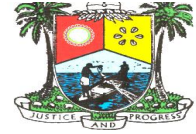**LAGOS STATE GOVERNMENT**

REVISED STRATEGIC FRAMEWORK GUIDE FOR ECONOMIC INTELLIGENCE UNIT MINISTRY OF ECONOMIC PLANNING & BUDGET.

AUGUST 2010

Acknowledgement

Content List

Abbreviations and Acronyms

ADB	African Development Bank
BER	Bureau of Economic Research
BES	Business Expectations Survey
BTS	Business Tendency Surveys
CCI	Consumer Confidence Indicators
CEI	Coincident Economic Indicators
CIRET	Center for International Research on Economic Tendency
DFID	Department for International Development
ECOWAS	Economic Community of West African States
EIU	Economic Intelligence Unit
G7	Group of Seven Developed Countries
GDP	Gross Domestic Product
ICT	Information and Communication Technology
INFOSTAT	Institute of Informatics and Statistics (Slovakia)
LASG	Lagos State Government
LEI	Leading Economic Indicators
M&E	Monitoring and Evaluation
MDAs	Ministries, Departments and Agencies
MEPB	Ministry of Economic Planning And Budget
MTSS	Medium Term Sector Strategy
NPC	National Planning Commission
OECD	Organisation for Economic Cooperation and Development
SEEDS	State Economic, Empowerment and Development Strategy
SPARC	State Partnership for Accountability, Responsiveness and Capability
ToR	Terms of Reference
UK	United Kingdom
UNECA	United Nations Economic Commission for Africa
US	United States

Executive Summary

This report is a revised and expanded version of an initial draft of the framework documents for Strengthening the structure and systems of Economic Intelligence Unit (EIU) in the Lagos State Ministry of Economic Planning and Budget (MEPB). The main purpose of the revision was to integrate economic analysis and research as the core activities of the EIU.

The Unit is conceived as a vehicle for providing economic policy analysis and advisory services to the political leadership and top civil servants. In addition, the Unit is to organise appropriate policy fora ,as required, to provide training and learning opportunities for the political leadership to enhance their knowledge and understanding of the concepts, tools, processes, and linkages among applied policy research, policy planning, policy making and strategy development.

The Report demonstrates how the EIU can support and promote evidence-based policy making through applied economic policy analysis, forecasting and advice. It highlights the option of constructing composite leading indicators for the Nigerian economy with emphasis on Lagos State. The report defines leading indicators as variables that tend to precede and predict coincident indicators of general economic activity which can be measured with the help of metrics on employment, production, total income and sales in real (inflation adjusted) terms. Furthermore, the report notes that in many countries, composite indices of leading economic indicators are used to help predict short-term cyclical fluctuations of the economy in conjunction with composite indices of coincident economic indicators.

The report draws attention to the Business Expectations Survey Reports that the Central Bank of Nigeria started publishing in the second quarter of 2008 and recommends close collaboration between the EIU and the apex bank as Lagos State seeks to replicate such surveys with wider coverage of respondent firms located in the State[1].

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[1] The quarterly Business Expectations Surveys of leading firms by the CBN typically provide advance indications of change in the overall level of business activity in the country and in the various measures of the activities of respondent firms as well as selected economic indicators.

1.0   Introduction

1.1   Background

Improving the overall performance of governance is a major goal of Lagos State Government (LASG). However, the LASG Policy and Strategy Self Assessment Report indicated that some capacity gaps exist in the ability of political leadership to translate policy frameworks and statements into outcomes, to understand policy best practice as well as utilise technical tools/processes in policymaking and strategy development. There is, therefore, a need to increase their knowledge, understanding and application of the concepts, tools, processes and linkages between applied policy research, policy planning, policy making and strategy development. However, short-term training will not suffice and more institutional support would be required over a long time-span. To this end, the Economic Intelligence Unit (EIU) has been identified as a vehicle for delivering, providing, training and supporting applied policy research, policy planning, policymaking and strategy development. It will additionally provide policy analysis and policy advisory services to the political leadership and top civil service cadre at the Ministries, Departments and Agencies (MDAs) level and organise appropriate policy fora as required, to provide training and learning opportunities for the political leadership to enhance their knowledge and understanding of the concepts, tools, processes and linkages among applied policy research, policy planning, policy making and strategy development. Operating as a central think-tank within LASG, it will also produce appropriate policy briefing documents on topical policy issues as a means of providing government with a broader range of evidence-based policy ideas and options in decision-making.

To achieve the above, the United Kingdom (UK) Department for International Development (DFID) through the State Partnership for Accountability, Responsiveness and Capability (SPARC) programme provided technical and funding support towards the development of a concept note, structure and systems, 3 year work plan and a communication strategy document for the EIU. An in-house review of the above mentioned documents suggested that there was need to highlight and strengthen the economic analysis and research component of the EIU. Accordingly, SPARC has committed to providing additional technical support to strengthen and integrate economic research and policy advice as the core of the EIU.

Consequently, SPARC contracted an economist, researcher and public communication specialist to review the Framework Documents on the EIU with a view to achieving the desired integration.

1.1.2 Expected deliverables

The Terms of Reference (ToR) given to the Consultant required the following deliverables:

- A strategy document that integrates economic analysis and research into the existing EIU framework documents.
- A detailed analysis of the existing documents vis-à-vis economic policy and research
- An appropriate work force plan to support economic analysis and research component of EIU.
- A training and capacity building plan and
- Assignment report

1.1.3 Process followed

The Consultant developed a set of 16 review questions for assessing the documents. These are listed below:

a) Is there clarity about the fundamental nature of the EIU?
b) Is the vision statement appropriate?
c) Is the mission statement appropriate?
d) Is there clarity on the stated core EIU functions?
e) Is the programme activity work plan suitable?
f) Should EIU perform Monitoring and Evaluation (M&E) functions?
g) Are funding issues fully addressed?
h) Is there clarity about how EIU can generate revenue?
i) Is the capacity building work plan suitable?
j) Is the listing of internal clients appropriate?
k) Is the listing of external clients suitable?
l) Are issues of EIU autonomy /independence adequately addressed?
m) Are issues of strategic partnerships properly addressed?
n) Is the selection of selectors to engage with justifiable?
o) Are issues surrounding recruitment and engagement of EIU staff adequately addressed?
p) How is EIU located in the Organogram of Ministry of Economic Planning and Budget (MEPB)?

1.1.4 Key findings

The findings and recommendations of the review exercise are in Appendix 1. The main finding was that the lack of clarity with the fundamental nature of the EIU affected articulation of its objectives and core functions. This was evident in the list of comparable institutions in other countries contained in the initial report.
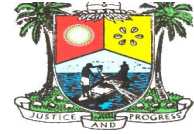
1.1.5   Main recommendations

There are two main recommendations. First, the EIU should not be conceived as a generic think-tank but as an institution that devotes considerable resources to applied policy research for economic policy analysis, forecasting and advice. Secondly, the sections of the initial report covering structure of the EIU, internal and external clients, programme activity work plan and the capacity building work plan contained some useful points and should be retained with minimal upgrading. This understanding is reflected in this revised Strategic EIU Framework Guide.

1.1.6 Justification for establishing EIU

Successive Nigerian administrations at all levels of governance have experienced serious capacity deficits in policy analysis and development management. This is also true of most other countries in Sub-Saharan Africa where the socio-economic problems that have plagued the region and the difficulty in redressing the problems have been attributed largely to lack of adequate indigenous capacities (skills, knowledge and institutions) for policy analysis and development management[2]. In Nigeria, for example, it is well known that as a result of oil money, a lot of resources are distributed among the three tiers of government but the positive impact on the people has been minimal. Consequently, it has been suggested that reasons for this undesirable situation include poor policy formulation and implementation, lack of an effective monitoring and evaluation framework and inadequate attention to impact assessment.

With respect to evidence-based policy making in Lagos State, it has been observed that although baseline data and research information are generally available within the **MEPB** and some **MDAs**, these are often inadequate, outdated, incomplete, and conflicting. "There is a great need for greater support with central planning, especially, in providing quality baseline

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[2] Mike Obadan, *Macroeconomic Policy Analysis and Management* (NCEMA Training Programme Report), 1999

information, research and statistical data to drive or support policy processes and performance monitoring", the SPARC supported Lagos State Policy and Strategy Self Assessment Exercise concluded.

Further reflection on these findings among Government officials and development partners considered an *Economic Intelligence Unit in the MEPB* an appropriate institution that could help address the challenges stated above by providing direct support and input on all key policies and MDAs' strategy development.
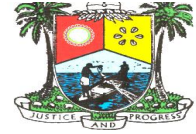
1.1.7 **The fundamental nature of the Economic Intelligence Unit**

The distinguishing feature of an EIU is the economic intelligence gathering dimension of its activities. In practice, this translates into efforts devoted to overcoming the long period it takes for numeric statistics compiled by national statistical agencies to become available to analysts and policy makers. For example, until 2006, Nigeria published no quarterly GDP figures forcing policy makers to wait for a whole year before knowing whether the economy expanded or not in a particular year. Also, over-reliance on coincident indicators of economic performance has been cited as a factor constraining the ability of the Monetary Policy Committee of the Central Bank of Nigeria to proactively manage the economy[3]. This was the justification for the apex bank's Survey Management Unit to embark on Business Expectations Surveys (BES) since the second quarter of 2008.

Professional economists speak of coincident and leading indicators of economic performance. This is based on the recognition that cyclical processes are basic principles of nature and are the object of scientific research in many different branches of science. In economics, in general, they are connected with cyclical performance of economic variables. These are currently analyzed predominantly in the field of macroeconomics.

Expert opinion holds that leading indicators represent variables that tend to precede and predict coincident indicators of general economic activity, which as a multivariate concept, can be measured with the help of metrics on employment, production, total income and sales in real (inflation adjusted) terms. In many countries, composite indices of leading economic indicators (LEI) are used to help predict short-term cyclical fluctuations of the economy in conjunction with

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[3] O.A. Uchendu(2009), "Monetary Policy Management in Nigeria in the Context of Uncertainty"
http://www.bsjournal.com/articlepage.php?id=b801e48d5bdfe2a Accessed 13th October 2010

composite indices of coincident economic indicators (CEI). They also serve to analyze short-term macroeconomic dynamics of the business cycle.

In general, leading indicators offer qualitative forecasts of business cycle performance – indications of turning points in the reference series. Thus, it is necessary to stress that the Lagos State EIU will, amongst its other options, explore the possibility of conducting business tendency surveys (also known as business expectations surveys) with a view to constructing composite leading indicators using qualitative survey data to supplement available numerical data. Business tendency surveys are conducted monthly, quarterly, semi-annually and yearly thereby ensuring quick release of economic performance data. This is the kind of policy research that helps to improve public decisions by reducing the uncertainty in decisions and increasing the logical clarity and consistency of decision makers as well as bringing new perspectives and understanding to public problems and response by decision makers.

Appendix 16 contains a short technical note on Business Tendency Surveys for the professional economist.

1.1.8 EIU's counterparts in other countries

Institutions in other countries that have mandates similar to that of the EIU are to be found among CIRET-member institutions worldwide. Appendix 2 demonstrates that of the 112 institutional members of CIRET, only Senegal, South Africa, and Tunisia represent Africa. Analysis of Appendix 2 shows that US has the highest number of CIRET member institutions (12) followed by Germany (10), Poland (8), France and UK (6 each), and Switzerland, Taiwan, and Croatia (5 each). Italy, Japan and Finland all have four member institutions of CIRET each. Similarly, Slovakia and South Africa have three member institutions each.

The most famous institutions worldwide that conduct business tendency surveys include the Economic Cycle Research Institute and the Foundation for International Business and Economic Research in the United States and the Opinion Research Business and the Confederation of British Industry of the UK. Others are Ukraine's famous Institute for Economic Research and Policy Consulting and Switzerland's KOF Swiss Economic Institute. Also well known for their work is France's National Institute of Statistics and Economic Studies, Austria's

Institute of Economic Research, Germany's Ifo Institute for Economic Research, Finland's Research Institute of the Finnish Economy and the Central statistical Office of Poland. In Africa, the best known Institution for business tendency surveys is South Africa's Bureau of Economic Research (BER).

2.0   Strategic Framework Guide

2.1   Introduction

Elements of a strategic framework for the proposed Economic Intelligence Unit may be articulated as follows:

2.1.1   Vision statement

To be the key resource institution that empowers the Lagos State Government to formulate, implement and review policies that are informed by evidence, research and data.

2.1.2   Mission Statement

To increase the capacity for effective policy formulation, efficient service delivery and good governance in Lagos State ***by constructing, regularly measuring, forecasting and interpreting composite leading indicators for the economy.***

2.1.3   Objectives
The specific objective of the EIU include-

- to increase LASG's capacity for effective formulation of policy and good governance with a view to delivering efficient public services, public facilities and social goods to tax payers in Lagos State;

- to support the political leadership and civil service cadre in delivering their mandates to the electorate and in achieving the mission of transforming Lagos State into Africa's model mega-city;

- to conduct BTS and pursue data analysis as a basis for informing the planning processes that shape LASG's policies, programmes, projects and strategy development;

- to serve as a resource and expert base for policy support and policy advisory services to LASG's Ministries, Departments, and Agencies (MDAs) on varied socio-economic planning and strategy development issues; and

- To situate planning issues in the State in proper analytical perspective, strengthening programme development, producing fiscal outlooks, and making economic and budgetary projections for the government.

2.1.4　Core functions of the EIU

The Unit's core functions include:

- **Policy research**

  This will include research on business tendency surveys (BTS) and construction of composite leading indicators for the Nigerian Economy with special reference to Lagos State Economy. The Unit will also produce/commission an Input-Output Table of the Lagos State Economy in addition to building/commissioning a macro-economic model of the state's economy.

- **Policy analysis**

  Develop policy analysis templates based on a Strategic Management Framework using the SEEDS Manual published by National Planning Commission (NPC) as guide. Use the templates to analyze and summarize policy proposals and existing policies with a view to providing sound policy advice.

- **Policy advice**

  This is advice that will be given to Lagos State Government and other users of the products and services of the EIU. Some of the external users of these products could be charged a fee as part of internal revenue drive.

- **Policy support**

  EIU will support the budget cycle with data and analysis including impact Assessment Reports on projects and programmes in MTSS documents and annual budgets. This is distinct from monitoring and evaluation reporting which EIU should not engage in.

- **Policy/Programme and impact assessment**

  This will involve the review of policies and programmes as well as impact assessment studies.

2.1.5   Targets

Output targets for the EIU may be gleaned from the approved Policy and Strategy/Monitoring and Evaluation Change Matrix of Lagos State and related documents. Key targets include the following:

- To position the EIU "to provide direct support and input on all key policies and MDAs' strategy development" by 2014

- To have in place an EIU that functions optimally providing "research-based analyses, technical advice and reliable data for effective macro-economic policy and sectoral planning".

2.1.6   Strategies for Target 1

- Approve a robust Concept/ Strategic Management Framework for the EIU by last quarter of 2010

- Secure political support and buy-in for the EIU by last quarter of 2010

- Ensure that the EIU is allocated a substantial amount for its programmes in the 2011 budget of the Ministry of Economic Planning and Budget (MEPB) as articulated in its MTSS 2011-2013.

- Identify and develop/incentivise champions for the EIU within Government.

- Establish working relationship with the Central Bank of Nigeria (CBN) in the third quarter of 2010 to learn from the apex bank's experience of conducting Business Expectations Surveys (a variant of Business Tendency Surveys) in all the nation's six geopolitical zones since 2008.

- Acquire membership of the Swiss-based Centre for International Research on Business Tendency (Surveys CIRET) in 2010 and participate in its conferences, workshops and related activities.

- To organise the maiden annual EIU Conference in the second quarter of 2011

2.1.7   Strategies for Target 2 (**To position the EIU "to provide direct support and input on all key policies and MDAs' strategy development" by 2014**)

- To construct leading indicators for the Nigerian economy with special reference to the Lagos State Economy in the first quarter of 2011

- To begin production of EIU products (e.g. bulletins) by second quarter of 2011

- To conduct or contribute to the impact assessment of programmes and projects of all sectors of the Lagos State Government that have MTSS documents for 2011-2013

- To commission an Input-Output Table of the Lagos State Economy by second quarter of 2011 to facilitate identification of the economy's growth drivers.

- To commission a Macro-Economic Model of the Lagos State Economy in the second quarter of 2011.

- To deploy the Input-Output Table and the Macroeconomic Model of the Lagos State Economy for policy analysis and advice by first quarter of 2012

2.1.8 Strategies for Target 3 (To have in place an EIU that functions optimally providing "research-based analyses, technical advice and reliable data for effective macro-economic policy and sectoral planning" by 2020)

- To enter into cooperation agreements with at least five local and four international partners for sustainable development of the EIU by 2015

- To set up structures for effective quality control for all EIU's products by 2020.

- To develop a vibrant publication programme for EIU researchers, consultants and staff by 2018.

2.1.9 Expected Outputs

Appendix 3 provides insights into the kind of surveys the EIU could conduct regularly to enhance the quality of policy advice it provides the Lagos State Government and other clients. It contains information on the leading indicators that six OECD non-member countries– Brazil, China, India, Indonesia, Russia and South Africa--track regularly. For example, South Africa tracks building industry plans, business confidence in manufacturing sector, interest rate spread, motor car sales, manufacturing order sales and total share price index. Beginning from 2008, Nigeria has been tracking a number of indices every quarter. The list includes overall business outlook, sectoral outlook, business confidence on own operations, access to credit and
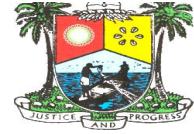
financial condition and business constraints. Others are expectations on foreign exchange, inflation and bank borrowing rates

For illustrations of the kind of analyses and policy insights that emanate from BTS, we may examine the Business Expectations Survey Report of the Central Bank of Nigeria for the Second Quarter of 2010. The survey covered all six geopolitical zones of the country. The report indicated that Business Confidence (BC) in South West Zone was downbeat, as overall confidence index (CI) settled at -4.6 points in Q2 2010 from -4.7 points achieved in the preceding quarter. It, however, demonstrated that respondent firms were expected to be more upbeat in Q3 2010 as the survey threw up a positive CI of 40.5 points (Figure 1 below).

The survey also reported a mixed sectoral outlook on the macro-economy in Q2 2010. "Whereas the construction and wholesale and retail trade sectors remained downbeat at -2.6 and -12.1 index points, respectively, the industrial sector held a positive sentiment of 8.3 index points", the CBN report stated. It attributed the downswing in sentiment to the seasonal weather conditions. Furthermore, the survey showed that respondent firms were more downbeat about their own company operations as all sectors posted negative confidence indices in Q2 2010. Firms were, however, more optimistic about the economy in the third quarter as reflected in their positive views on their own operations in Q3 2010. By type of firms, "neither importer nor exporter" posted the highest response rate of 58.1 percent compared to 5.6 percent by "exporter" firms.

As in previous quarters, access to credit in Q2 2010 remained negative, as the credit access index stood at -18.1 points, though better than -23.6 points in the preceding quarter but worse than -11.1 points a year ago. This, according to the respondents, could be attributable to high interest rates. Despite this position, the volume of business activity increased marginally in Q2 2010 as the index points stood at 0.4 against -13.7 points recorded in Q1 2010.

Insufficient power supply, high interest rates and financial problems were cited by the firms as the major reasons limiting the productivity of businesses in the zone. Resulting from these constraints, most of the respondents in South West Zone expected a weak Naira, but a decline in both borrowing and inflation rates in Q2 2010. However, the respondents anticipated a

stronger Naira, rise in inflation rate and a drop in the borrowing rate in Q3 2010. Appendices 4-15 contain further details of the Q2 2010 survey by CBN.

It is noteworthy that the sample size for the CBN's Q2 2010 Business Expectations Survey was 1,100 with a response rate of about 68 percent. Lagos State and its Ondo and Oyo counterparts represented the South West Zone with a sample size of 300 and a response rate of 72 percent or 215 firms. A similar survey by the EIU could target a larger number of firms located in Lagos State than represented in the CBN survey.

Figure 1: Overall business outlook on the economy, South West Zone
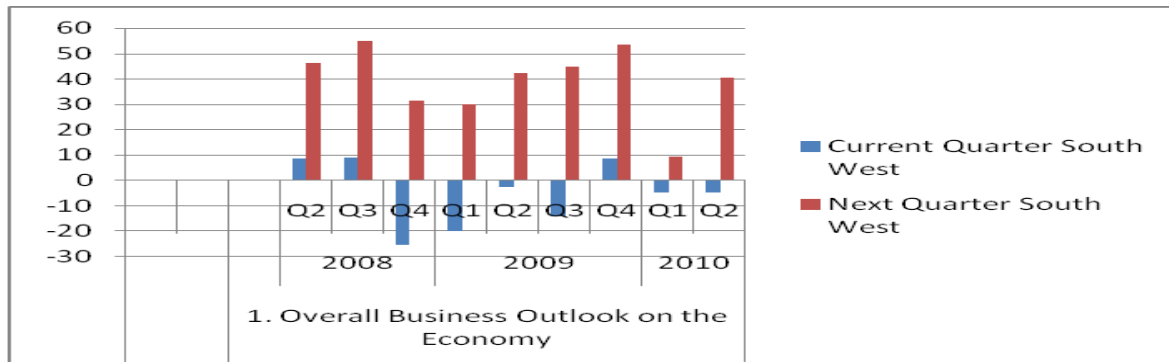
Sourc e: Q2 2010 Business Expectations Survey for South West by CBN

Also, the OECD reported in June that the early part of 2010 saw consumer confidence indicators experience a decline in Canada, France, Italy and United Kingdom, while continuing to recover in Japan, Germany and the United States. As a result of these diverging trends among the G7 countries, consumer confidence has been slowing on average in OECD area.

The EIU should have capacity to generate similar reports/policy advice as the ones briefly discussed above.

2.1.10 Structure of the Economic Intelligence Unit (EIU)

The structure and systems of the Lagos State EIU are organised to achieve the objectives of the Unit. Given the fundamental nature of the EIU, there is a great need for strong technical skills, up to date ICT equipment, and team work among the staff, visiting scholars, resident scholars and consultants. In addition, there is the need for prompt response, elimination of bottle-necks and institutionalization of a culture of continuous improvement.

2.1.11   Organogram

Commissioner: Commissioner for Economic Planning and Budget will be the supervising Commissioner for the EIU. She/he will take issues concerning the Unit to the State Executive Council.

Permanent Secretary: The Permanent Secretary, Ministry of Economic Planning and Budget will be responsible for providing administrative direction for the core staff of the Unit. He/She will be the chair of the Management Committee.

Membership and Functions of Management Committee: The ManagementCommittee will be made up of the following:

- Permanent Secretary (Chair)
- Director of Planning, MEPB, who will chair meetings in the absence of the Permanent Secretary.
- Director of Budget, MEPB
- Director of Statistics, MEPB
- Director, M & E, MEPB
- Director of Partnership, MEPB
- Head of EIU who shall serve as Secretary to the Committee

The Management Committee will be responsible for:
- Governance and policy making for the unit
- Approval of strategies and plans for the unit
- Upholding the philosophy, values, vision and mission of the unit
- Ensuring statutory compliance with regulations of the Lagos State Government.

Membership and Functions of Advisory Committee: The Advisory committee will be made up of scholars, technocrats and development experts. The role of the advisory committee will be to:

- Offer advice to the Board and Secretariat on the direction and focus of the Unit.
- Advise the Unit on its research agenda
- Profile the Unit's work and activities in the country and in the international arena

The EIU Team: The EIU team shall be made up of core staff, visiting scholars, resident scholars and consultants.

> **Core Staff:** Core staff will be made up of staff employed or seconded to the unit by the Lagos State government. The Core staff will be responsible for management of the unit, rising of funds, deployment of the EIU team and resources for the attainment of the unit's goals and objectives.
>
> **Visiting Scholars:** Two visiting scholars will be appointed by the unit for each subunit by a process led by the Management Board for a term of three years which can be renewable. The visiting scholars will perform the following duties:
>
> - Prepare research agenda for the unit
> - Lead the process of research
> - Produce publications
> - Ensure quality of work of the unit.
>
> **Resident Scholars:** Resident Scholars will be appointed as and at when needed and available. Resident scholars will work at the Unit for varying periods from 3 months –two years. Resident scholars may be sponsored by development partners, foundations or think tanks from other parts of the world. They may focus on specific areas of concern during their stay at the Unit. Academics wishing to do sabbaticals may also consider residency with the unit.
>
> **Consultants:** Consultants will be hired by the Unit for specific jobs and will be appointed in accordance with laid down procedures.

Subunits: The EIU will be organised around four subunits:

- (**Research**: responsible for conceptualizing and initiating core policy research. It will be responsible for constructing Leading Economic Indicators (LEI) of the

Lagos State Economy. This unit will also commission the Input-Output Table and the Macro-Economic Model of the Economy. Researchers in the Unit will produce Working Papers, Monographs and journal publications.

- **Policy Analysis and Advice**: responsible for providing policy analysis and advice. This unit will use the Input-Output Table and the Macro-Economic Model for [policy analysis and advice and be responsible for producing Policy Briefs.

- **Impact Assessment:** impact assessment studies including pre-investment impact studies of projects such as roads and railways.

- **Data, Publications and Communication**: This Unit will implement an approved Communication Strategy and be responsible for storage of data, publications and dissemination of research findings.

2.1.12 Publications of the Economic Intelligence Unit (EIU)

The publications policy of EIU will among other things set the standard, pattern and content of publications. It will also address editorial policies and peer review issues.

The key publications of the EIU shall include the following, among others:

- **EIU Bulletin:** This publication will chronicle the activities of the EIU including reportage of ongoing work, events and partnerships.

- **EIU Page in Alausa Alert:** In every edition of Alausa Alert, the unit will maintain a page which will give a summary of the work of the unit with short think pieces, trends and analysis.

- **Policy Briefs:** The policy brief of the unit will be a diagnostic and forecast of current developments in Lagos State, Nigeria and the world at large.

- **Monographs:** Monographs will be produced to give an exposition on particular themes that are of importance to the development of Lagos State such as urban development, development of mega city etc.

- **Working Papers:** Working papers will be produced on key issues that are germane to good governance and development of Lagos State. Working Papers will serve as background to the issue.

- **Journal Publications:** These will be publications in professional journals by EIU researchers, scholars, consultants and staff.

- **The Lagos State Policy Review:** A quarterly applied policy journal of Lagos State.

3.0   Three-Year Work Plan

3.1   Introduction

The three-year work plan is structured to ensure proper formation and take-off of the EIU. In the first year, focus will be on formation activities including appointment of staff, visiting scholars and the putting in place of systems and programmes. Capacity building will also be given prominence in the first year. In the second year, efforts will be made to consolidate the Unit and in the third year, there will be focus on improvement of programmes and systems.

3.1.2 Year One: Year of formation and laying of foundation

- Appointment of Staff
- Institutionalisation of Systems
- Development of programmes
- Development of Partnerships
- Capacity Building for Staff and users of the Unit's products
- Creation of Avenues for Reflection and Strategic Thinking (Annual Staff Staff/Board/Consultants Retreat and Annual Programme Meeting)

3.1.3 Year Two: Year of consolidation

- Expansion of Staff and Researchers
- Refinement of systems
- Review of Strategy

3.1.4 Year Three: Year of quality improvement

- Improvement of Communication, Documentation and Publication
- Improvement of Planning, Scheduling and Execution

3.1.5 Key Performance indicators

- To appoint staff to key subunits by end of third quarter of 2010
- To put systems in place by end of fiscal 2010

- To develop programmes for all the subunits by end of second year
- To develop a five year strategy by the end of second year
- To produce research reports that meet international standards by end of three years
- To have effective communication of findings of the Unit through a variety of tools and media by the end of the third year
- To produce at least four products/outputs by the end of first year; ten by the end of second year and fifteen by end of third year

3.1.6 Key milestones

1.2.1 Milestone one: Lay foundation for the establishment of EIU

Objective: Establish EIU with requisite staff and systems to take off

Target date: 31st December, 2010

Outputs:

- Four products(Publications)
- Organogram
- Job description for Staff, Visiting Scholars, Resident scholars and Consultants

3.1.7 Milestone two: Establish Technical Foundation for the Work of the EIU

Objective: To establish the programmes and working groups for the major areas of work

Target Date: 30th June, 2011

Outputs:
- Guidelines for the various publications
- Partnership policy
- Editorial boards
-

3.1.8 Milestone three: Consolidate the work of the EIU

Objective: Expand the capacity and capability of the unit and review strategy

Target date: 31st December, 2011

Outputs:

- Ten products (Publications)
- Strategy

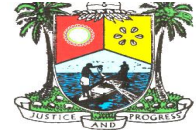### 3.1.9 Milestone four: Improved performance and effective functioning of the EIU

Objective: Improve the performance of the EIU

Target date: 31st December, 2012

Outputs: Fifteen products (publications) and Implementation plan of strategy

Table 1: Three-year work plan incorporating capacity building plan

YEAR ONE : FORMATION AND LAYING OF FOUNDATION				
When	What	Who	How	Remarks
1st Quarter	• Formulation of concept, mission and focus	EIU Team	• Consultants • FGD • Workshop	
	• Agreement on structures and systems	EIU Team	• Consultants • FGD • Workshop	
2nd Quarter	• Appointment of core staff, visiting scholars and consultants	Management Board Perm Sec Commissioner	• Transfer of Staff • Identification and appointment • Memo	
	• Development of research agenda	EIU Team	• Consultant • Workshop	
	• Development of Communication and Publication strategy	EIU Team	• Consultant • Workshop	
	• Development of Capacity Building Strategy	SPARC Consultant	• Needs Assessment • Workshop	
	• Capacity Building	EIU Team	• Consultant • Worksop	
	• Working Paper No. 1on EIU	EIU Team	• Consultant • Workshop	
	• Policy Brief No. 1 on Ehingbeti	EIU Team	• Consultant • Workshop	
3rd	• Development of	EIU Team	• Consultant	

When	What	Who	How	Remarks
Quarter	programmes		• Workshop	
	• Development of Partnerships	EIU Team	• Letters • Visits • Meetings • Website	
	• Study visit to CBN and CIRET-Member institutions including South Africa two other countries	SPARC EIU Team	• Visit	
	• State of Lagos Economy	EIU Team	• Conference	
	• Fiscal Strategy for Lagos State	EIU Team	• Conference	
4th Quarter	• Annual Staff/Mgt Committee/Advisory Cttee retreat	EIU Team	• Retreat	
	• Publication	EIU Team	• Writing, Editing and Printing	
	• State of Lagos Economy	EIU Team	• Conference	
	• Conference	EIU Team	• Conference	
YEAR TWO: YEAR OF CONSOLIDATION				
When	What	Who	How	Remarks
1st Quarter	• Annual Programme meeting	EIU Team External Facilitator	• Retreat	
	• Publication	EIU Team	• Writing, Editing and Publishing	
	• State of Lagos Economy	EIU Team	• Impact Assessment • Budget Review • Conference	Work with Lagos Bureau of Statistics
2nd Quarter	• Review of Strategy	EIU Team Consultant	• Reviews • Meetings	
	• Publication	EIU Team	• Writing, Editing and Publishing	
	• State of Lagos Economy	EIU Team	• Impact Assessment • Budget Review • Conference	Work with budget office
	• Fiscal Strategy for Lagos State	EIU Team	• Conference	

When	What	Who	How	Remark
3rd Quarter	• Publication	EIU Team	• Writing, Editing and Publishing	
	• Conference	EIU Team	• Conference	
	• Review of EIU: Programmes and Systems	SPARC Consultants Mgt. Board	• Reviews • Meetings • Workshop	
	• State of Lagos Economy	EIU Team	• Impact Assessment • Budget Review • Conference	Work with Lagos Bureau of Statistics
	• Capacity Building	EIU Team	• Workshop	
4th Quarter	• Publication	EIU Team	Writing, Editing and Publishing	
	• State of Lagos Economy	EIU Team	• Impact Assessment • Budget Review • Conference	
	• Annual Staff/Mgt Committee/Advisory Committee Retreat	External facilitator EIU Team	• Retreat	
	• Conference	EIU Team	Conference	
	• Completion of Strategy	EIU team	Workshop	

YEAR THREE: YEAR OF IMPROVEMENT OF QUALITY

When	What	Who	How	Remark
1st Quarter	• Annual Programme Meeting	EIU Team External Facilitator	Retreat	
	• Publication	EIU Team	Writing, Editing and Publishing	
	• State of Lagos Economy	EIU Team	• Impact Assessment • Budget Review • Conference	
	• Conference	EIU Team	• Conference	
	• Implementation plan for Strategy	EIU team	• Meetings • Workshop	
2nd Quarter	• Publication	EIU Team	• Writing, Editing and Publishing	
	• Ehingbeti 2012	EIU Team	• Conference	
	• State of Lagos Economy	EIU Team	• Impact Assessment • Budget Review	

			• Conference	
	• Fiscal Strategy for Lagos State	EIU Team	• Conference	
3rd Quarter	• Publication	EIU Team	• Writing, Editing and Publishing	
	• State of Lagos Economy	EIU Team	• Impact Assessment • Budget Review • Conference	
	• Conference	EIU Team	• Conference	
4th Quarter	• Publication	EIU Team	• Writing, Editing and Publishing	
	• State of Lagos Economy	EIU Team	• Impact Assessment • Budget Review • Conference	
	• Annual Staff/Management Committee/Advisory Committee Retreat	EIU team	• Reviews • Retreat	

4.0   Conclusions and Recommendations

4.1   Conclusions

The following conclusions derive from this report:

a) **The specific objective of the EIU include-**

- to increase LASG's capacity for effective formulation of policy and good governance with a view to delivering efficient public services, public facilities and social goods to tax payers in Lagos State;

- to support the political leadership and civil service cadre in delivering their mandates to the electorate and in achieving the mission of transforming Lagos State into Africa's model mega-city;

- to conduct BTS and pursue data analysis as a basis for informing the planning processes that shape LASG's policies, programmes, projects and strategy development;

- to serve as a resource and expert base for policy support and policy advisory services to LASG's Ministries, Departments, and Agencies (MDAs) on varied socio-economic planning and strategy development issues; and

- To situate planning issues in the State in proper analytical perspective, strengthening programme development, producing fiscal outlooks, and making economic and budgetary projections for the government.

b) The Economic Intelligence Unit is a suitable vehicle for pursuing achievement of the stated objectives because it has a great potential to contribute to the design, implementation and review of good economic policies required to make a dent on poverty.

c) The lack of clarity about the fundamental nature of the EIU beclouded attempts to define its focus in the initial drafts of the framework documents for establishing it.

d) African countries still lag behind their peers on other continents in the construction and use of composite leading indicators for policy research, analysis, forecasting and advice. This is confirmed by the fact that Senegal, South Africa and Tunisia are the only African countries among the 112 institutional members of the Swiss-based Centre for International Research on Economic Tendency Surveys (CIRET) which promotes Business Tendency Surveys worldwide.

e) The Central Bank of Nigeria started conducting Quarterly Business Expectations Surveys (also known as Business Tendency Surveys) since the second quarter of 2008 but it is not yet a member of CIRET.

4.2 Recommendations

The following are the key recommendations of this review:

a) EIU organise a National Workshop on Business Expectations Surveys in collaboration with the Central Bank of Nigeria. A major objective of the workshop would be an appraisal of the experience of the CBN with the conduct and use of Business Expectations Surveys since 2008. Another objective would be knowledge sharing and stimulation of informed debate on the wisdom of positioning Business Expectations Surveys among the core activities of the Economic Intelligence Unit.

b) Given the apparent lack of familiarity by most Nigerian economists with the construction and use of composite leading indicators based on a combination of leading and coincident indicators, it is advisable for Lagos State to hire a Consultant with suitable background and experience to head the Economic Intelligence Unit for one year during which a designated head of the Unit will understudy the Consultant. This is could be a good approach to strengthening of the EIU.

Appendix 1: 5.0   Assessment of Draft EIU Framework Documents

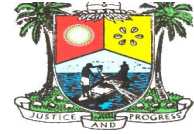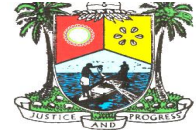| 1. | Is there clarity about the fundamental nature of the EIU? | There is no clarity about the fundamental nature of the EIU because:
a) There is undue focus on a generic Think-Tank with little or no emphasis on economic policy analysis and research;
b) There is an attempt to include M&E among EIU's mandate;
c) Very little is said about the kind of economic policy research that EIU will engage in and d) The listing of similar institutions abroad clearly brings out the confusion over the fundamental nature of the EIU. | There is need to emphasise the economic intelligence gathering aspect of the EIU. In practice, this feature of the EIU translates into efforts devoted to overcoming the long time it takes for numeric statistics compiled by national statistical agencies to become available to analysts and policy makers. For example, until 2006, Nigeria published no quarterly GDP figures forcing policy makers to wait for a whole year before knowing whether the economy expanded or not in a particular year.
Professional economists speak of coincident and leading indicators of economic performance. This is based on the recognition that cyclical processes are basic principles of nature and are the object of scientific research in many different branches of science. In economics, in general, they are connected with cyclical performance of economic variables. These are currently analyzed predominantly in the field of macroeconomics.
Two different approaches are well known for extracting the cycles from macroeconomic variables. The "business cycle" analysis is based on cycle in terms of repetitive increase and decrease of the aggregate economic variable in its level. The second theoretical view – "deviation cycles" (sometimes "growth cycles") – focuses on fluctuations of the variables around their long-term trend.
The business cycle analysis offers powerful explanatory ability in periods of classical business cycle phases (recession, expansion) and the deviation cycles analysis in periods of long-term continuous growth. In both cases the concept of leading indicators is based on the presumption that the cycles occur in some of the individual variables with different time shift (lead or lag) compared to the aggregate variables. If they occur at the same time they are called coincident variables.
Recent globalization process and technology progress accelerate the market responses to changes. However, there is still enough evidence of lead and lag behaviour of some variables due to inelasticity of these processes, e.g. the labour market, wage modification or due to the physical conditions of the economic processes (product life cycle). Also, variables between different countries are showing time lead or lag dependence.
 The leading indicators offer qualitative forecasts of business cycle performance – indications of turning points in the reference series.
It is necessary to stress that the Lagos State EIU will conduct business tendency surveys with a view to constructing composite leading indicators using qualitative survey data to supplement available numerical data. Business tendency surveys are conducted monthly, quarterly, semi-annually and yearly thereby ensuring quick release of economic performance data. |

2	Is the Vision Statement appropriate?	**_Vision_** To be the key resource institution that enables the Lagos State Government to make policies that are informed by evidence, research and data. This Vision Statement is generally appropriate but it could be improved by replacing the word "enables" with "**_empowers"_** and replacing "make" with "**_formulation, implementation and review "_** **_The Vision statement should be amended accordingly._**	The Vision Statement should be amended to read: To be the key resource institution that **_empowers_** the Lagos State Government to **_formulate, implement and review_** policies that are informed by evidence, research and data.

3	Is the Mission Statement appropriate?	Mission To increase the capacity for effective policy formulation, efficient service delivery and good governance in Lagos State. This Mission Statement can be improved by indicating how Lagos State intends to achieve the aspirations captured in the Vision Statement. To do this, we should remind ourselves that the core of the EIU's mandate is the conduct of economic poly analysis and research with emphasis on gaining quick access to economic performance data. Bearing this in mind, the Mission Statement should be amended by adding: by constructing , regularly measuring , forecasting and interpreting composite leading indicators for the economy.	The Mission Statement should read: To increase the capacity for effective policy formulation, efficient service delivery and good governance in Lagos State *by constructing, regularly measuring, forecasting and interpreting composite leading indicators for the economy.*

4	Is there clarity on the stated core EIU functions?	***The stated five core functions of the EIU are vague and are not appropriate:*** • Policy Research: The description of the policy research that EIU will conduct is too general and lacking in specifics. • Policy Analysis: This will involve bringing clarity to objectives of Lagos State government policies and programmes as well as helping to propose alternatives and design strategies. • Policy Advice: This is advice that will be given to the Lagos State government relating to long term objectives (strategic policy advice) and technical and operational issues associated with administration (operational policy advice). • Policy Support: This will involve support to sustain, maintain and advocate for policy ideas that will transform Lagos to Africa's model mega city. • Policy and programme review and Impact Assessment: This will involve the review of policies and programmes as well as monitoring, evaluation and impact assessment.	The Core EIU functions should be amended as follows: • Policy Research: Be specific about the kind of research such as conduct of business tendency surveys and construction of composite leading indicators for the Nigerian Economy with special reference to Lagos State Economy. • Policy Analysis: Develop policy analysis templates based on a Strategic Management Framework using the SEEDS M annual published by National Planning Commission (NPC) as guide. Use the templates to analyse and summarise policy proposals and existing policies with a view to providing sound policy advice. • Policy Advice: this is advice that will be given to Lagos State Government and other users of the products and services of the EIU. Some of the external users of these products could be charged a fee as part of internal revenue drive. • Policy Support: Retain as articulated but emphasise that EIU will support the budget cycle with data and analysis including Impact Assessment Reports on existing projects in MTSS document ts and annual budgets. This is distinct from Monitoring and Evaluation reporting which EIU should not engage in. • Policy / Programme Review and Impact Assessment: This will involve the review of policies and programmes as well as Impact Assessment.

5	Is the Programme Activity Work Plan Suitable?	The Programme Activity Work Plan is not suitable because of lack of clarity about the nature of the policy research that EIU will be doing.	Rework Activity Work Plan
6	Should EIU Perform Monitoring and Evaluation Functions?	EIU should not perform M&E functions. This matter was discussed and resolved at the November 18th 2009 meeting.	Delete any reference to M&E in EIU's mandate.
7	Are funding issues fully addressed?	Funding issues are not fully addressed because there is an attempt to tie sustainability of the EIU initiative to its ability to generate revenue internally.	The EIU should be a treasury funded Programme in the Ministry of Economic Planning and Budget. It should however seek to generate revenue from its activities.
8	Is there clarity about how EIU can generate revenue?	There is clarity but there is no indication of how much EIU should seek to generate yearly.	Provide an estimate of how much EIU can generate in the first three years of its establishment but this should not be the basis for its sustainability.
9	Is the Capacity Building Work Plan Suitable?	The Capacity Building Work Plan is not suitable due to lack of detailed Skills Gap Analysis Report. Another reason is the lack of clarity about the fundamental nature of the EIU.	Provided a detailed Skills Gap Analysis Report and rework Capacity Building Work Plan
10	Is the listing of Internal Clients appropriate?	The listing of Internal Clients is appropriate but the list should be considered dynamic.	Retain list of Internal Clients but expand it over time.

11	Is the listing of External Clients appropriate?	The listing of External Clients is appropriate but the list should be considered dynamic.	Retain list of External Clients but expand it over time.
12	Are issues of EIU autonomy /independence adequately addressed?	Issues of EIU autonomy/independence are not fully addressed	The key concerns about transparency of the data gathering process should be addressed.
13	Are issues of strategic partnerships properly addressed?	Issues of strategic partnership are not properly addressed because of the focus on a generic Think-Tank without adequate attention to economic policy analysis and research. The list of similar institutions in other countries that EIU can partner with clearly brings out this weakness. Institutions in other countries that do what EIU seeks to do are to be found among members of the Swiss-based Centre for International Research on Economic Tendency (CIRET) which promotes business cycle research for policy advice around the world. The OECD also conducts research on business cycles in its member countries and some non-OECD countries excluding Nigeria.	EIU should become an Institutional member of CIRET and participate actively in its conferences, workshops and publications. EIU should also forge working relationships with OECD, United Nations Economic Commission for Africa (UNECA), African Development Bank, ECOWAS and some member institutions of CIRET especially in South Africa.

14	Is the selection of sectors to engage with justifiable?	The selection of selectors to engage with is justifiable; it is based on sectors where MTSS documents exist but the list should be considered dynamic.	Retain list of sectors EIU should engage with but expand list as MTSS documents on other sectors become available. NB: MTSS documents exist for 9 or 10 of the 25 sectors in Lagos State.
15	Are issues surrounding recruitment & engagement of EIU staff adequately addressed?	Issues surrounding recruitment & engagement of EIU staff are not adequately addressed in the absence of a Skills Gap Analysis Report. Also, the lack of sharp focus on economic policy analysis and research made it impossible to be specific about required skills sets.	A detailed Skills Gap Analysis should be provided.
16	How is EIU located in the Organogram of MEPB?	The location of EIU in MEPB Organogram is not fully discussed.	EIU should be a Programme in the Office of the Honourable Commissioner for Economic Planning and Budget and should be funded by the Treasury.

Appendix 2: CIRET Members Ordered by Countries

Country	Institution
1. Austria	Austrian Institute of Economic Research
2. Austria	National Bank of Austria
3. Azerbaijan	Central Bank of Azerbaijan Republic
4. Belgium	National Bank of Belgium
5. Brazil	Fundação Getulio Vargas
6. Brazil	National Confederation of Industry - Brazil
7. Canada	Bank of Canada
8. Canada	Canadian Federation of Independent Business
9. Chile	Economic Commission for Latin America and the Caribbean
10. China	Chinese Academy of Sciences
11. Croatia	Privredni Vjesnik (Economic Herald)
12. Croatia	The Institute of Economics Zagreb
13. Croatia	The University of Zagreb
14. Croatia	Universitiy of Zagreb
15. Croatia	Zagreb School of Economic and Management
16. Estonia	Estonian Institute of Economic Research
17. Finland	Bank of Finland
18. Finland	Confederation of Finnish Industries EK
19. Finland	Statistics Finland
20. Finland	The Research Institute of the Finnish Economy
21. France	Banque de France
22. France	INSEE
23. France	National Institute for Statistics and Economic Studies
24. France	Observatoire Français des Conjonctures Economiques
25. France	Organisation for Economic Co-operation and Development
26. France	OSEO
27. Germany	Deutsche Bundesbank

Country	Institutions
28. Germany	European Central Bank
29. Germany	formerly ifo Institute
30. Germany	formerly Technische Universität Darmstadt
31. Germany	formerly Technische Universität München
Country	**Institutions**
32. Germany	Ifo Institute for Economic Research
33. Germany	Institut für Empirische Wirtschaftsforschung
34. Germany	Rhine-Westphalia Institute for Economic Research
35. Germany	University of Konstanz
36. Germany	University of Tuebingen
37. Greece	Centre of Planning and Economic Research
38. Hungary	Economic Research Co.
39. Hungary	IE HAS
40. India	Bangalore University, Bangalore
41. Indonesia	Bank Indonesia
42. Indonesia	Sebelas Maret University Indonesia
43. Israel	Central Bureau of Statistics
44. Italy	Bank of Italy
45. Italy	Institute for Industrial Promotion
46. Italy	Institute for Studies and Economic Analyses
47. Italy	Ministry of the Economy and Finance-Italy
48. Japan	Chuo University
49. Japan	Ifo Institute for Economic Research
50. Japan	Nihon University
51. Japan	Otemon Gakuin University
52. Korea, Republic of (South Korea)	Korea Institute for Industrial Economics and Trade
53. Latvia	CSB - Central Statistical Bureau of Latvia
54. Liechtenstein	Institute of Business Cycle Research Liechtenstein
55. Luxembourg	STATEC (Service central de la statistique et des études économiques)

Country	Institutions
56. Norway	Norges Bank
57. Paraguay	Desarrollo en Democracia
58. Peru	APOYO Consultoria
59. Peru	Banco Central de Reserva del Peru
60. Poland	Academy of Finance/Siedziby Akademii Finansów
61. Poland	Central Statistical Office
62. Poland	Central Statistical Office of Poland
63. Poland	High School of Management and Public Administration
Country	**Institutions**
64. Poland	Poznan University of Economics
65. Poland	University of Information Technology and Management
66. Poland	Warsaw School of Economics
67. Poland	Wroclaw University of Economics
68. Russian Federation	Ecorys-NEI Moscow
69. Russian Federation	Netherlands Economic Institute
70. Senegal	MINISTRY OF FINANCE
71. Serbia	Academy of Criminalistic and Police Studies
72. Singapore	Business Research Consultants
73. Slovakia (Slovak Republic)	Institute of Informatic and Statistics (INFOSTAT)
74. Slovakia (Slovak Republic)	Institute of Informatics and Statistics (Infostat)
75. Slovakia (Slovak Republic)	Statistics Slovakia
76. South Africa	Bureau for Economic Research
77. South Africa	South African Reserve Bank
78. South Africa	University Stellenbosch
79. Sweden	Göteborg University
80. Sweden	National Institute of Economic Research
81. Switzerland	formerly Universität St. Gallen
82. Switzerland	KOF
83. Switzerland	KOF Swiss Economic Institute
84. Switzerland	UBS AG

Country	Institution
85. Switzerland	Zurich University of Applied Sciences
86. Taiwan, Republic of China	Central Bank of the Republic of China (Taiwan)
87. Taiwan, Republic of China	Council for Economic Planning and Development
88. Taiwan, Republic of China	Directorate-General of Budget, Accounting and Statistics
89. Taiwan, Republic of China	National Taiwan University
90. Taiwan, Republic of China	Polaris Securities Co., Ltd. (Polaris Financial Group)
91. Tunisia	Higher Institute of Management of Tunis
92. Turkey	Marmara University
93. Ukraine	Institute for Economic Research and Policy Consulting
94. Ukraine	Khmelnitsky National University
95. United Kingdom	CEMEX
96. United Kingdom	Confederation of British Industry
Country	**Institution**
97. United Kingdom	Edinburgh Napier University
98. United Kingdom	Loughborough University
99. United Kingdom	The Opinion Research Business
100. United Kingdom	Warwick Business School
101. United States	Economic Cycle Research Institute
102. United States	Foundation for International Business and Economic Research
103. United States	Georgia State University
104. United States	Harvard University
105. United States	International Monetary Fund
106. United States	Johns Hopkins University
107. United States	Texas A&M University - Corpus Christi
108. United States	The Conference Board
109. United States	University at Albany, State University of New York
110. United States	University of California Riverside
111. United States	University of Michigan
112. United States	World Bank

Source: CIRET website
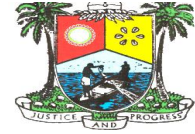
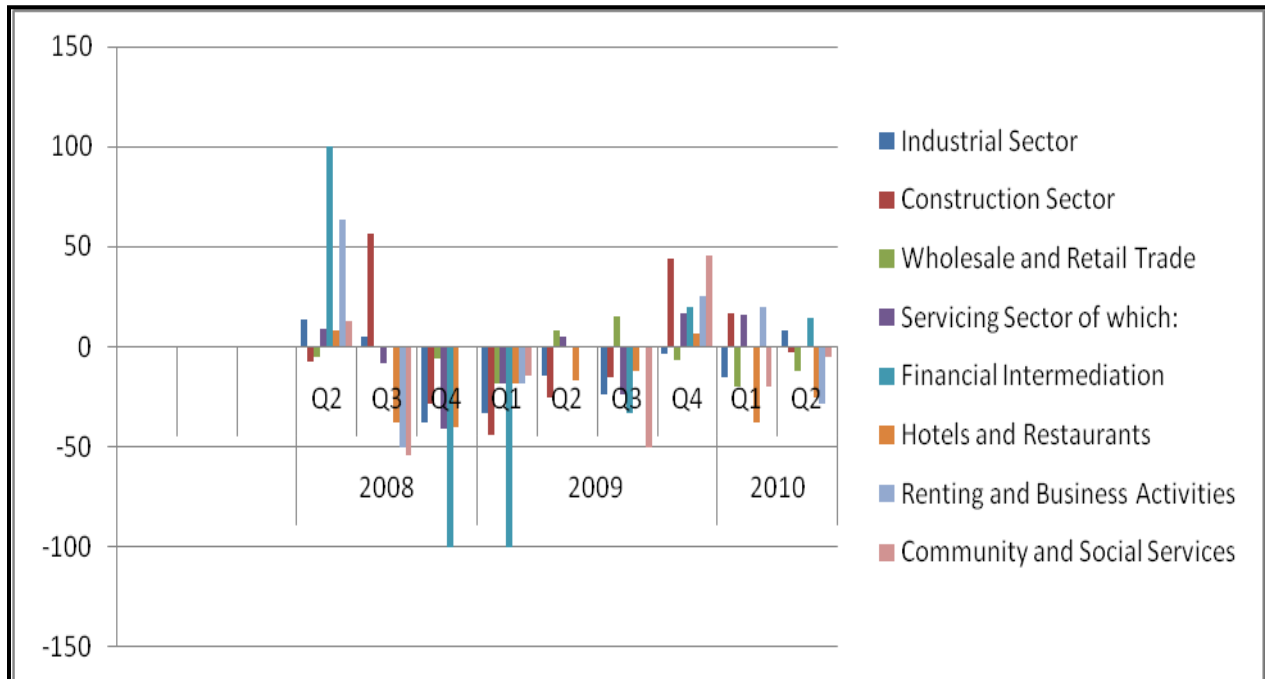## Appendix 3: Composite Leading Indicators for Six OECD Non-Member Countries

Component	Subject Area	Frequency	Starting date	Smoothness MCD/ QCD (1)	Timeliness latest data available at t
BRAZIL					
Export volume	External	Monthly	1981	1	t+2
Industrial production, semi- and non-durable goods	Real	Monthly	1975	2	t+2
Spong iron production	Real	Monthly	1979	5	t+2
Sales of motor cars for domestic market	Real	Monthly	1981	1	t+2
Share Price index, FGV 100E	Financial	Monthly	1993	1	t+2
Terms of trade	External	Monthly	1979	3	t+2
Finished goods stocks, inverted	Tendency surveys	Quarterly	1979	1Q	t+4
Order books	Tendency surveys	Quarterly	1978	1Q	t+4
CHINA					
Broad money supply	Financial	Monthly	1990	3	t+2
Cargo handled at ports	External	Monthly	1983	6	t+2
Chemical fertilizer	Real	Monthly	1983	3	t+2
Enterprise deposits	Financial	Monthly	1978	2	t+2
Imports from Asia	External	Monthly	1993	5	t+2
Non-ferrous metals production	Real	Monthly	1983	6	t+2
INDIA					
Business Confidence	Tendency surveys	Quarterly	1997	1Q	t+4
Imports	External	Monthly	1995	4	t+2
Exchange rate, USD, inverted	External	Monthly	1995	2	t+2
Money supply M1	Financial	Monthly	1995	4	t+2
Deposit interest rate, inverted	Financial	Monthly	1997	2	t+2
Share Price Index, BSE Dollex	Financial	Monthly	1991	2	t+2
IIP Basic Goods	Real	Monthly	1995	5	t+2
IIP Intermediate Goods	Real	Monthly	1995	6	t+2
INDONESIA					
Exchange rate USD	External	Monthly	1990	2	t+2
Exports	External	Monthly	1990	4	t+2
Imports	External	Monthly	1990	2	t+2
Call money rate	Financial	Monthly	1990	4	t+2
Share price index, JSX Composite	Financial	Monthly	1990	3	t+2
RUSSIA					
Business confidence, industry	Tendency surveys	Monthly	1998	1	t+2
Selling prices, future tendency, industry	Tendency surveys	Monthly	1996	1	t+2
Business situation, construction	Tendency surveys	Quarterly	1994	1Q	t+4
Stock level, retail trade	Tendency surveys	Quarterly	1997	1Q	t+4
Crude oil price, world	External	Monthly	1980	2	t+2
Balance of payments, current	External	Quarterly	1994	1Q	t+8
Net trade	External	Monthly	1994	3	t+2
SOUTH AFRICA					
Building plans	Real	Monthly	1990	1Q	t+2
Business confidence, manufacturing	Tendency surveys	Quarterly	1990	1Q	t+4
Interest rate spread	Financial	Monthly	1990	1Q	t+2
Motor cars sales	Real	Monthly	1990	1Q	t+2
Order inflow, manufacturing	Tendency surveys	Quarterly	1991	4	t+4
Share price index, total	Financial	Monthly	1990	6	t+2

(1) MCD (Months for Cyclical Dominance) is defined as the shortest span of months for which the I/C ratio is less than unity. I and C are the average month-to-month changes without regard to sign of the irregular and trend cycle component of the series, respectively. Although I remains approximately constant as the span of months increases, C should increase. Therefore, the I/C ratio, itself a measure of smoothness, should decline and eventually become less than unity.

In practice, there are some series for which the I/C ratio at first declines as the span of months increases, and then starts to increase again without ever having dropped as low as 1. Hence, there is a convention that the maximum value of MCD should be six. For quarterly series there is an analogous measure, Quarters for Cyclical Dominance (QCD) which has a maximum value conventionally defined as 2.

Appendix 4: Business Outlook Index on the Macro-economy by Sector,

Q2 2010

			Business Outlook Index on the Macroeconomy by Sector: Current Quarter								
YEAR			2008			2009				2010	
QUARTER			Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Industrial Sector			13.9	5.1	-37.5	-32.9	-14.5	-24.1	-3.8	-15.1	8.3
Construction Sector			-7.4	56.5	-28.6	-44.4	-25	-15.4	44.4	16.7	-2.6
Wholesale and Retail Trade			-4.8	0	-5.8	-18.4	8	14.9	-6.8	-19.6	-12.1
Servicing Sector of which:			9.2	-8.3	-41.2	-18.2	5.2	-23.4	17	15.8	0
Financial Intermediation			100	0	-100	-100	0	-33.3	20	0	14.3
Hotels and Restaurants			8.3	-37.5	-40	-18.2	-16.7	-11.8	6.3	-37.5	-25
Renting and Business Activities			63.6	-50	0	-18.2	0	0	25	20	-28.6
Community and Social Services			12.5	-54.5	0	-14.3	0	-50	45.5	-20	-4.7

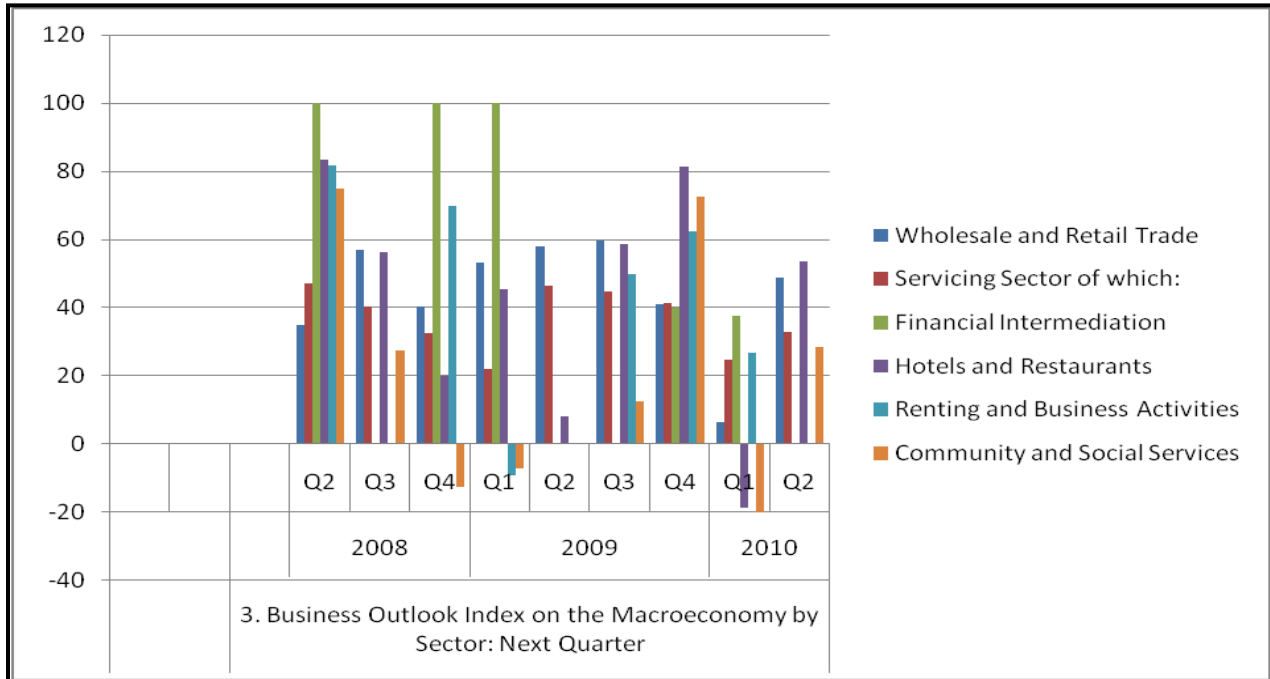**Source: Q2 2010 Business Expectation Survey for South West by CBN**

Appendix 5: Business Outlook Index on the Macro-economy by Sector,Q3 2010

3. Business Outlook Index on the Macroeconomy by Sector: Next Quarter

			Business Outlook Index on the Macroeconomy by Sector: Next Quarter								
YEAR			2008			2009				2010	
QUARTER			Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Wholesale and Retail Trade			34.9	57.1	40.4	53.1	58	59.6	40.9	6.5	48.7
Servicing Sector of which:			47.1	40.4	32.4	21.9	46.6	44.7	41.5	24.6	32.8
Financial Intermediation			100	0	100	100	0	0	40	37.5	0
Hotels and Restaurants			83.3	56.3	20	45.5	8.3	58.8	81.3	-18.8	53.6
Renting and Business Activities			81.8	0	70	-9.1	0	50	62.5	26.7	0
Community and Social Services			75	27.3	-12.5	-7.1	0	12.5	72.7	-20	28.6

Source: Same as for figure 4

Appendix 6: Business Confidence on Own Operations by Sector: Q2 2010
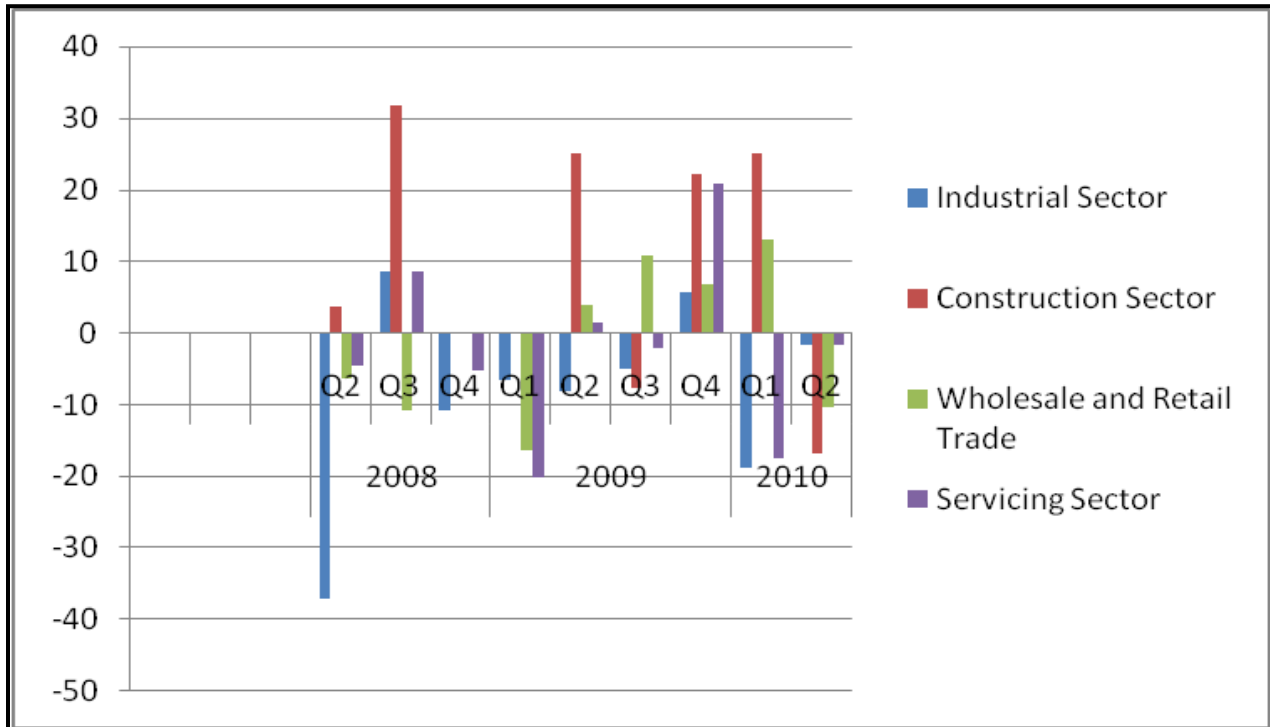
			Business Confidence on Own Operations by Sector: Current Quarter								
YEAR			2008			2009				2010	
QUARTER			Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Industrial Sector			-37	8.6	-10.9	-6.6	-8.1	-5.1	5.8	-18.9	-1.6
Construction Sector			3.7	31.8	0	0	25	-7.7	22.2	25	-16.7
Wholesale and Retail Trade			-6.3	-10.9	0	-16.3	4	10.9	6.8	13	-10.3
Services Sector			-4.5	8.6	-5.2	-20.2	1.4	-2.1	20.8	-17.5	-1.7

Source: Same as for figure 4

Appendix 7: Business Outlook Index on Own Operations: Q2 2010
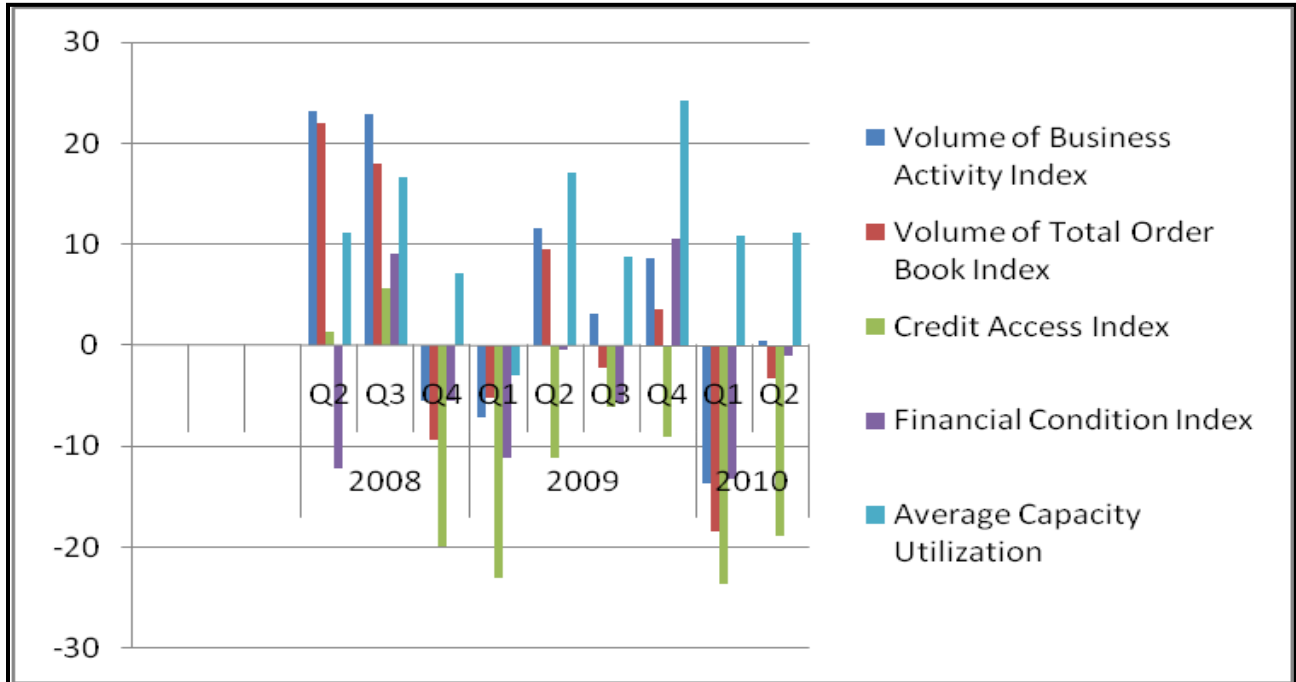
		Business Outlook Index on Own Operations: Current Quarter								
YEAR		**2008**			**2009**				**2010**	
QUARTER		**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**
Volume of Business Activity Index		23.1	22.8	-5.5	-7.1	11.6	3.1	8.6	-13.7	0.4
Volume of Total Order Book Index		22	17.9	-9.4	-5.2	9.5	-2.2	3.5	-18.4	-3.3
Credit Access Index		1.4	5.7	-19.9	-23	-11.1	-6.1	-9.1	-23.6	-18.8
Financial Condition Index		-12.2	9	-5.5	-11.2	-0.5	-5.7	10.6	-13.2	-1
Average Capacity Utilization		11.2	16.7	7.2	-3	17.1	8.8	24.2	10.8	11.1

Source: Same as for figure 4

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Appendix 8: Business Outlook Index on Own Operations: Q3 2010
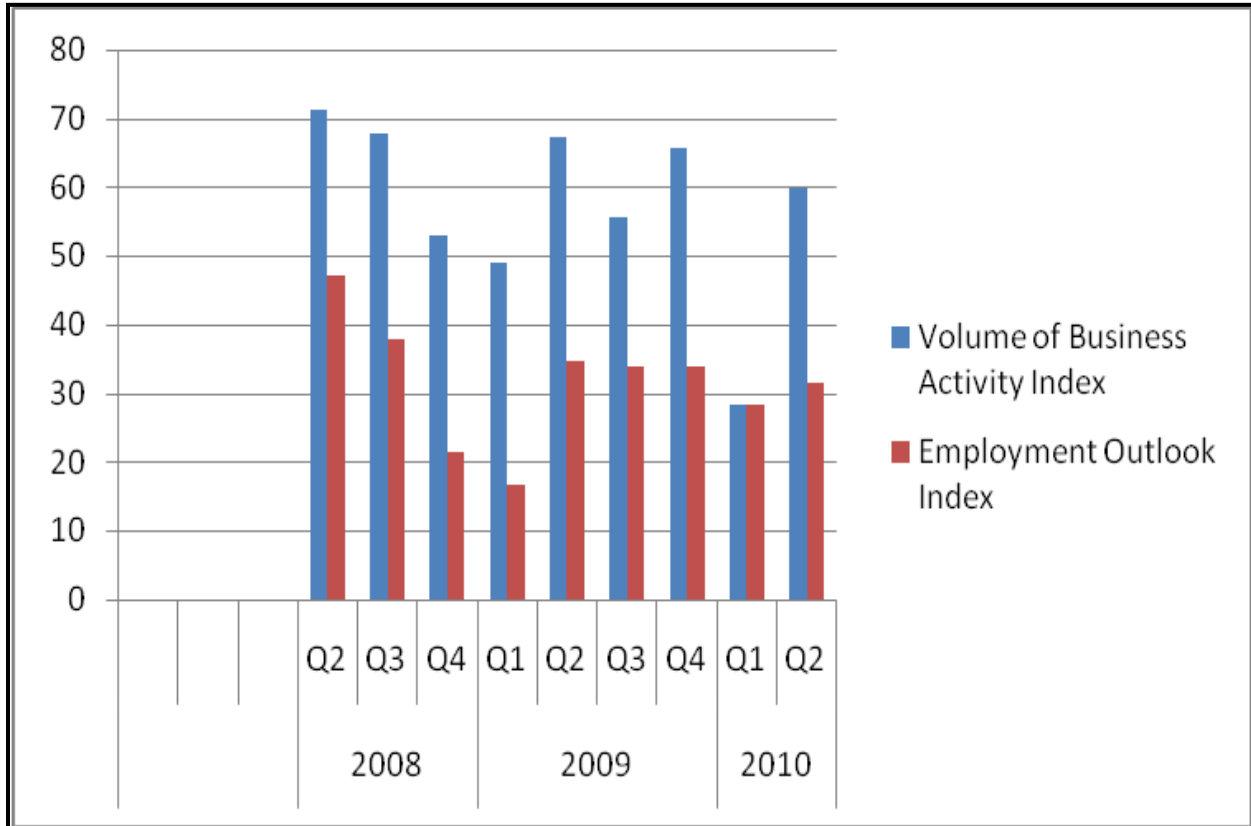
	Business Outlook Index on Own Operations: Next Quarter								
YEAR	2008			2009				2010	
QUARTER	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Volume of Business Activity Index	71.2	67.8	53	49.1	67.3	55.7	65.7	28.3	60
Employment Outlook Index	47.1	37.9	21.5	16.7	34.7	33.8	33.8	28.3	31.6

Source: Same as for figure 4

Appendix 9: Businesses with Expansion Plans (in per unit): Q3 2010
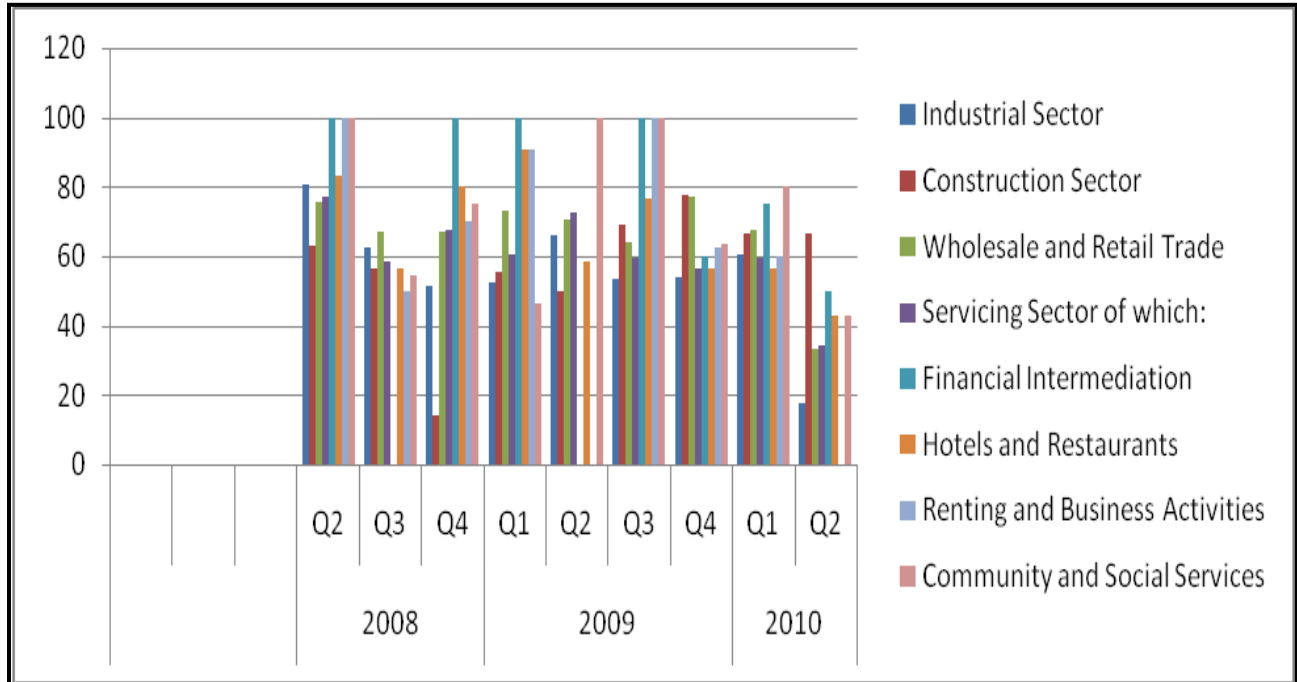
|				Business with Expansion Plans (in per unit): Next Quarter								
YEAR				2008			2009				2010	
QUARTER				Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Industrial Sector				80.6	62.4	51.6	52.6	66.1	53.2	53.8	60.4	17.5
Construction Sector				63	56.5	14.3	55.6	50	69.2	77.8	66.7	66.7
Wholesale and Retail Trade				75.8	67.2	67.3	72.9	70.6	63.8	77.3	67.4	33.3
Servicing Sector of which:				77	58.3	67.6	60.6	72.4	59.6	56.6	59.6	34.5
Financial Intermediation				100	0	100	100	0	100	60	75	50
Hotels and Restaurants				83.3	56.3	80	90.9	58.3	76.5	56.3	56.3	42.9
Renting and Business Activities				100	50	70	90.9	0	100	62.5	60	0
Community and Social Services				100	54.5	75	46.4	100	100	63.6	80	42.9

Source: Same as for figure 4

Appendix 10: Business Constraints; Current Quarter
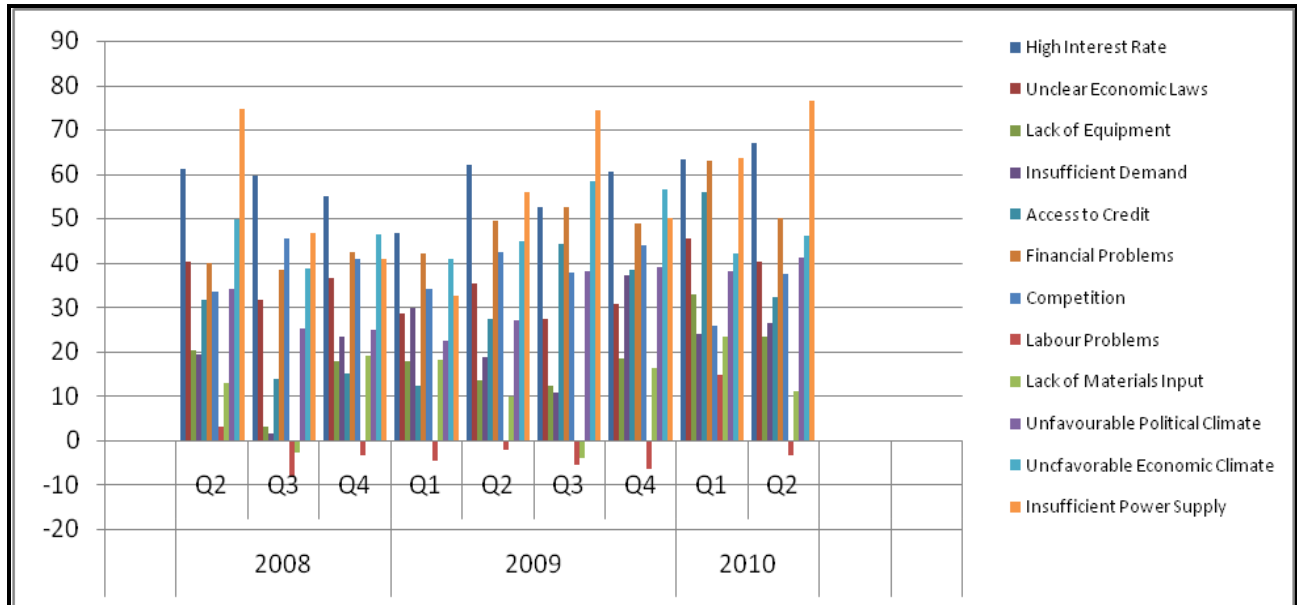
			Business Constraints; Current Quarter							
YEAR			**2008**			**2009**			**2010**	
QUARTER			**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**
High Interest Rate			61.2	59.6	55	46.8	62	52.6	60.6	63.2	66.9
Unclear Economic Laws			40.2	31.7	36.5	28.6	35.4	27.2	30.8	45.3	40.3
Lack of Equipment			20.2	2.9	17.7	17.7	13.6	12.3	18.4	32.8	23.3
Insufficient Demand			19.3	1.5	23.2	29.7	18.6	10.7	37.1	23.8	26.3
Access to Credit			31.7	13.9	14.9	12.3	27.4	44.3	38.4	55.9	32.3
Financial Problems			40	38.4	42.3	42	49.5	52.6	48.7	62.9	50.1
Competition			33.6	45.5	40.9	34.2	42.5	37.9	43.9	25.8	37.5
Labour Problems			3.1	-8	-3.3	-4.5	-2.1	-5.7	-6.6	14.8	-3.4
Lack of Materials Input			12.9	-2.9	19.1	18	9.8	-4	16.4	23.4	11
Unfavourable Political Climate			34.1	25.2	24.9	22.5	27.1	38.2	39.1	38.1	41.2
Uncfavorable Economic Climate			49.7	38.6	46.4	40.9	44.7	58.3	56.6	42	46.1
Insufficient Power Supply			74.6	46.8	40.9	32.5	56	74.3	50	63.7	76.6

Source: Same as for figure 4

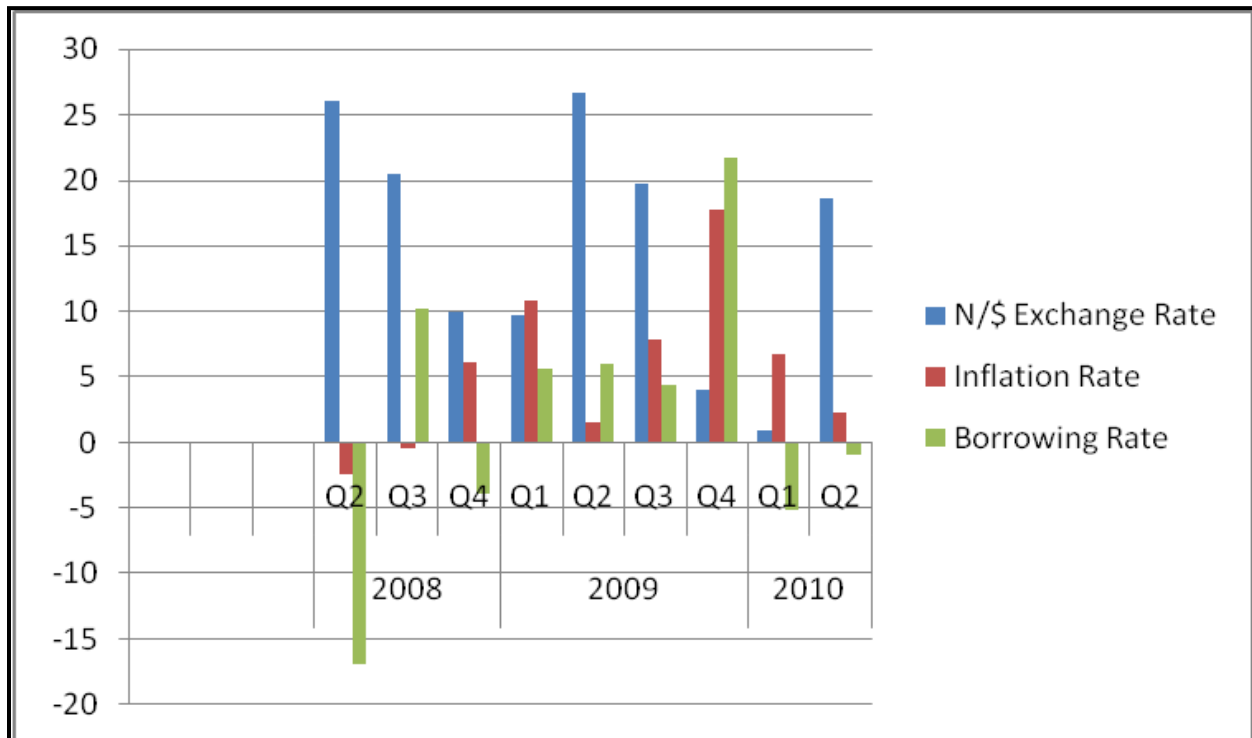## Appendix 11: Business Expectation Index on Selected Economic Indicators; Current Quarter

			Business Expectation Index on Selected Economic Indicators; Current Quarter								
YEAR			2008				2009			2010	
QUARTER			Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
N/$ Exchange Rate			17.3	9	-16	-12.6	8	-15.4	-16.7	17	-26.1
Inflation Rate			24.4	31.1	30.4	15.6	16.1	17.1	27.8	9.9	-0.5
Borrowing Rate			-3.7	17.9	6.1	11.9	8.5	3.1	11.6	3.7	-0.5

Source: Same as for figure 4

Appendix 12: Business Expectation Index on Selected Economic Indicators; Next Quarter
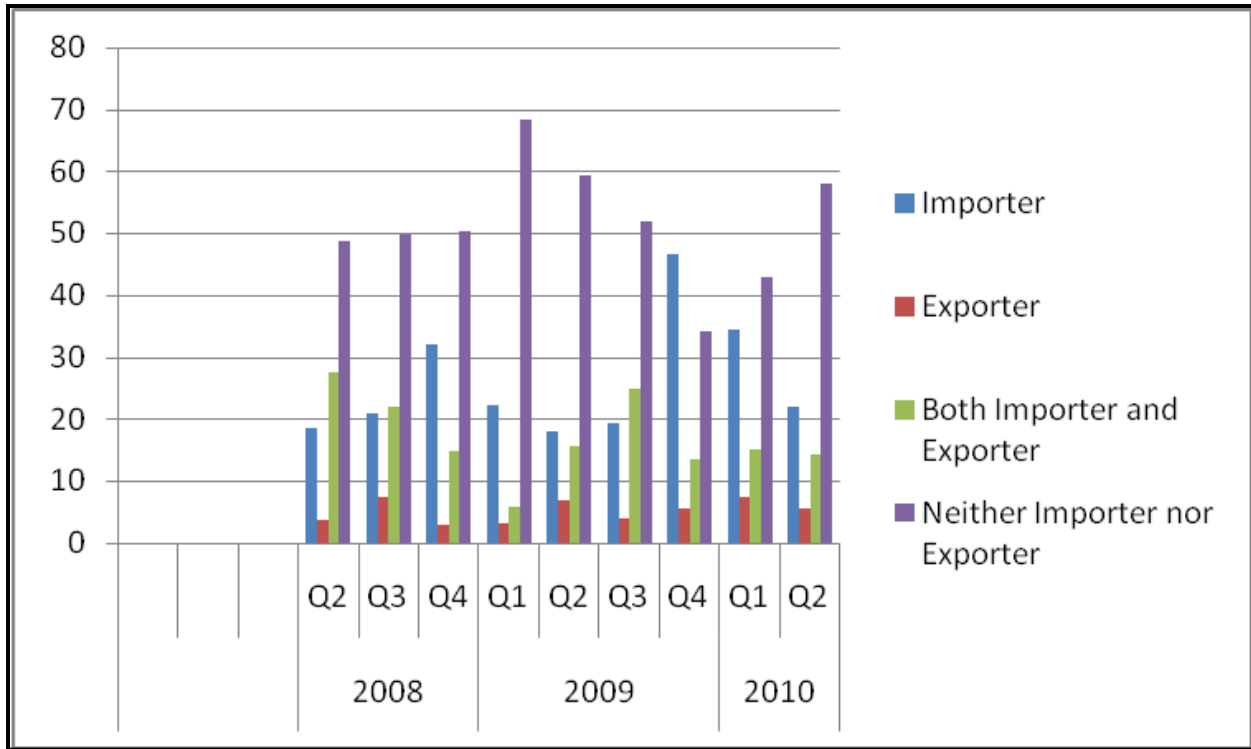

				Business Expectation Index on Selected Economic Indicators; Next Quarter								
YEAR				**2008**			**2009**				**2010**	
QUARTER				**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**
N/$ Exchange Rate				26.1	20.5	9.9	9.7	26.6	19.7	4	0.9	18.6
Inflation Rate				-2.4	-0.4	6.1	10.8	1.5	7.9	17.7	6.7	2.3
Borrowing Rate				-16.9	10.2	-3.9	5.6	6	4.4	21.7	-5.2	-0.9

Source: Same as for figure 4

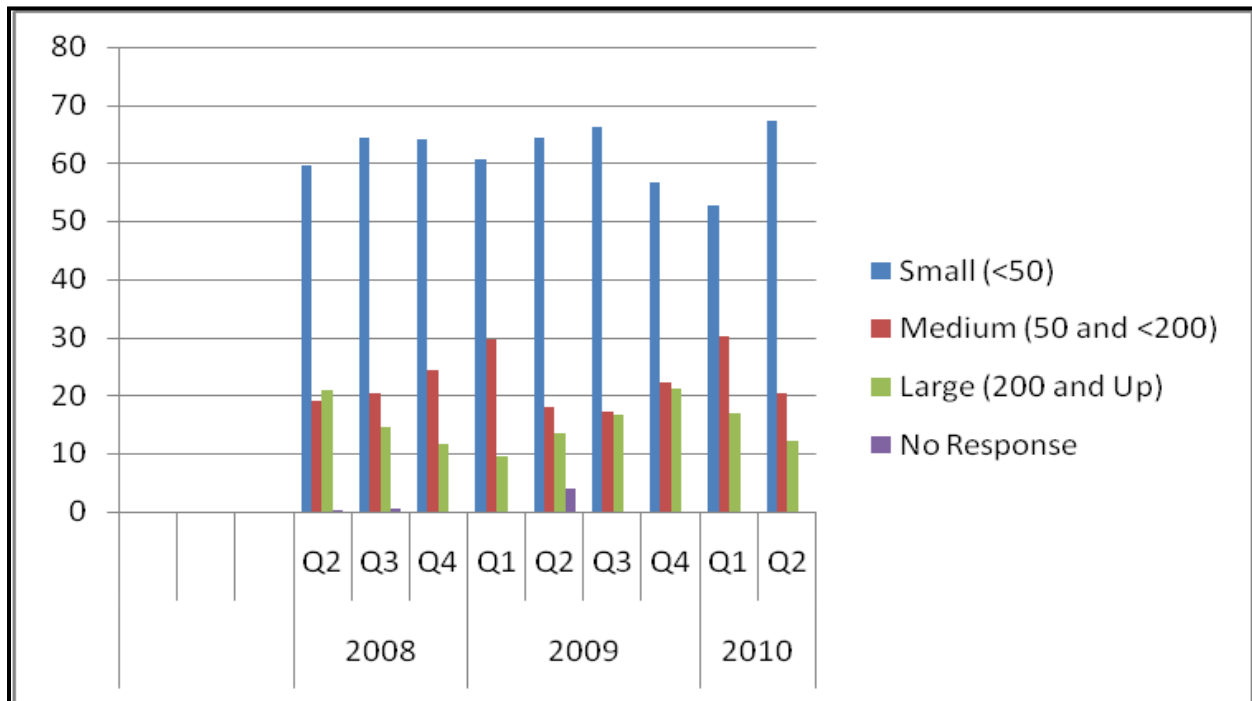## Appendix 13: Percentage Distribution of Respondent Firms by Type of Business

				Percentage Distribution of Respondent Firms by Type of Business								
YEAR				**2008**			**2009**				**2010**	
QUARTER				**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**
Importer				18.6	20.8	32	22.3	18.1	19.3	46.5	34.4	21.9
Exporter				3.7	7.3	2.8	3.3	7	3.9	5.6	7.5	5.6
Both Importer and Exporter				27.5	22	14.9	5.9	15.6	25	13.6	15.1	14.4
Neither Importer nor Exporter				48.8	49.8	50.3	68.4	59.3	51.8	34.3	42.9	58.1

Source: Same as for figure 4

## Appendix 14: Percentage Distribution of Respondent Firms by Employment size

				Percentage Distribution of Respondent Firms by Employment size								
YEAR				2008			2009				2010	
QUARTER				Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Small (<50)				59.7	64.5	64.1	60.6	64.3	66.2	56.6	52.8	67.4
Medium (50 and <200)				19	20.4	24.3	29.8	18.1	17.1	22.2	30.2	20.5
Large (200 and Up)				21	14.7	11.6	9.6	13.6	16.7	21.2	17	12.1
No Response				0.3	0.4	0	0	4	0	0	0	0

Source: Same as for figure 4

Appendix 15: Distribution of Respondent Firms by Sector
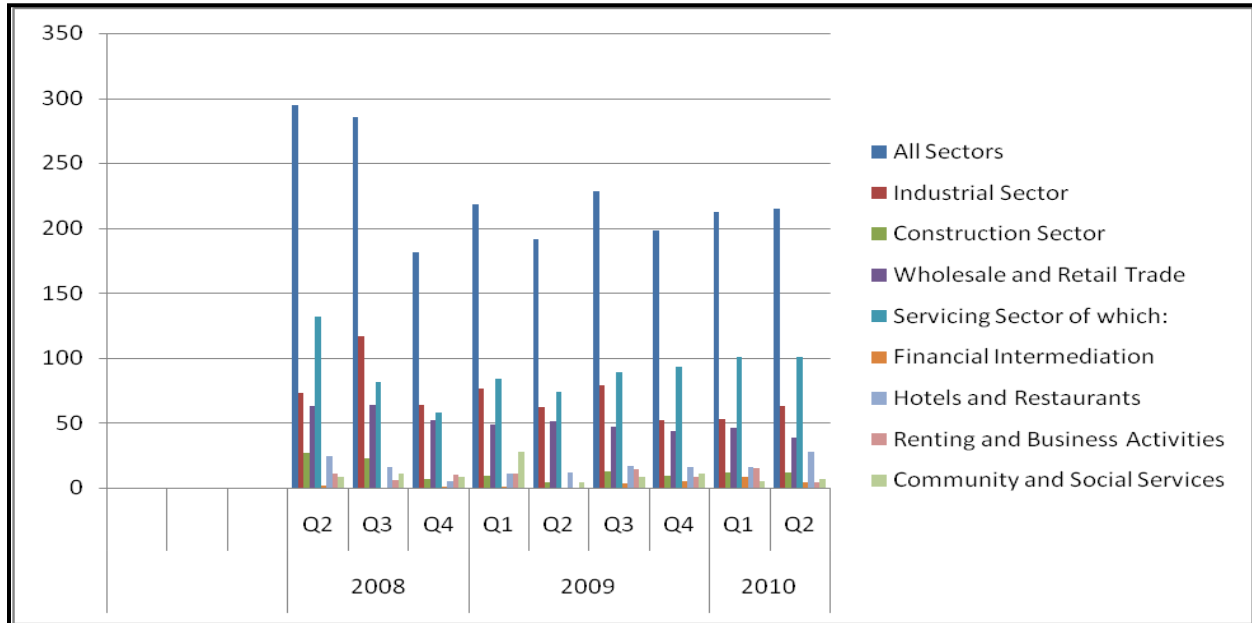
			Distribution of Respondent Firms by Sector								
YEAR			**2008**				**2009**			2010	
QUARTER			**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**
All Sectors			**295**	**285**	**181**	**218**	**191**	**228**	**198**	**212**	**215**
Industrial Sector			73	117	64	76	62	79	52	53	63
Construction Sector			27	23	7	9	4	13	9	12	12
Wholesale and Retail Trade			63	64	52	49	51	47	44	46	39
Servicing Sector of which:			<u>132</u>	<u>81</u>	<u>58</u>	<u>84</u>	<u>74</u>	<u>89</u>	<u>93</u>	<u>101</u>	<u>101</u>
Financial Intermediation			2	0	1	1	0	3	5	8	4
Hotels and Restaurants			24	16	5	11	12	17	16	16	28
Renting and Business Activities			11	6	10	11	0	14	8	15	4
Community and Social Services			8	11	8	28	4	8	11	5	7

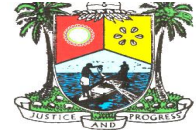**Source: Same as for figure 4**
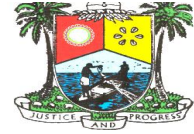
Appendix 16: Technical Note on Business Tendency Surveys (BTS)

Miroslav Klucit of the Institute of Informatics and Statistics (INFOSTAT), Slovakia stated in a 2009 conference paper (Composite Leading Indicators for the Slovak Economy) that professional economists speak of coincident and leading indicators of economic performance. This is based on the recognition that cyclical processes are basic principles of nature and are the object of scientific research in many different branches of science. In economics, in general, they are connected with cyclical performance of economic variables. These are currently analyzed predominantly in the field of macroeconomics.

. Bill Adams et al (2009) in a conference paper entitled "On the Selection of Leading Economic Indicators for China", further elaborated on this point arguing that leading indicators represent variables that tend to precede and predict coincident indicators of general economic activity, which as a multivariate concept, can be measured with the help of metrics on employment, production, total income and sales in real (inflation adjusted) terms. In many countries, composite indexes of leading economic indicators (LEI) are used to help predict short-term cyclical fluctuations of the economy in conjunction with composite indices of coincident economic indicators (CEI). They also serve to analyze short-term macroeconomic dynamics of the business cycle.

In his foreword to *Business Tendency Surveys: A Handbook* jointly published by the Swiss-based Centre for International Research on Economic Tendency Surveys (CIRET)and the Paris-based Organization for Economic Cooperation and Development (OECD) in 2003, Enrico Giovannini, OECD's Chief Statistician, stated that business tendency surveys (BTS) are also known as business opinion or climate surveys. They characteristically "…ask company managers about the current situation of their business and about their plans and expectations about the near future." According to Giovannini, experience in OECD member countries has shown that surveys of this type provide information that is valuable to the respondents themselves and to economic policy makers and analysts. Although they do not provide precise information on levels of output, sales, investments or employment, they can be used to predict changes in these aggregates and for that reason; they are particularly useful for analyzing the business cycle.

As Klucit (2009) points out, two different approaches are well known for extracting the cycles from macroeconomic variables. The "business cycle" analysis is based on cycle in terms of repetitive increase and decrease of the aggregate economic variable in its level. The second theoretical view – "deviation cycles" (sometimes "growth cycles") – focuses on fluctuations of the variables around their long-term trend.

Business cycle analysis offers powerful explanatory ability in periods of classical business cycle phases (recession, expansion) and the deviation cycles analysis in periods of long-term continuous growth. In both cases, the concept of leading indicators is based on the presumption that the cycles occur in some of the individual variables with different time shift (lead or lag) compared to the aggregate variables. If they occur at the same time, they are called coincident variables.

Recent globalization process and technology progress accelerate the market responses to changes. However, there is still enough evidence of lead and lag behaviour of some variables due to inelasticity of these processes, e.g. the labour market, wage modification or due to the physical conditions of the economic processes (product life cycle). Also, variables between different countries are showing time lead or lag dependence.

The EIU should begin with research on the construction of composite leading indicators (CLI) for the Nigerian economy with emphasis on the Lagos State economy. Initial efforts by way of working papers and publications should deal mainly with methodological issues aiming at finding the best appropriate approach. This phase of the research should focus on identification of deviation cycles with data from the National Bureau of Statistics (NBS).

Given the high degree of openness of the Nigerian economy as measured by formula {export + import)/GDP*100: current prices, export and import of goods and services}, it would be necessary for the EIU to situate the Nigerian economy within the global environment. In addition, research by EIU should test the classical business cycle view of the fluctuations of macroeconomic variables.

The entire effort to construct composite leading indicators for Nigeria (with emphasis on Lagos State Economy) will benefit from the OECD approach elaborated in Nardo, M. *et al.* (2005), "Handbook on Constructing Composite Indicators: Methodology and User Guide", *OECD Statistics Working Papers*, 2005/3, OECD Publishing **and** Nilsson, R. and O. Brunet (2006), "Composite Leading Indicators for Major OECD Non-Member Economies: Brazil, China, India, Indonesia, Russian Federation, South Africa", *OECD Statistics Working Papers*, 2006/1, OECD Publishing. The work of the CBN on Business Expectation Surveys since 2008 will also be helpfu

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