



Project Information Document/ Identification/Concept Stage (PID)

Concept Stage | Date Prepared/Updated: 23-Mar-2022 | Report No: PIDC261843



BASIC INFORMATION

A. Basic Project Data

Project ID	Parent Project ID (if any)	Environmental and Social Risk Classification	Project Name
P178727		Low	Modernizing Financial and Data Management Systems in Borno State
Region	Country	Date PID Prepared	Estimated Date of Approval
AFRICA WEST	Nigeria	23-Mar-2022	
Financing Instrument	Borrower(s)	Implementing Agency	
Investment Project Financing	Borno State Government	Borno State Ministry of Finance	

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PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	3.50
Total Financing	3.50
Financing Gap	0.00

DETAILS

Non-World Bank Group Financing

Trust Funds	3.50
European Commission Development Fund - TF	3.50

B. Introduction and Context

Country Context

Nigeria is a multi-ethnic and diverse federation of 36 autonomous states. It is Africa’s largest country, with over 200 million people, Africa’s largest economy, with nominal gross domestic product (GDP) of around US\$450 billion (2020), and has the potential to be a giant on the global stage. However, with over 40 percent of its population living in poverty, Nigeria is also home to a substantial share of the global poor. Economic growth,



at -1.8 percent in 2020, has been below the rate of population growth for the last five years. The economy and public finances continue to be highly vulnerable to oil shocks, and sufficient jobs are not being created for the 3.5 million young Nigerians attaining working age every year, adding to the pool of unemployed and under-employed. Fragility, conflict, and insecurity afflict many parts of the country, including insurgency in the north, while social exclusion, corruption and weak capacity in the public sector erode the trust that is the basis of the social contract between citizens and the state. On many human development indicators, Nigeria ranks amongst the lowest in the world, with a score of 0.36 ranking 168th out of 173 countries in 2020. Growth has also not been inclusive, with major regional disparities between the north and south of the country. Addressing Nigeria's challenges will be critical to the WBG twin goals of eradicating global extreme poverty and promoting shared prosperity.

COVID-19 pandemic which broke out in early 2020, severely impacted the Nigerian economy, thus contributing to increased poverty. Mitigation measures initially rolled out by government to contain the pandemic severely restricted economic activity across the country. As a result, the economy contracted by 1.8 percent in 2020, its deepest recession since the 1980s. Lower growth, combined with the rise in inflation (from 11.4 percent in 2019 to 13.2 percent in 2020) is estimated to have pushed the poverty rate (measured at the international poverty line of 1.9 USD 2011 PPP) from 39.3 percent in 2019 to 41.1 percent in 2020, equivalent to 5.8 million additional individuals becoming poor. Nigeria's Federal and State Governments have since taken important steps to marshal the needed fiscal resources and deploy them towards a pro-poor fiscal response to the COVID-19 crisis. Since 2020, the Federal and State Governments have cut non-essential expenditures and allowed for increased borrowing (from both the market and international financial institutions) to protect critical expenditures and provide for a pro-poor COVID-19 fiscal stimulus package. The Governments have also maintained fiscal sustainability by reducing budget deficits.

To further mitigate the adverse impacts of the COVID-19 crisis and lay the ground for a robust recovery, the Government has formulated an ambitious Economic Sustainability Plan (ESP). The ESP was launched in July 2020 and lays out policies and programs for the next eighteen months, from fiscal and monetary measures to mobilize revenues and maintain macro-financial stability. The ESP also covers the scaling up of social assistance and subsidized credit programs to support households and micro and small enterprises, as well as large-scale initiatives to stimulate economic activities and create jobs through investments in agriculture, roads, renewables, and housing. Based on the Government's request, the World Bank has provided support, including policy advice and financing needed for the COVID-19 response. In particular, the World Bank supported the State governments' efforts through the States Fiscal Transparency Accountability and Sustainability PforR (through the Program Restructuring and AF) to help improve the fiscal situation in the States.

Sectoral and Institutional Context

Profile of Borno State: Borno state is part of the North-East geo-political region of Nigeria and has been at the epicenter of the Boko Haram insurgency. The state has suffered extensive infrastructural destruction, loss of life and population displacement. The state government's weak capacity has been further diminished by the insurgency and continuing insecurity and most of the state has been left in a governance vacuum as a result of



the insurgency. A greater percentage of the State territory is currently conflict-affected. As a result of the insurgency, most of the 27 local governments are operating from Maiduguri, the state capital, whose population has increased by over 1.5 million. The only two functional local governments are overwhelmed by the influx of Internally Displaced Persons (IDPs).

The 2015 Recovery and Peace Building Assessment (RPBA) conducted jointly by the UNDP, the EU and the World Bank, with support from UK FCDO, assessed the recovery and peace building needs in Borno at over US\$ 4 Bn (essentially for reconstruction of infrastructure and restoration of social services). As a result, Borno is the main beneficiary of the Nigerian government recovery initiatives, as well as of donors' interventions for the reconstruction of the North-East, in addition to humanitarian aid. The World Bank, in addition to scaling up support through six already existing programs/projects[1] in the BAY States, also specifically developed a Multi-Sector Crisis Recovery Project (MCRP) for NE Nigeria, covering Borno, Adamawa and Yobe (BAY) States. MCRP[2] focuses rehabilitating basic service delivery infrastructure in the affected areas and by providing support to rebuild social cohesion at the community level.

The process of recovery will require very strong institutional arrangements, particularly in the areas of public financial management and planning. Institutions for public financial management, economic planning and coordination of reconstruction and recovery initiatives have been severely weakened and the state needs support for their restoration. A newly established public procurement agency requires support for its operationalization. The state civil service (around 27,000 state government employees) is being streamlined through biometric identification. A state ministry of Reconstruction, Rehabilitation and Resettlement established in 2015 has yet to be capacitated. Financial management systems and fiduciary controls are weak. Budget management is marred by inefficiencies that impair predictability of resource flows and service delivery.

Borno state government is also committed to the implementation of the FGN Fiscal Sustainability Plan (2016) which has been supported by the State Fiscal Transparency, Accountability and Sustainability Program for Results (SFTAS). Borno has performed well on reforms on fiscal transparency, revenue mobilization, rationalization of public expenditure, financial management and debt sustainability, with technical assistance provided by the World Bank through the ASA Supporting Governance Reforms in Borno. As part of efforts to rebuild the state, Borno State Government is committed to sustaining earlier reforms by implementing additional aspects of Public Financial Management (PFM) reforms targeting tax and revenue mobilization, improvements in budgeting and accounting, processes, transparency and accountability during budget execution in the State.

Presently, the majority of government processes anchoring public finance management have remained manual, and accordingly inefficient and difficult to ensure accountability. This includes core processes related to budgeting (planning, preparation, consolidation, review and approval, execution, and monitoring), funds disbursement, processing of salaries and pensions, cash planning, final accounts and statutory financial reporting. Consequently, automation of these processes and the strengthening of the PFM legal framework to institutionalize same and bring them up to speed with national and international benchmarks are essential.



The Modernization of Financial and Data Management Project in Borno State (MFDMP) is designed to complement the MCRP and will be an integral part of the World Bank’s support to Borno State. In particular, MFDMP will help strengthen fiscal and institutional sustainability of the State, as well as to other World Bank and Donor engagements in the State. **Successful implementation and rollout of the State Financial Management Information System (SFMIS) is expected to address some of these challenges, strengthen transparency and accountability, reduce corruption and eliminate discretionary tendencies in expenditure control common with manual accounting environment.** Therefore, immediate reforms are needed to refine, automate, and optimize the underlying PFM business processes (including tools and personnel) to further strengthen PFM systems in the State.

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MFDMP, which will be recipient executed, forms part of a two-pronged engagement under the Public Service Delivery, Financial Management, Coordination & Monitoring Component of the Multi-Donor Trust Fund Programme (TF072689). While the interventions under the MFDMP will focus mostly on the acquisition of critical ICT assets with associated capacity building, these will complement the broader intervention that are currently ongoing under a sister World Bank Executed Program. The latter includes technical assistance, capacity building and training in various areas of PFM, Monitoring and Evaluation and Donor Coordination.

[1] Community and Social Development AF-2 (CSDP - P157898), the Youth Employment and Social Support AF (YESSO - P157899), the Additional Financing Nigeria State Health Investment Project (NSHIP - P157977), the Additional Financing NG- Polio Eradication Support Project (P158557), AF - State Education Program Investment Project (SEPIP - P157890), and the Third National Fadama Development Project (FADAMA III - P096572).

[2] Original credit of US\$200 million in 2017 and Additional Financing of SDR 129 million in 2020

Relationship to CPF

The proposed operation is fully aligned to the Country Partnership Framework (CPF). The project is fully aligned with the World Bank Group’s Country Partnership Framework (CPF) of 2021-2025[3]. The PDO falls squarely within the first, third and fourth pillars of this CPF. The first pillar emphasizes the strengthening of the foundation of the public sector. This will be addressed through (i) increasing domestic revenue mobilization, (ii) improving the quality of public expenditure and (iii) enhancing the effectiveness, transparency and accountability of public institutions. The third pillar focuses on developing digital infrastructure, platforms and skills, while the fourth pillar focuses on reducing fragility in the Northeast and other areas affected by conflict.



The various activities that will be financed by this Grant will contribute to the achievement of the objectives foreseen by these three afore mentioned pillars of the CPF.

[3] Approved by the Board in December 2020, spans five years (FY20-FY24) from July 2019 to June 2024 (the first year retroactively).

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C. Project Development Objective(s)

Proposed Development Objective(s)

The proposed development objectives are to: (i) improve public financial management in Borno State through the implementation of a State Financial Management Information System (SFMIS), and (ii) improve data management in th State through the operationalization of a State Data Dash Board.

Key Results

Progress towards achieving the project objective and results will be measured through the following key performance indicators:

- a. Borno State will have implemented the General Ledger, which is the core module of SFMIS.
- b. The Accountant General prepares Quarterly Interim Financial Statement within 1 month of the end of a Quarter.
- c. Borno State Data Center is equipped and becomes operational.
- d. Borno State development data is available to the public.

D. Preliminary Description

Activities/Components

Component 1: SFMIS Implementation (\$2.5million)



This component will support the procurement, installation and implementation of the technology (hardware and software) to support budget execution, accounting and financial reporting in the State. The support shall cover inter alia: (i) the preparation of terms of reference, acceptable to the Bank, and the provision of technical support for the bidding process and the acquisition of the hardware and software for the SFMIS; (ii) the provision of technical assistance for the implementation of the selected Software Application; (iii) the provision of training to civil servants on the Software Application; and (iv) the documentation of the technical information for the implementation process of the New Software Application.

This component will aim to implement a small to medium range system, using technology that is simple, user friendly and possibly open-source, with appropriate configuration. The project will encourage the State to adopt a phased approach, with priority being given to the critical core modules like general ledger, accounts receivable, accounts payables and reporting tools. Placing priority on the core modules, it is expected that the State will in the shortest possible time put in place a system that would assure better management, reporting and monitoring of public finances in the States.

The component will also cover the acquisition of ICT equipment for all the stakeholder Ministries, Departments and Agencies (MDAs), following an assessment of their needs. Presently, most government processes anchoring public finance management such as budgeting (execution, and monitoring), funds disbursement, processing of salaries and pensions, cash planning, final accounts and statutory financial reporting to mention just a few; have remained manual and inefficient. As part of efforts to modernize public financial management practices, Borno State Government is committed to automating some of the processes and key departments responsible for PFM. With the successful implementation and rollout of the State Financial Management Information System (SFMIS) at the office of the State Accountant General, it will become expedient to also automate the basic business processes in some key MDAs that play complementary roles to the central treasury. These include the Ministries responsible for Finance and Budget, Board of Internal Revenue, the Office of the State Auditor General and the Bureau of Public Procurement. It is expected that improving the capacity at these MDAs, including the provision of the required equipment and training on their utilization, will enhance their capacities to contribute to improving service delivery, strengthening transparency and accountability, eliminating discretionary tendencies in expenditure control analogous with manual accounting environment.

Component 2: Operationalization of the State Data Center (\$0.65million).

The infrastructural destruction and population displacement arising from the Boko Haram insurgency has resulted in numerous recovery initiatives from government and development agencies. However, the coordination and management of these interventions have remained sub-optimal as a result of the weak institutional arrangements and poor capacity for coordination. Consequently, the poor coordination of the



reconstruction and restoration initiatives has left room for inefficiencies and gaps in planning and poor accountability to the citizens and donors.

This component seeks to assist Borno State government, particularly the Borno State Agency for the Coordination of Sustainable Development and Humanitarian Service (BOACSDHR), in establishing a data warehouse that extracts, transforms and links useful information to aid administrative decision-making. It will also track the implementation of the state’s development plan which underpins the afore mentioned recovery plan.

Some of the activities envisaged under this component include the establishment of a modern and appropriately equipped digital, state-of-the-art, high-availability, and cloud-capable data processing and data warehousing facility. The facility will process, store, and disseminate data from various sources across the State, including the financial management information system (IFMIS), geo-spatial distribution satellite mapping, statistical surveys, Monitoring and Evaluation, and the data generated or required by the ongoing Recovery and Reconstruction initiatives.

It is expected that the availability of quality data from the afore mentioned interventions will add value to the ability of government to make better informed development decisions as well as be accountable to the citizens of the State on its programs.

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Component 3: Project Implementation Support (\$0.35million)

This component will provide support to oversee and administer the implementation of the project. To this end, the project will finance operating costs, goods, consulting and non-consulting services to support the coordination of the administrative, financial management and procurement aspects of the Project.

Environmental and Social Standards Relevance

E. Relevant Standards

ESS Standards		Relevance
ESS 1	Assessment and Management of Environmental and Social Risks and Impacts	Relevant
ESS 10	Stakeholder Engagement and Information Disclosure	Relevant
ESS 2	Labor and Working Conditions	Relevant
ESS 3	Resource Efficiency and Pollution Prevention and Management	Not Currently Relevant
ESS 4	Community Health and Safety	Not Currently Relevant



ESS 5	Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
ESS 6	Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
ESS 7	Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
ESS 8	Cultural Heritage	Not Currently Relevant
ESS 9	Financial Intermediaries	Not Currently Relevant

Legal Operational Policies

Safeguard Policies

	Triggered	Explanation (Optional)
Projects on International Waterways OP 7.50	No	The project is not on an international waterway and does not involve any international waterways
Projects in Disputed Areas OP 7.60	No	There are no disputed areas in the project area

Summary of Screening of Environmental and Social Risks and Impacts

The rating for environmental and social risks is low. This is because the project activities will not involve any civil works but will focus on procurement of equipment such as computers, which will be installed in office settings. There is no indication at this stage that the project will be replacing pre-existing computers and therefore an e-waste management plan is not needed. The ESCP will highlight the need to develop a simple screening tool to assess the computer installation process. For example, should there be any red flags, such as the need to dispose of any pre-existing computers, this will trigger the preparation of an e-waste management plan. In addition, the project will prepare an occupational and safety plan to address Covid-19 related risks during equipment installations. In consultation with the Bank the client will prepare and implement an inclusive Stakeholder Engagement Plan (SEP) proportional to the nature and scale of the project and associated risks and impacts. A draft of the SEP will be prepared and disclosed as early as possible and prior to Appraisal. A project specific GRM will also be prepared.

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