Initial Project Information Document (PID)

Project Name: NIGERIA - State Governance and Capacity Building Project
Region: Africa Regional Office
Sector: General public administration sector (100%)
Theme: Other public sector governance (P)
Project: P074447
Borrower(s): FEDERAL GOVERNMENT OF NIGERIA
Implementing Agency(ies): SELECTED STATE GOVERNMENTS
Governors of respective beneficiary States

Address:
Contact Person:
Tel: (234)09-2349911 Fax: 09-2343795 Email:

Environment Category: C (Not Required)
Date PID Prepared: January 31, 2005
Auth Appr/Negs Date: March 4, 2005
Bank Approval Date: May 31, 2005

1. Country and Sector Background

Economic Situation and Poverty. Nigeria is the largest country in West Africa with a GDP of about US$50 billion (2003) and a per capita income of about US$320. It is highly dependent on oil which provides about 75 percent of government revenues and 95 percent of export earnings. Growth has been highly volatile and averaged just over 3 percent annually over the last decades—barely enough to keep up with population growth. Nigeria services only about half of its annual external debt obligations of over $3 billion (20 percent of oil revenues). For several states, full debt service would leave little resources for other expenditures. For a small percentage of the population, Nigeria is a middle-income oil-producing economy, with a per capita income of about US$2200. The rest of the population is part of a very poor non-oil producing economy. Sixty percent of Nigerians live on less than $1 per day.

Political Developments and the New Emphasis on Reforms since 2003. Soon after Independence in October 1960, the promising Nigerian multi-party democracy was undermined by ethno-regionalism and corruption both fuelled by the development of the oil production. As a result, Nigeria experienced a civil war and two long periods of military rule (1966-1979 and 1984-1999) before the return to democratic governance in 1999. The successful completion of the 2003 presidential, gubernatorial, and legislative elections (at the national and state levels) was a landmark because, for the first time since the 1960’s, Nigeria achieved a transition from one civilian government to another civilian government through contested elections.

Right after the 2003 elections, President Obasanjo announced ambitious reforms and appointed a strongly reform minded economic team which developed a comprehensive program: the National Economic Empowerment and Development Strategy (NEEDS). The NEEDS main elements include: (i) promoting macroeconomic stability; (ii) accelerating privatization and liberalization of the economy; (iii) reforming the public service, including reforming public expenditure, budget and civil service; (iv) fighting corruption, improving government transparency and accountability; and (v) strengthening basic service delivery. Two other important early governance measures
have included deregulating the downstream petroleum sector, committing Nigeria to the Extractive Industries Transparency Initiative (EITI), and reinvigorating the anti-corruption efforts through the establishment of the Economic and Financial Crimes Commission (EFCC). The new Federal administration also intensified the dialogue with the states, encouraging each state to develop its own State Economic Empowerment and Development Strategy (SEEDS).

**Federalism and Intergovernmental collaboration.** Today, there are thirty six states in the Federation of Nigeria, in addition to the Federal Capital Territory. The 1999 Constitution increased the responsibility to the states in the delivery of social services and the provision of infrastructure. However, most powers accorded to the states are exercised concurrently with the Federal Government. This Concurrent Legislative List continues to cause confusion and intense debates over which tier of government, federal or state, is best placed to deal with various areas of policy (e.g. education, police). In addition, all states saw their governance capacity weakened during the years of military rule, through failure to modernize public management systems, loss of key staff and lack of training, proliferation of public agencies and enterprises, patronage based hiring policies, and systemic corruption.

Ineffective arrangements for intergovernmental collaboration in economic policy and development activities has been a major shortcoming of Nigeria’s federal system since the Independence especially with the military leaders’ practice of top-down commands and unilateral decisions which was a disincentive for the states in terms of proper planning of development activities, fiscal responsibility, and experience sharing. Recent changes such as the increased timeliness and transparency in revenue distribution to the states and LGs, greater involvement of state representatives in the development of major draft bills, have confirmed that the current federal executive authorities are clearly supportive of intergovernmental relations in which states increase their capacity to fulfill their responsibilities. Complementing the action of ad hoc administrative ‘national councils’ such as for education or agriculture, for the coordination of sector-specific policies, the Federal Ministry of Inter-Governmental Affairs and Special Duties (MoIGA) has been given the responsibility for facilitating and coordination FGN effort to promote improved inter-governmental cooperation in development matters. However there is a sense of a lack of focus in MOIGA’s tasks while it remains severely short of qualified staff, failing to perform its original intergovernmental relation facilitation function effectively. The study conducted by a management consulting firm in the course of Project preparation recommends that MoIGA be substantially revamped including through (i) streamlining its responsibilities, (ii) reducing its staffing level significantly, and (iii) merging the State Affairs Department (SAD) and the Local Government Affairs Department under a properly equipped and staffed directorate.

**States Finance and Basic Public Reform Agenda.** The states are critically dependent on allocations of oil revenue through the Federation Account, the pool into which oil and all VAT revenues are paid prior to distribution to the three tiers of government. Apart from Lagos State, states have not developed significant sources of internally generated revenues (IGR), relying on Federation Account transfers for at least three quarters of their total budget revenues. Since the late 1990’s, boosted by the oil boom and the depreciation of the Naira, states have enjoyed strong revenue growth. In some oil producing states such as Akwa Ibom and Delta, which receive additionally “derivation” transfers, revenue increases have been as high as about five fold in real
terms between 1997 and 2003. At the same time, expenditures have risen sharply as states have been obliged to follow the Federal Government’s pay increases in 1998 and 2000 (totaling a two and half times increase of civil service pay and allowances), leading to a wage bill increase exacerbated by overstaffing and payroll fraud. The share of personnel costs covered by internally generated revenues has fallen from 2000 to 2003 in a number of states including Akwa Ibom (from 39 percent to 31 percent). In addition, facing both a backlog of maintenance and pressure from voters for improved services, governors have embarked upon major rehabilitation programs and launched many new projects, committing the state to large capital budgets.

While as a group, states do not appear to be in a fiscal crisis yet thanks to strong oil revenues over the past two years, their public finances are overextended, and highly vulnerable to a weakening of oil revenues. A number of states, in launching ambitious capital spending programs, have become committed to levels of spending at times exceeding available resources, and have filled the gap through short term domestic borrowing, at high nominal interest rates. In their efforts to servicing their obligations, some states have built up fresh arrears to contractors and run late in meeting their monthly payrolls. What has been missing until recently has been an ability to define and implement a coherent development strategy for the state, which meets both poverty reduction and growth expectations of the population and at the same time addresses weaknesses in the basic machinery and capacity of the state. However, this is now changing with the development of the SEEDS in particular.

But just as the Federal Government faces capacity constraints in implementing the NEEDS, so do states seeking to articulate and implement their state economic development strategies. For the latter to happen, states need to address major capacity constraints, starting with the basic building blocks of effective public sector management. Thus the focus of the proposed Project is rebuilding and modernizing the basic financial management and human resource management systems of government in reform minded states. Specifically, this entails addressing: (a) the public finance management deficiencies including ineffective planning and budgeting, and the lack of transparency and accountability in the use of public resources; and (b) the weak human resource management information system which limits the state ability to develop and apply policies that keep the staff strength of the civil service in line with resources constraints and efficiency requirement while maintaining appropriate skill levels in various fields in the public service. There is also a need for improvements in the broad area of inter-governmental relations, especially between the Federal Government and the States. The ability of both federal and state governments to deliver the services expected from them and contribute effectively to the national development effort will depend to a large extent on the extend to which their roles and mandates are clearly delineated, and they can collaborate effectively to achieve common goals.

Another area in which reforms are most needed at the state level is procurement. The Federal Government procurement reform program was fashioned in line with the recommendations of the year 2000 Nigeria Country Procurement Assessment Report (CPAR). All the three tiers of governments are operating under the Financial Regulations (FR), which are essentially an internal set of rules for financial controls. Therefore procurement operations and practices at the federal and state levels are very similar in many areas. Though both the Federal and some states especially
Lagos state have taken some steps to reform their procurement process, the FY2004 LSPAR, as the case of the FY2000 CPAR, identified major weaknesses in the procurement policies and practices in Lagos State and Nigeria respectively. These two diagnostic instruments, made appropriate short, medium and long-term recommendations. Based on the CPAR short-term recommendations, the procurement procedures section of the Federal Government’s Financial Regulations was revised in June 2001, to ensure clarity and transparency by incorporating details of the various procurement methods and their applications for goods, works and services among others. The ineffective Federal and Departmental Tender Boards have been abolished while the Ministerial Tender Boards have been strengthened with powers to approve contract awards. The responsibility for oversight and implementation of procurement reforms has been consolidated in the Budget Monitoring and Price Intelligence Unit (BMPIU) for effective coordination. Similar efforts are currently being undertaken by Lagos state Government, while the other participating states will be encouraged to reform their procurement systems by adapting the recommendations of the LSPAR since procurement practices in these States are similar.

2. Objectives
There are three sets of actors contributing to development in Nigeria - the government, the private sector, and local communities. Accordingly, the CAS framework has three pillars, namely: (1) improve economic governance, (2) create the conditions for rapid private sector-led, poverty-reducing growth, particularly in the non-oil economy; and (3) empower local communities to play an active role in their own development. Taken together, these three areas are fundamental to achievement of any poverty reduction strategy. Nigeria’s economy cannot grow, poverty cannot be reduced, and Nigeria will not meet the International Development Goals unless the substantial resources controlled by the government are used more effectively and equitably; unless the non-oil sector exhibits strong growth; and unless there is full participation of the Nigerian people, particularly the poor, in the development process.

The project supports mainly the first pillar by increasing the ability of selected States to deliver quality public services by strengthening their respective capacity in the key public management and governance areas of strategic planning and policy formulation, public expenditure management, and human resource management. This will enable them to discharge their constitutional role and mandate with higher standards of efficiency, effectiveness, and transparency. A further goal is to help states support national fiscal management targets. To better achieve this double objective, the Project also seeks to improve collaboration among the States on public sector reform and between tiers of government.
3. Rationale for Bank's Involvement
A fundamental reason why the Bank should support governance and capacity building in the states is that the success of any efforts to achieve overall macroeconomic stability and poverty reducing growth in Nigeria will depend to a good degree, on the extent to which states are fiscally disciplined, develop and implement effectively sound economic policies, and increase the capacity of their respective administrations to deliver services in accordance with their constitutional mandate. The reform agenda supported by the Project and that will put the states on a track to sustainable fiscal performance is clearly needed urgently. The calls for sterilizing proceeds from oil prices above a determined price of the barrel in an excess crude account have not received sufficient support in recent years. The release of excess funds has usually triggered a sharp increase in foreign exchange demand and the subsequent depreciation of the Naira. Over the last years, most Nigerian officials in key positions, at the federal and states level have believed that the larger the capital budgets the better for the population. Sufficient attention has often not been paid to the implications of the level of aggregate spending. In fact, large public spending has been seen as a way to sustain support from the National Assembly and the State Assemblies. This has started to change at the initiative of key Federal Ministers and a number of Governors who deserve strong support.

Federalism in Nigeria has meant that the level of government with responsibility for providing most primary public services (basic education, primary health, water, rural roads, urban streets) has been the states and local government authorities (LGAs). In 2000, the states and LGAs spent about 36% of the total government budget, equivalent to 15.6% of GDP (US$50 per person). How much of this was spent on basic public services is not known, but social indicators suggest that its effectiveness is limited”. The Bank is in a good position to help the states and Nigeria as a whole to develop the policy instruments and management tools that lead to effective and monitorable public spending.

The Project will complement efforts being deployed in several sectors with the support of the international community including other Bank assisted projects (education, health, infrastructure – see Annex2). Indeed, the institutional reforms (including increased transparency, predictability, and accountability), and capacity enhancement activities that the Project will support at the center in state administrations are designed to provide a more coherent and effective policy framework and more efficient operational processes that service delivery oriented sector program will benefit from. Working together with other Donors, the Bank has the opportunity to draw on the lessons learned from its own wide experience in this area of assistance which is at the core of Bank public management and governance agenda.

4. Description
The Project is designed around three broad components described in more detail in Annex 4 [with costs summarized in Annex 5].

**Project Component #1: Individual States Public Management Reforms (US$92.0 million; IDA US$82 million; Participating States US$10 million).**

This first and largest component of the Project aims to (i) ensure that six to ten states (out of the thirty six of the Federation) rebuild basic systems of public financial management, procurement,
and human resource management that meet a minimum standard in terms of efficiency, accountability and transparency; (ii) promote the standardization of FM and procurement procedures and of financial data production among the states of the Federation to allow appropriate data aggregation and analysis; and (iii) increase the ability of the States to improve and monitor the development and implementation of public policies and programs. In each participating state, the component will support a predetermined set of reforms referred to as the core reform program (CRP). In addition to the CRP, each state will be assisted in implementing a limited number of state specific activities selected by the state. Costs and budget envelopes for activities under this Project component will vary from one State to another as shown in the states subprojects notes in Project files. Most states subprojects will require IDA financing in the range of US$ 5 to 8 million equivalent including costs associated with the subproject management and implementation arrangements.

The first six states (Akwa Ibom, Bauchi, Cross River, Imo, Kaduna, and Lagos) were selected during project preparation in 2003, five of them through a transparent competitive process by geopolitical zones based on initial diagnostic/proposal documents presented by thirteen states out of twenty four invited. The four criteria utilized in evaluating the initial were: (i) quality of diagnosis of existing constraints, (ii) overall reform program for the state’s public sector, (iii) relevance of the activities proposed for IDA consideration, and (iv) track record since 1999. As of now, most the first six selected states have conducted at least one staff audit since 2000 and resumed substantial staff training efforts. They have also begun modernizing accounts, catching up on audit reports, improving procurement procedures, strengthening revenue collection, and/or computerizing specific functions or set of functions relating to public finance management. In line with the CPS which calls for the selection of four focus states in 2005, up to four additional participating states will be selected among the strongly reform oriented states during the first year of Project implementation. This will be done in consultation with the FGN and on the basis with the CPS criteria for focus states selection.

The Core Reform Program (CRP)- US$77.0 million. For each state, the Project will finance an integrated package of technical assistance, equipment and training for FM and procurement reforms as follows.

- Adopting a new public financial management legislation that meets the standards of modern financial management in terms of relevance, comprehensiveness, transparency, and accountability. The new legislation already drafted for the FGN will serve as a guide for the new state legislations;
- Reforming the budget preparation and execution systems. The Project will finance the development and institutionalization of a simplified multi-year budgeting framework (MYBF) for annual budget preparation, leading to more sustainable budget implementation, less feast or famine, and no run up of short term debt. The objective will be to present to the State House of Assembly annual budgets which are part of the MYBF starting from the budget for FY 2007. The MYBF should state policies and priorities, and fiscal objectives clearly in a 3-year perspective for both revenue and expenditure (recurrent and capital). The first year of the MYBF, which will include more detailed information, will be the annual budget to be enacted for the corresponding year. In addition, as a normal practice, the State will prepare
and publish monthly statements on budget execution by ministries no later than 25 days after the Strengthening the treasury, accounting, and financial reporting functions. This will include (i) the implementation of the Standard Chart of Account developed by all the states’ Accountants General and the Office of the Accountant General of the Federation; and (ii) improved financial reporting by Strengthening the external audit function. The Project will help modernize and strengthen external audit procedures, including adjusting the current legislations if necessary and developing and implementing capacity building programs for audit personnel;

- Implementing a properly sized integrated financial management system. The objective here will be to improve efficiency, transparency and comprehensiveness using modern ICT. The Budget and Treasury MIS (BATMIS) will be implemented in a phase manner and, when fully in place, support planning and budgeting, transaction processing, and reporting on the use of financial resources. The system will be integrated in the sense that it will offer a reliable and unified database to and from which all financial data will flow and which will be shared by all users. The BATMIS will be a small to medium-range system using technologies that are simple and user friendly. States will be encouraged to use off the shelf application software packages with appropriate customization and to group the departments responsible for the central functions of budgeting, budget monitoring, treasury and accounting in the same area making it possible to build a Local Area Network (LAN) if feasible.

- Modernizing Human Resource Management. Focusing on the basic functions of personnel registry management and establishment control and the in coordination with the Ministry of Finance, the activities supported will include reviewing current human resources management policies, processes and information system, as well as implementing an automated modern and unified human resource management information system (HRMIS) for public employees. The HRMIS will have a proper interface with the BATMIS (or preferably be one integrated module of BATMIS) for consistency between nominal roll and payroll.

- Implementing the procurement reforms adopted for all tiers of government. For each focal states, the project will finance procurement reform activities four key areas that are recognized as a way of organizing the basic elements of a sound national public procurement system, including (i) the legislative and regulatory framework; (ii) the institutional framework and management capacity; (iii) the procurement operations and market practices; and (iv) the integrity of the public procurement system. The specific activities in each of these areas are indicated in Annex 4.

**States Specific Reform Programs – US$15.0 million.** During Project preparation, the states express a strong desire for support in areas of reform not included in the CRP but are important to improve governance and provide better service delivery. To consolidate the ownership of the Project by the state governments, it was agreed that the Project will support up to two institutional reform and capacity building initiatives in each of the first six participating states. The areas selected by the states and to be supported by the Project include: (i) record management (Lagos); (ii) modernization of tax payers identification system (Bauchi, Kaduna); (iii) restructuring and downsizing of selected MDAs (Akwa Ibom, Imo); (iv) public service training capacity enhancement (Cross River, Kaduna, Lagos); and (v) and judicial services enhancement (Cross River).
With the assistance of national and international consultants, the states have already proceeded with the preparation of these specific programs which will be reviewed at Appraisal with their respective work plans and implementation arrangements. As an example, the Record Management Reform Program in Lagos State summarized in Annex 4, seeks to put in place a record management system that creates and captures information in record keeping systems as evidence of government’s activities and that maintains, makes available and preserves these records to meet the needs of the State and the citizens. To that end, an eight-step strategy has been developed with specific activities, costs, and a timetable for implementation.

In addition to the state specific programs indicated above, other state specific programs will be considered as the implementation of the CPS unfolds. The differentiates two categories of states: basic partnership states and intensive partnership states. As already underlined, the CRP is design to support basic public management reforms and is therefore oriented toward basic partnership states. The Project will be an appropriate vehicle to support additional public management reforms in four intensive partnership states (as contemplated in the CAS) as they emerge and complete the implementation of the CRP successfully. The governance related elements of the enhanced reform package in intensive partnership states will also vary form one state to another. However, on the basis of the governance challenges in most states, the additional state specific reforms should include such items as (i) more developed forecasting and expenditure tracking; (ii) introduction of modern cash management system; consolidation of good procurement practice; (iii) right-sizing of MDAs and introduction of performance management; (iv) enhancement of internally generated revenue mobilization; and expanded IFMIS covering larger number of sector ministries and including additional modules such as fixed assets and purchasing; etc.

**Project Component #2 - US$ 2.0 million. Inter-Governmental Collaboration for Development (IDA Credit: US$ 2.0 million).**

The objective of this component will be to (i) develop an improved framework for intergovernmental collaboration for development activities an in depth and participatory analytical work, and (ii) strengthen the capacity of MoIGA to play its role as an agency responsible for facilitating effective intergovernmental cooperation and information sharing and synergies among the states. To that end, the Project will support two sets of activities:

(a) Regarding the intergovernmental collaboration framework: (i) the review of current legislation, regulations and practices, the (ii) a comparative analysis of Nigerian experience with intergovernmental relations and the experience of selected countries around the world with regards to the delivery of public services; and (iii) recommendations on the way forward for Nigeria. The analyses and the development of proposals will be the responsibility of an interdisciplinary task force on intergovernmental collaboration (TFIGC) coordinated by MoIGA. The report and recommendations of the TFIGC will be discussed with various constituencies and submitted to the Federal Executive Council before the end of 2006; and

(b) Regarding the MoIGA institutional strengthening: (i) the implementation of the reorganization plan indicated above (with appropriate coordination with other Federal Government MDAs undergoing similar exercises under the ERGP), (ii) staff training in the areas
of decentralization and intergovernmental relations, communication and facilitation skills, and computer based data management; and (iii) the development of an information base on economic and social development in the states and the promotion of information/experience sharing among the states and between the states and the Federal Government. This will include the organization of annual conference on intergovernmental relations focused on themes varying from one year to the other.

Due to the current capacity constraints in MoIGA, the implementation of this component, will benefit from the services of a visiting international public sector management (PSM) specialist with a strong background on decentralization and intergovernmental relations issues, especially in developing countries context.

**Project Component #3 US$ 5 million: Niger Delta Development Commission Activities Enhancement (IDA Credit: US$ 5 million)**

Although primary responsibility for social and economic development in the nine states (Abia, Akwa Ibom, Bayelsa, Cross River, Delta, Edo, Imo, Ondo and Rivers states) which comprise the Niger Delta Region of Nigeria rests with state governments, there are a number of regional issues that transcend state boundaries, and require the coordination of state and federal action in support of state development objectives. The Niger Delta Development Commission (NDDC) was established by law in 2000 to “formulate policies and guidelines for the development of the Niger-Delta area and conceive, plan and implement, in accordance with set rules and regulations, projects and programs for the sustainable development of the Niger-Delta area” Clauses 7(a)(b), Niger Delta Development Commission Act of 2000. The NDDC is funded directly from the Federation Account. Its board is comprised of representatives of nine representatives of the Delta states, three representatives of non-Niger Delta states, and two federal government representatives (respectively from the Ministry of Finance and the Ministry of Environment). The grounding premise of the component is that improved accountability and enhanced trust in public institutions is the corner stone for peace and development in the Delta. The World Bank’s partnership with NDDC will be directed at building capacities that will effectively contribute to community-oriented sustainable development across the region and the mitigation of conflict. To that end, the component will have two objectives:

(a) make NDDC a more effective development institution by building its capacities for (i) strategic management; (ii) financial management; (iii) conflict analysis and management; (iv) environmental management; and (v) community development orientation;

(b) support a new partnership that would promote innovative collaboration among NDDC, NGOs, bilateral donors, communities and the private sector companies working in the Delta. The new partnership component will support three pilot Niger Delta Community Foundations (NDCFs) directed at the replication of the Community Foundation model deployed successful throughout Eastern Europe and in South Africa. The NDCFs will also draw guidance from the program of highly successful community development which has evolved in Akasa, Bayelsa State,
along the coast. Project funds will provide seed capital and support a board of governors and secretariats for the NDCFs for a period of four years.

1. Individual Focus States Public Sector Reforms
2. Inter-Governmental Collaboration for Development
3. NDDC Institutional Development
4. Project Coordination monitoring and evaluation

5. Financing

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<td><strong>Total Project Cost</strong></td>
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6. Implementation

2.1 **Arrangements for Component #1: individual State Public Management Reforms.** The state will have the primary responsibility for the implementation of the public management reforms included in their respective subprojects as detailed in Annex 6. In each participating state, there will be a separate State Project Implementing Unit (SPIU) and a State Steering Committee on Governance Reforms and Capacity Building (SCGCB) with specific oversight and supervisory functions that are defined in Annex 6. The SPIU will be located in the lead implementing MDA with the responsibility for the day-to-day implementation of the state subproject. The SPIU will implement the activities located in the lead implementing ministry/department and coordinate implementation of subproject activities to be undertaken by other Activities Executing Agencies (AEAs). The SPIU will be headed by a Coordinator who will be in the rank of a Director or above and will be supported by a full-time personnel with expertise in procurement, ICT, and office management. State subprojects will be implemented over a period of four to five years. The specific implementation responsibilities for each subproject component of a state subproject will be detailed in the state subproject document. A generic presentation of the implementation responsibilities for each component of the CRP is indicated in Annex 4. Because skilled staff are in limited number in the states civil service, the Project makes resource available to finance non civil service staff and consultants who will support the State administrations in the implementation of their respective subprojects. This in addition to budget allocation for the equipment, travel and functioning of the SPIU during a period of four years.

2.2 **Arrangements for free standing Components #2 and #3.** SAD/MoIGA and the [XXX Department] of NDDC will be responsible for the implementation of the Intergovernmental Collaboration for Development and the NDDC Activities Enhancement components respectively. They will act as project implementation units for the activities under their responsibility.

2.3. **Arrangements for coordination and support at the national level.** There will be a National Project Coordination Committee (NPCC) composed of the Governors (or their representatives) of the participating states, the Federal Minister/ MoIGA (or his/her representative), the Federal Minister/ FMF (or his/her representative), and the Chairman NDDC (or his/her representative). The NPCC will have an overall project oversight function and provide advice and orientations as needed to the various project implementation organs to ensure...
consistency and harmonization among the governance reforms and capacity building approaches in the Project. The NPCC will convene at least twice a year under the rotating chairmanship of representatives of the State governments. Acting as a secretariat to the NPCC, there will be a National Project Coordination Secretariat (NPCS) housed in the Office of the Federal Minister/MoIGA. The NPCS will (i) provide technical support as requested by the states; (ii) conduct implementation monitoring missions and sub-project mid-term reviews as well as the mid-term review for the Project as a whole; (iii) and coordinate, consolidate, and disseminate the information from various components implementing agencies. The NPCS will include a team of ICT specialist to assist the states specify, procure and implement the BATMIS and HRMIS and, together with the contractors provide training and technical support for the State Implementation Teams.

7. Sustainability
4.1 The reforms supported by the Project are expected to have a long lasting impact on public management in the participating states and to showcase the benefit of increased accountability and transparency. The Project design provides reasonable assurances regarding the sustainability of the activities supported in three ways: (i) the relevance of the new policies, systems and processes in the medium to long term as the state face increasing development challenges and a more vocal citizenry that expects results and quality public service; (ii) the modular nature of the changes to be supported which enable a phased approach and a pace of adjustable to local circumstances without backtracking; and (iii) the emphasis on staff training and internalization of new processes and systems in each of the aspects of the CRP.

4.2 In spite of the above, some risks to sustainability remain. For the gains from the investments in modernizing public management systems to be sustainable, governments will have to devote more resources than in the past to the running of government, particularly to regular maintenance and renewal of equipment, and the allocation of funds for regular staff training. This is especially true in the area of ICT where there are license fees to be paid, periodic updating of applications to be financed, and the capacity of system operating staff maintained in an environment where ICT specialist trained by the state administration will be find it difficult to ignore more attractive compensation in the private sector. However, the Project’s support for improved budgeting should increase state governments’ capacity to make provision for O&M which are traditionally under funded. I was also agreed the implementation of the MYBF and the BATMIS will require the recruitment of young university graduates in a number and under arrangements that facilitate their retention.
8. Lessons learned from past operations in the country/sector
The Project is the first of its kind supported by the Bank in Nigeria and, at the federal level, the Economic Reform and Governance Project (ERGP), approved on December 14, 2004, is only now beginning. The ERGP supports financial management and procurement reforms, the restructuring and rightsizing of selected key federal agencies, the reform of the pension management system, and the strengthening of statistics. However, the Bank has been involved in state level sector projects in Nigeria over a long time (especially rural development, education, infrastructure, health). It has also capitalized from experience sharing with other donors who have been supporting state level governance reform, most notably DFID and the EC. From the Bank global experience and its diverse exposure to Nigeria development needs and challenges at all levels of government, a number of lessons have been incorporated in the Project.

Selecting committed partners. The Bank’s global experience in public management projects is that reform is unlikely to be sustained without strong political commitment. In Nigeria, while some states remain captive to patrimonial politics and are still trapped in the systemic corruption paradigm, this picture is by no means uniform, and there is an increasing number of states which are attempting to modernize and make the transition to governance based on service delivery and achieving results. This lesson has been built directly into the Project through the selection process for the first six participating states which included the review of reforms engaged by the states and the assessment of state political commitment to further reforms. For the additional participating states to be selected in line the CPS this approach will be reinforced because the CPS focus state identification process, stresses good performance record and strong political commitment to pursue the reform effort among the selection criteria.

Capitalizing on similarities. An insight from the study of state and local governments in Nigeria The World Bank - State and Local Governance in Nigeria. Report No.24477-UNI, July 23, 2002. is that the Bank carried out in 2001-2002 is that public management systems are similar in all states and their constraints and weaknesses call for similar responses. The Project economizes on resources by supporting the development of common systems across states, in areas like the legal frameworks and operational guidelines for budgeting and financial management, and the installation of integrated systems for financial management and payroll and personnel management.

Focusing on the basics first and phasing institutional changes considering the staff skills constraints, political realities and informal institutional rules. Experience elsewhere in Africa points to the importance of getting the basics of public management and governance right before embarking on ambitious reforms such as performance management in the civil service or program budgeting. In addition, the preparation of the Project and the preparation and launching of the ERGP have confirmed the strong need for technical expertise from outside the civil service (federal and state levels alike) in order to achieve significant institutional changes while steps are being taken to built the staff capacity within the public service. Consequently the Project puts emphasis on a common core program for all participating states, centered on rebuilding capacity for the basic functions of public management and strengthen transparency and accountability. An underlying belief is that the a second generation of reforms will be needed in the participating states upon effective implementation of the basic reform package included in the CRP.
Ensuring consistency with reforms undertaken at the federal level and effective intergovernmental collaboration. The preparation of the ERGP has enabled the Project Team to ensure that public sector reforms and approaches to institutional changes in the states are consistent with reforms to be implemented at the federal level and that the FGN and the state governments are being reformed in such a way that national interest can be better served through coherent policies, consistent public management instruments, and improved interaction among the two upper tiers of government.

Managing the information and communication technology (ICT) modernization properly. Experience elsewhere also points to the shortcomings of technology driven institutional development project concepts; oversized and too complex ICT solutions; and insufficient involvement of key operational units and staff training. Thus, the CRP (i) stresses the policy reforms and institutional changes targeted that the new ICT will be supporting; (ii) emphasizes the need to design the ICT solutions realistically in line with the actual needs of the states and the roles of the concerned operational units; and (iii) considers skills development and technical support from a central ICT team as key elements of success.

Recognizing the importance of change management. Finally, the Project recognizes the importance of participation, communication and change management in the reform process, by supporting team work, training, and information dissemination, thereby reducing resistance to change and harnessing the energies of both management and rank and file staff.

9. Environment Aspects (including any public consultation)

   Issues: The environmental Category of this project is C. The activities planned under the Project do not include major construction or utilization of materials that present substantial environmental risks. Moreover, the proposed support to NDDC to enhanced its capacity to monitor compliance with federal and state environmental regulations should result in improved environmental management practices in the Niger Delta region.

10. List of factual technical documents:
not available

11. Contact Point:

   Task Manager
   Manga Kuoh
   The World Bank
   1818 H Street, NW
   Washington D.C. 20433
   Telephone:
   Fax:

12. For information on other project related documents contact:
   The InfoShop
   The World Bank
   1818 H Street, NW
Note: This is information on an evolving project. Certain components may not be necessarily included in the final project.