

PRIVATE SECTOR - STRENGTHS AND WEAKNESSES

21. The private sector in Nigeria is dominated by agriculture and upstream oil industry. Agriculture provides a living for almost two-thirds of the population. Upstream oil industry accounts for about 95% of all exports and provides more than 80% of the Federal Governments revenues. The procurement practices in the private sector in Nigeria are outlined below.

- The most common purchasing procedure in Nigerian enterprises seems to be that of purchasing from suppliers that already have a record with the company or suppliers that are recommended by trustees. International bidding as well as open and limited competition are only practised by subsidiaries of multinationals. According to the Chamber of Commerce (NACCIMA), Nigerian companies do not have any procedures for procurement.
- Contracts for capital goods and very large supply contracts are often procured through international bidding. This is handled by headquarters and do not involve Nigerian personnel. Smaller contracts are handled locally and procured in Nigeria according to the standards and procedures for the Nigerian subsidiary.
- Registration of companies is not used as a method of pre-qualification. However, market surveys are often done to determine price levels of the desired goods, works or services. For tenders of values greater than Naira 500,000 tenders committee will often be formed to evaluate quotations.
- There are two interrelated areas of possible improvement in private sector procurement in Nigeria: Purchasers' ability to assess a potential supplier's capacity to deliver goods, works or services that the Purchaser requires, e.g. liquidity and stability of a potential supplier; and capacity to specify, understand and assess quality in terms of both products and processes. In other words there is a need to build capacity for quality management in the Nigerian private sector. Furthermore, the introduction of tools and training in quality management systems as well as certification could benefit and enhance the performance of the private sector in general.

PRIVATE SECTOR - RECOMMENDATION

22. A long-term recommendation to establish a Quality Management Systems Institute was rejected by the Task Force on the basis that most of the Private Sector companies have already put in place Quality Control Management (QCM) and maintain standards in line with franchise and brand agreements.

6. TRADE PRACTICES AND CUSTOMS IN NIGERIA

TRADE PRACTICES AND CUSTOMS - STRENGTHS AND WEAKNESSES

23. The findings concerning customs and trade in Nigeria comprise: exports; import and transit procedures; quality control systems; customs clearing, tariffs, and administration; and the banking system.

Export, Import and Transit Procedures

- All categories of goods exported from Nigeria are subject to quality control before leaving the country. A standard fee of 1% is charged for performing the quality control, irrespective of value of goods to be exported.
- Nigeria has a range of import restrictions varying from complete bans to minor regulations based on Nigerian standards for imported goods. Any company or individual that is registered as fiscally and legally legitimate by the Corporate Affairs Commission is allowed to import goods and services to Nigeria.
- Central issues in the import procedure are customs clearance, quality control, transactions of a merchant bank and the Central Bank of Nigeria (CBN) and transport insurance.
- There is no standard calculation for determining the customs value and the WTO standard for calculating the Transaction Value is not fully implemented.
- Cargo transit through Nigeria to neighbouring countries is allowed and regulated under the ECOWAS agreement. The majority of the transit traffic thorough Nigeria is bound for Chad and the Republic of Niger.
- Transit Agents pay a bond to the Customs Authorities to ensure that the export in transit will not end up in the Nigerian market. It is, however, a known fact that some transit commodities are found back on the grey market in Nigeria. An efficient system to monitor and control the transit is not in place. Poor working conditions of the customs officers in terms of inadequate equipment, low salaries and poor or no accommodation increase the difficulties.

Quality Control Systems

- The pre-shipment quality control system was fully implemented in Nigeria in 1996. It generally serves to assure the buyer that the shipment contains the quantity and quality of the goods ordered. Pre-shipment control has partially reduced the problems of undervalued invoices. However, the system is not successful due to delays, poor specifications of the goods and low efficiency of inspection.
- The Standard Organisation of Nigeria (SON) performs technical quality control. All imported technical and/or investment goods have to pass a technical control procedure.
- Quality control of consumer commodities both export and import are performed by the National Agency for Food and Drug Administration and Control (NAFDAC). Major activities are control of consumer commodity exports to the EU countries and others. NAFDAC laboratories are suffering from lack of equipment and reagents, their capacity

is insufficient and these laboratories are presently located outside the ports. This causes delays as well as low quality and efficiency of the control.

Customs Clearing System

24. Membership of ECOWAS allows Nigeria to implement and use the customs clearing system – Automatic System for Customs Data Entry (ASYCUDA). The system provides accurate processing of import, export and transit declarations leading to reduction of time for clearing commodities and increased revenues. The system also provides reliable trade and revenue data to the Government and links to the quality control laboratories. The system is, however, not fully implemented and is not working efficiently. Implementation is hampered by lack of funds for software and hardware, poor maintenance and insufficient trained staff to operate the system. Furthermore, the system is Internet based and the lack of sufficient telephone lines and disconnection of the few lines due to unpaid telephone bills constrains the implementation even further.

Customs Tariffs

25. Imports of most kinds of commodities and goods are heavily taxed, duties range from 10-50 percent. Further, surcharges have to be paid as well as inspection fees. In addition, a 5 percent Value Added Tax is levied on the total costs. Importers try to reduce these costs by the presentation of undervalued commercial invoices through collusion with foreign exporters.

Remuneration

26. Customs officers are poorly remunerated and are only provided with very modest housing. The lack of adequate working tools and equipment is also a source of everyday frustration. Training opportunities are also limited. These conditions do not promote integrity and accountability but rather encourage bribery and corruption. Performance is generally below international standards – it is estimated that the current staff of 20,000 should only be 10,000, by international standards.

Banking System

27. After liquidating 26 banks in 1998, there are now 89 banks left in Nigeria - 28 commercial banks and 51 merchant banks. Efforts are being made to restore trust in the banking sector of Nigeria. There is, however, a long way to go before their credit worthiness is up to international standards. International banks are starting to establish branch offices in Nigeria. This is likely to have positive impact on the existing local banks. The increased competition will be a strong incentive for the local banks to improve the services and security they offer to their clients. Presence of international banks will also mean an overall increase in capacities in banking transactions.

28. The Central Bank of Nigeria (CBN) and the commercial banks play the following roles in the procurement process.

- As far as trade and customs activities are concerned, the CBN plays the following roles: assessment of the credit worthiness of private banks; follow up on import documents; and provision of foreign currency for import transactions.
- Letters of Credit are established by merchant banks in foreign currency, mostly in USD. Foreign currency is procured from the CBN by the merchant bank. Foreign currency is The importer pays the Letter of Credit in Naira at the ongoing exchange rate. The importer can also obtain foreign exchange directly from the foreign exchange bureaux.
- The Nigerian importer is charged a fee of 0.75 percent of the total value of the import in Naira for the establishment of the Letter of Credit and an additional 0.75 percent per annum of the total value in Naira for the use of the Letter of Credit. Fees to the foreign correspondence bank are individually determined between the importer and the beneficiary of the Letter of Credit. Apart from this the importer must deposit 50 percent of the total value of the Letter of Credit with the CBN, who will reimburse the deposit to the importer, with interest, after a period of one month. The interest paid is variable.

TRADE PRACTICES AND CUSTOMS - RECOMMENDATIONS

Export, Import and Transit Procedures

- Carry out a comprehensive review of the business processes related to export, import and transit regulations, procedures and practices in Nigeria including the ASYCUDA system.
- Separate cash flow and paper flow. This means that documentation should be handled by customs while all cash flows between traders and customs are handled by authorised banks and the CBN.
- Conduct an analysis of the overall Customs performance, management, technical solutions and staffing levels including possibly redesigning the structure and re-establishment of a more efficient and effective Customs administration.

Export Procedures

- Work out a system for calculating the price of quality control in relation to exports from Nigeria.

Import Procedures

- Fully implement WTO standards for calculation of the Transaction Value.
- Use one uniform Transaction Value or Custom Value for all institutions.

Transit Procedures

- Conduct a study based on transit statistics and consumer figures in the borderline regions to calculate the loss of import duties and taxes on the most smuggled items. This study

will provide vital data to the recommended (see section on customs tariffs) further reduction of import duties and taxes and the prospects of reducing irregularities by doing so.

- Review and reorganise transit procedures. The review and reorganisation will result in procedures including fixed compulsory routes for transit transport, time tables for allowed transport time with a loss of bond if the transport is not at the boarder at the set time, limitation of entry and exit posts and satellite monitoring of selected goods like cigarettes and used cars.
- Improve working conditions in borderline areas, especially provision of accommodation for customs personnel.
- Carry out a study to calculate the loss of import duties and taxes in the borderline regions.

Quality Control Systems

- Conduct a study into the possibilities of optimising the effect of pre-shipment inspection. This study should among other things include a review of the pre-shipment contract and procedural design including the introduction of proper ex-post reconciliation procedures.
- Apply destination inspection for imports from neighbouring countries. Pre-shipment inspection causes trade delays and is therefore not an efficient tool in relation to import from neighbouring countries.
- Limit Quality control of imports to cover dubious imports from certain countries and conduct random inspection for other countries.
- Provide laboratory equipment and reagents to NAFDAC.
- Review and reorganise NAFDAC including relocation at the port.

Customs Clearing System

- Fully implement the ASYCUDA++ system and integrate all import and exported related procedures and workflow in the system. Contract a team of experts to complete and upgrade setting up of the ASYCUDA system. A web-site for the Nigerian Customs Service should be created as part of the implementation of ASYCUDA.
- Train staff in the operation of the ASYCUDA. A modular training system which includes training of trainers and managers at all levels should be included in an ASYCUDA assistance project.

Customs Tariffs

- Lower import duties to a level where the cost of corruption is higher than cost related to legitimate imports. Experience from other countries show that this: (a) is an efficient way of fighting corruption and (b) increases overall revenues as most imported goods will be declared and declared at the right value.
- Introduce a low uniform tariff structure. The basis for the exact tariff structure should be analysed in detail and could allow, say, for three levels of import tax: zero, five and ten percent plus VAT.

Remuneration for Customs Staff

- Review salary and housing conditions for customs personnel.
- Review staffing levels in terms of both familiarity with handling procedures and the actual need for staff in numbers.
- Introduce a performance based incentive scheme for customs personnel.
- Provide appropriate tools and equipment and improve the standard of maintenance of existing equipment.

Banking System

- Abolish the practice that importers must deposit 50 per-cent of the total value of the Letter of Credit with the CBN for one month.

7. ELECTRONIC COMMERCE IN PUBLIC PROCUREMENT

29. Electronic commerce (e-commerce) refers to business transactions that are conducted on the Internet normally through a buyer visiting the seller's website and making a transaction there. The transactions are carried out using a network of computers connected through the telecommunications infrastructure. Information is the driving force for efficient public procurement and by improving its access and quality, it will be much easier for both procuring entities and suppliers to exploit the opportunities offered. The following are a few facts on e-commerce:

- E-commerce is still in its infancy and its use in public procurement is still very limited. To-date most e-commerce has been business-to-business (80%³) and business-to-consumer interactions.
- With the ongoing rapid development in information technology, the use of computer systems and telecommunications is expected to revolutionise the way in which public procurement will be carried out in future.
- Electronic tendering will play a key role in the enhancement of transparency and access to public procurement, cutting operating costs and reducing delays.
- A Global Procurement Agreement (GPA) is in place and this has already had a strong influence, on the workings of national and regional trade regimes such as the EU.

The WTO has identified the following as major issues in the use of information technology in developing countries:

- development of information technology tools which could be used to disseminate information about procurement opportunities and practices, and/or to establish full electronic tendering, as well as to facilitate the collection of relevant economic data and statistics; and
- the provision of office, information technology and/or other equipment necessary for the implementation and enforcement of legislation, procedures and/or practices.

ENABLING ELECTRONIC COMMERCE FOR THE REFORMED PUBLIC PROCUREMENT SYSTEM IN NIGERIA

30. Future e-commerce capabilities in Nigeria will depend on the availability of adequate reliable information infrastructure (computer hardware and software, telecommunications and manpower resources). Although the enabling infrastructure is not currently in place, with liberalization of the telecommunications infrastructure and the Government's deliberate effort to introduce information technology in the offices, the necessary infrastructure is likely to be in place in the next few years. Nigeria being part of the global economy and given the global

³ Economist, February 26th – March 3rd 2000

trends in e-commerce, the Government has to prepare for the impending impact e-commerce will have on the way Nigeria does business internationally and even domestically.

RECOMMENDATION

31. It is going to take a long time before the necessary information infrastructure is available for nation-wide introduction of electronic public procurement in Nigeria. In the mean time, there is a need for the Government to consider the possibility of implementing a pilot project to gain experience in this field. The main objective of such a pilot would be to test how electronic public procurement could be used to support the needed transparent and streamlined procedures recommended in this report.

8. GENERAL RISK ASSESSMENT

32. There are serious weaknesses in the current procurement system including lack of appropriate legislation, shortage of basic skills and inadequate organization. On top of these it is likely that there will be resistance from some quarters towards the suggested reform program. However, there is a strong sense of optimism based on the fact that Nigeria has recently managed to go from a military regime to a democratically elected civilian rule. There are strong indications at all levels in the public and private sector that Nigeria is ready for new initiatives. It is also clear that the international community is ready to assist the Government in the difficult transition from dictatorial corrupt military regime to a democratic one where transparency is one of the overarching objectives. Based on this relatively new political situation the country appears to be ready to embrace the proposed reforms. It was a feeling of many Nigerians that for the first time in years there is a real opportunity to initiate reforms. Having said this, the changes needed are massive and it will be an uphill struggle for those implementing them. Success in implementing the reforms will largely rest on political will and support from the donor community.

B. RECOMMENDED ACTION PLAN

STRATEGIC APPROACH

33. The recommendations presented in this report are many and complex. The report has made extensive recommendations on improving the business environment because this is the major determinant for efficient and transparent procurement processes. Implementation of the proposed procurement reforms is expected to accrue substantial benefits to the economic development of Nigeria. The reformed environment is expected to:

- attract more donor financing;
- fuel local and foreign investments; and
- realize efficient and timely completion of development projects.

34. Due to the number and complexity of these recommendations, it is necessary to prioritise and plan what can be done on a short, medium or long term basis. Substantial resources will be required to implement these recommendations and the availability of funds will have a crucial influence on the timing for the implementation. The actual financial requirements to implement the recommendations will be one of the first exercises to carry out after the recommendations have been approved by the Government.

35. The proposed reforms will require expertise that may not be available in Nigeria and experience from abroad may be required in the form of Technical Assistance. However, to ensure the best possible and sustainable results, Nigerian experts should spearhead the implementation and the foreign experts should only play an advisory role. This means that any foreign consultant must work closely with Nigerian counterparts to ensure transfer of know-how and sustainability in the long run. Ownership of the reforms by Nigeria is paramount. It is therefore proposed that a Steering Committee, with high level members from the Presidency and Ministry of Finance be created to lead the reform process until the PPC is created, when the role will be transferred. A Procurement Reform Implementation Unit will also be established to manage the reforms on a day-to-day basis and provide the secretarial services for the Steering Committee. The Government is advised to work closely with donors to mobilise the required resources. A tabular Action Plan is presented in **Tables 1A and IB**.

36. Many of the recommendations are dependent on successful establishment of the PPC. It is therefore of paramount importance that this recommendation is given highest priority. In the interim period, the Steering Committee will be driving the reforms.

TABLE 1A – SHORT TERM (UP TO ONE YEAR) ACTION PLAN

Issue	Recommended Action	Timing		Responsible
		Start	Complete	
1. Lack of a body to spearhead the reforms before the PPC is created	Establish a Steering Committee and Procurement Reform Implementation Unit (PRIU) to initiate and supervise initial implementation of reforms	August 2000	August 2000	Ministry of Finance (MOF) • <i>Committee to have high level members from the Presidency and MOF</i>
2. Lack of an oversight body to control public procurement	Establish the Public Procurement Commission (PPC) • Prepare details of the organization, roles and responsibilities of the PPC • Appoint Head of PPC and Commissioners • Operationalize the PPC	August 2000 July 2000 March 2001 June 2001	June 2001 Dec. 2000	Steering Committee (SC) • <i>Short term consultant to assist in the preparation</i>
3. Lack of clarity and transparency in the FR	Revise the procurement procedures in the FR to ensure clarity and transparency as follows: • Registration Lists are no longer used as the only eligibility criterion for tendering • All tenders above Naira 5 million are advertised in Government Gazette and 3 widely circulating papers in Nigeria • Advertisements to include bid closing and opening date, place and time of public opening, and an invitation to bidders and the public to attend • Various Procurement Methods and their application are clearly spelt out • Transparent Bid Evaluation Criteria are included in the bid documents • Evaluation Committees are created for all major procurements • Members of Evaluation Committees, tender boards and approval authorities to be obliged to declare any conflict of interest and exclude themselves from bid evaluation and approval process • Bid bonds and advance payment securities to be accepted from reputable banks only • All major contract awards to be published • Contract variations (scope, technical and price) to be approved by appropriate TBs • Introduce formula for price variation in extended (more than 18 months) contracts • Prepare a Procurement Manual for Implementing the above revisions	August 2000	March 2001	Steering Committee <i>Retain a consultant under EMCAP to work with the SC</i>

Issue	Recommended Action	Timing		Responsible
		Start	Complete	
4. Proliferation and ineffectiveness of Tender Boards	Streamline and Empower Tender Boards as follows: <ul style="list-style-type: none"> Abolish departmental tender boards and strengthen ministerial tender boards by vesting them with all powers to approve contract awards, except politically sensitive contracts Abolish Federal Tender Boards 	August 2000	July. 2001	SC/PPC
5. Procurement Function not carried out in a professional manner	Restore and strengthen the professional procurement cadre and undertake the following: <ul style="list-style-type: none"> Carry out a needs assessment for procurement professionals for the public sector. Increase training resources for public procurement staff and introduce a certification system. Establish code of conduct/ethics for procurement staff. Support IPSM and other organizations that are engaged in training and promoting the procurement profession. Support IPSM's efforts to be established and recognized as a professional body. In the framework of the civil service reform, introduce pay scales and structures that will promote honesty and efficiency in the civil service 	August 2000 Jan 2001 August 2000 August 2000 Immediate Immediate	Continuous June 2001 Continuous June 2001	SC/PPC
6. Lack of Capacity and Credibility in Public Procurement System	Employ Procurement Agent/Agents for Major Contracts	August 2000	June 2001	SC/PPC <ul style="list-style-type: none"> to augment capacity and restore credibility in the public procurement system in the interim period
7. Procurement weaknesses in Bank financed projects	Revisit the design philosophy and implementation arrangements of future Bank financed projects as follows: <ul style="list-style-type: none"> Decentralize Implementation Undertake procurement Capacity Requirements (including to carry out ICB in a professional manner). Implement procurement for Bank financed projects within the framework of existing structures Insist on preparation and updating of detailed procurement plans 	Immediate	Continuous	Bank and MOF <p><i>The Bank and MOF to ensure that future Bank and donor financed projects are designed and implemented on the basis of the recommendations</i></p>

Issue	Recommended Action	Timing		Responsible
		Start	Finish	
8. Weaknesses in Customs Systems and tariffs <ul style="list-style-type: none"> Partial Implementation of the ASYCUDA Customs Clearing System Inappropriate structure and level of Tariffs 	<ul style="list-style-type: none"> Fully implement the ASYCUDA++ system Contract out the Quality control of the performance of the ASYCUDA system Train staff in the operation of the ASYCUDA Establish a web-site for the Nigerian Customs Service as part of the implementation of ASYCUDA Lower import duties to a level where the cost of corruption is higher than cost related to legitimate imports; and Introduce a low uniform tariff structure. 	August 2000 Jan 2001 August 2000 Jan 2001 August 2000	June 2001 Continuous June 2001 June 2001	MOF
9. Excessive Deposit for Opening Letter of Credit	<ul style="list-style-type: none"> Abolish the practice that importers must deposit 50 per-cent of the total value of the Letter of Credit with the CBN for one month. 	August 2000		MOF
10. Lack of Communication Strategy	<ul style="list-style-type: none"> Develop a communication strategy supporting the procurement reform programme Establish a helpdesk function for example via e-mail or phone and a homepage on the Internet, which contains all documents and guidelines from the procurement manual. As part of the communication strategy offer a course to Nigerian journalists in international procurement principles and their rationale to the Nigeria Environment. 	August 2000	June 2001	SC

TABLE 1B – MEDIUM AND LONG TERM ACTION PLAN

Issue	Recommended Action	Timing		Remarks
		Start	Complete	
1. Lack of law or other Act of parliament regarding public expenditure or procurement in Nigeria	<ul style="list-style-type: none"> • Introduce a public procurement law based on the United Nations Commission on International Trade Law (UNCITRAL) • Develop a comprehensive procurement manual based on the new law and regulations. 	Jan 2001	Dec. 2001	SC/PPC
2. Weaknesses in the Export, Import and Transit Procedures	<ul style="list-style-type: none"> • Carry out a comprehensive review of the business processes related to export, import and transit regulations, procedures and practices in Nigeria including the ASYCUDA system. • Separate cash flow and paper flow. This means that documentation should be handled by customs while all cash flows between traders and customs are handled by authorised banks and the CBN. • Conduct an analysis of the overall Customs performance, management, technical solutions and staffing levels including possibly redesigning the structure and re-establishment of a more efficient and effective Customs administration. 	August 2000	Dec. 2001	MOF/CBN
• Export Procedures	<ul style="list-style-type: none"> • Work out a system for calculating the price of quality control in relation to export from Nigeria. 	June 2001	June 2002	Ministry of Finance, CBN and Customs Authorities to work closely together
		June 2001	June 2002	
• Import Procedures	<ul style="list-style-type: none"> • Implement WTO standards for calculation of the Transaction Value • Use one uniform Transaction Value or Custom Value for all institutions 	June 2001		
		June 2001		
• Transit Procedures	<ul style="list-style-type: none"> • Conduct a study based on transit statistics and consumer figures in the borderline regions to calculate the loss of import duties and taxes on the most smuggled items. • Review and reorganise transit procedures. • Improve working conditions in borderline areas, especially provision of accommodation for customs personnel. • Calculate the loss of import duties and taxes in the borderline regions 	June 2001	Dec. 2001	
		June 2001	June 2003	
		June 2001	June 2002	
		August 2000	Continuous	
		June 2001		

Issue	Recommended Action	Timing		Remarks
		Start	Complete	
3. Customs Organization and Incentive Schemes	<ul style="list-style-type: none"> • Review staffing levels • Review salary and benefits including housing • Introduce performance based incentives • Provide working tools and equipment 	August 2000 Jan 2001 July 2002 Jan 2001	Dec. 2001 Dec. 2001 Dec. 2002 Dec. 2002	MOF
4. Lack of Streamlined Quality Control Practices	<ul style="list-style-type: none"> • Conduct a study into the possibilities of optimising the effect of pre-shipment inspection. • Apply destination inspection for imports from neighbouring counties • Limit Quality control of imports to cover dubious imports from certain countries and conduct random inspection for other countries • Provide laboratory equipment and reagents to NAFDAC • Review and reorganise NAFDAC including relocation at the port 	June 2001 Dec. 2001 Dec. 2001 August 2000 June 2001	June 2002 June 2002 June 2003	MOF
5. Lack of Quality Management capacity in the Private Sector	<ul style="list-style-type: none"> • Build capacity for quality management through a Quality Management Initiative including establishment of a Quality Management Institute. 	June 2001	April 2005	NACCIMA <i>Initiative to be taken by the Government</i>
6. Lack of knowledge in Electronic Public Procurement	<ul style="list-style-type: none"> • Implement a Pilot Project for Electronic Public Procurement 	June 2001	Dec. 2002	PPC