



Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 04-May-2018 | Report No: PIDISDSC22929



BASIC INFORMATION

A. Basic Project Data

Country Nigeria	Project ID P163540	Project Name Fiscal Governance and Institutions Project	Parent Project ID (if any)
Region AFRICA	Estimated Appraisal Date 01-May-2018	Estimated Board Date 21-Jun-2018	Practice Area (Lead) Governance
Financing Instrument Investment Project Financing	Borrower(s) Federal Republic of Nigeria	Implementing Agency Federal Ministry of Finance	

Proposed Development Objective(s)

The project development objective (PDO) is to improve the credibility of public finance and national statistics.

Components

- Strengthening Domestic Revenue Mobilization Management
- Strengthening Controls, Transparency and Accountability in the Use of Public Funds
- Strengthening Statistical Evidence to Inform Policy Making
- Implementation Support

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	125.00
Total Financing	125.00
of which IBRD/IDA	125.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	125.00
IDA Credit	125.00



Environmental Assessment Category

C - Not Required

Decision

The review did not authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

For the first time in Nigeria’s history, the 2015 general elections allowed for a peaceful political transition, and significantly strengthened the democratic and civilian regime, which had been reinstated in 1999 after nearly 30 years of military dictatorship. The All Progressive Congress (APC) won the 2015 Presidential and Parliamentary elections at the national level, as well as state elections., It achieved these results utilizing the same platform — despite being in a coalition of parties in opposition to the ruling party until 2015. Indeed, this was the first time since 1999 that the opposition had won the national elections since 1999. The new cabinet was sworn into office in November 2015.

Several external shocks had significant impacts on the Nigerian economy; these were exacerbated by political tensions within the country. The Buhari administration took office in the context of three major global economic transitions: the slowdown and re-balancing of the global economy; lower commodity prices, especially the sharp drop in oil prices; and tightening of financial conditions and risk aversion by international investors. The new administration faced a fast-deteriorating macroeconomic environment. Gross domestic product (GDP) growth fell from 6.3 percent in 2014 to 2.7 percent in 2015, and to a negative 1.6 percent in 2016, thereby resulting in Nigeria’s first full-year of recession in 25 years. In 2016, global oil prices reached a 13-year low and oil production was severely constrained by vandalism and militant attacks in the Niger Delta. The oil sector represents 8.3 percent of total GDP, but provides majority of foreign exchange (FX) earnings and three-quarters of government revenues. The decline in FX earnings from oil exports was compounded by the introduction of several FX allocation/utilization rules by the Central Bank of Nigeria (CBN). These rules restricted access to FX at the official market rate, and had significant negative spillover effects on the non-oil sectors dependent on FX for important of capital and raw materials.

Fiscal revenues at all levels of government were severely hit by the decline in oil revenues. Total government revenues, which at 10.3 percent of GDP in 2014 were already low, declined to 5.9 percent of GDP in 2016. The decline in government revenues would have been less if oil revenues were converted at a higher rate than the official exchange rate. Although recurrent spending was rationalized and capital budgets were under-executed, the consolidated government fiscal deficit widened from 1.2 percent of GDP in 2014 to 3.9 percent of GDP in 2016. Although the total public debt-to-GDP ratio remained low



(17.3 percent of GDP at the end of 2016), the interest payments-to-revenue ratio¹ for the Federal Government increased to 61 percent in 2016.

The Nigerian economy emerged from recession in 2017 with GDP growth of 0.8 percent. The recovery was driven by higher oil prices and production. Agriculture and the non-oil industry grew, but services, which account for over half of GDP, continued to contract. Unemployment increased in 2017 to 18.8 percent of the labor force. Inflation remained sticky at just below 16 percent, despite monetary tightening from the Central Bank. The parallel exchange rate premium vis-à-vis the official exchange rate remains stable at just under 20 percent. Total government revenues performed below expectations as oil revenues remained below pre-crisis levels and non-oil revenues largely stagnated in the absence of significant tax reforms - leading to a larger than planned general government fiscal deficit of 4.4 percent.

The recovery is expected to be slow, largely oil-driven, and thus susceptible to oil production disruptions and oil price shocks. Real GDP growth is estimated to reach just over 2 percent in the World Bank's baseline growth scenario. Oil production is expected to remain above 2 million barrels per day in the medium term, but below the government's projections. Output growth in the agricultural sector is expected to remain positive but below its potential due to ongoing conflicts. Non-oil industry and services are expected to grow only slowly due to subdued consumer and investment demand. Fiscal sector outcomes will be subject to considerable uncertainty and the need for fiscal adjustment at all levels of Government remains.

Nigeria has experienced poverty reduction in recent years, but this varies considerably across geographic areas and demographic groups due to entrenched inequalities. After 2004, the poverty rate in Nigeria fell by almost half in urban areas, but barely declined in rural areas, where 50 percent of the population is currently living below the poverty line. Moreover, while the total number of poor in the south declined by almost 6 million, it increased by almost 7 million in the north.

In March 2017, the Government launched the National Economic Recovery and Growth Plan (ERGP) for the period 2017-2020. The ERGP sets out to restore macroeconomic stability in the short-term. In the medium to longer term, it seeks to undertake structural reforms, and for infrastructure investments and social sector programs to diversify the economy and set it on a path of sustained inclusive growth. The priority areas of action under the ERGP are: stabilizing the macroeconomic environment; achieving agriculture and food security; ensuring energy sufficiency in power and petroleum products; improving transportation infrastructure; and driving industrialization through focus on small and medium enterprises (SME) development. The ERGP has an ambitious target of 7 percent in real GDP growth by 2020, initially driven by the oil sector and then increasingly by strong non-oil sector growth. Increasing growth above the baseline of 2 percent will require effective implementation of the ERGP* structural reforms and a strengthened macroeconomic framework.

Governance is a critical foundation to the successful implementation of the ERGP*. The four main thrusts of ERGP on governance are: 1) Transparency and anti-corruption; 2) Public safety and security; 3) Public service reform; and 4) Intergovernmental coordination. The governance of the oil sector is also identified as a critical objective.

¹ Total revenues differ from estimates of the Federal Government of Nigeria (FGN) due to the World Bank's exclusion of irregular items considered to be revenues by FGN, but financed by the World Bank. FGN's estimate of the debt service (including amortization) to revenue ratio is estimated at 47 percent for 2016.



Sectoral and Institutional Context

Governance is officially acknowledged as a significant challenge to the Government's ability to restore growth and promote development, and is reflected in Nigeria's low ranking among several international governance indices. Anti-corruption, transparency and government accountability to citizens rank high on the agenda of the Nigerian Government. However, despite governance reforms at the federal and state levels since 1999, Nigeria fares badly in most governance international benchmarks and has not made progress since then: According to the Open Budget Index (OBI), which ranks Nigeria in the bottom quartile on fiscal transparency, no significant improvements have happened from 2008 to 2016 and Nigeria rating has dropped in 2017. Public trust in government is at low ebb and hampers tax revenue mobilization.

Paradoxically, the Nigerian governance and institutional framework stands out by its wealth of accountability institutions and mechanisms. At the federal level, the Nigerian institutional set-up consists of a comparatively wide range of checks and balances, which could potentially prevent the undermining of fiduciary systems and sound budget management, but has been ineffective in doing so to date. . Nevertheless, some of these accountability institutions are increasingly assertive (such as the Office of the Auditor General of the Federation) and could be critical change agents for governance reforms. Two factors hamper the effectiveness of checks and balance, that is, oversight in fiscal management:

- The large number of oversight authorities with overlapping mandates dilutes their institutional capacity and leverage;
- Legislative budget oversight is highly contentious, hampering stronger cooperation between the executive and legislative branches of the government on fiscal management.

Building on previous reforms, the Nigerian Government introduced a new package of governance reforms in 2015, which remain yet to be fully operationalized: anti-corruption institutional and legal reforms; a number of transparency and social accountability initiatives under the Open Government agenda after Nigeria became a member of the Open Government Initiative in July 2016 ; the strengthening of fiscal discipline and accountability through public financial management (PFM) reforms; the strengthening of statistical data collection, validation and use of statistical information to inform policy making; and civil service reform.

The established platform and framework for public financial management (PFM), built over the past few years,² needs to be strengthened and fully operationalized.

- **Oversight of revenues accruing to the Federation account needs to be significantly strengthened to support domestic revenue mobilization and restore trust in fiscal federalism between the Federal and state governments.** The fiscal space has dwindled since the return to democracy in 1999. The revenue to GDP ratio has decreased from 30 percent to 5 percent, and the tax revenue to GDP ratio from 12 percent to close to 3 percent since 2000. The necessary increase of the fiscal space (to a minimum of 15 percent of the GDP is needed for a state to exercise its core functions) requires strong intergovernmental fiscal coordination. It should be informed by robust capacity for revenue forecasting and analysis and effective oversight of revenue generating agencies (including the oil companies and other state-owned enterprises (SOEs), and the tax and customs

² The Bank supported some of these efforts under the Economic Reform and Governance Project (ERGP) implemented between 2005 and 2014.



administrations). Despite recent attempts at strengthening regulatory requirements³ to ensure operating surplus of income generating agencies and SOEs is remitted to the Federation and Federal accounts, enforcement by the OAGF proves only moderately effective. The Nigerian Constitution states that “the public accounts of the Federation and of all offices and courts of the Federation shall be audited and reported on to the Auditor-General” In effect though, the OAuGF scrutiny on revenue accruing to the Federation account is undermined by its limited jurisdiction on “government statutory corporations, commissions, authorities, agencies, including all persons and bodies established by an Act of the National Assembly”. This includes the main income generating agencies. Oil revenues are also audited by the Secretariat of the Nigerian Extractive Industry Transparency Initiative (NEITI), which reports massive amounts of unremitted oil revenues. Unfortunately, NEITI audit reports while thorough are delayed and are not reconciled with the audit of the OAuGF of the Federation account. Lack of adequate oversight on the Federation account fuels distrust by the lower tiers of government regarding the fiscal federalism arrangements.

- **Unreliable revenue forecasting undermines budget credibility and the expansionary fiscal strategy of the Nigerian government.** Revenue forecasting by the Budget Office has proven to be increasingly inadequate both with regard to tax and independent revenues⁴. In 2016, the tax revenue outturn was as low as 50 percent, and the ratio of actual to appropriated independent revenue was as low as 16 percent. In 2017, the oil revenue outturn also steeply decreased and contributed to the rapid deterioration of budget performance. Low revenue outturn has two significant impacts. First, it has contributed to the deterioration of the execution rate of capital expenditures (57 percent in 2017). Second, it has inflated debt service as a percentage of revenues (to close to 70 percent in 2017). The capacity to account for and forecast oil revenues is weak and scattered across several government agencies, without a proper mechanism for data sharing and reconciliation.
- **The main budget management tool, the Government Integrated Financial Management Information System (GIFMIS), has been mainstreamed across most federal entities, however it has only been operationalized for accounting, budget preparation and payments.** Established in 2012 with substantial support from the Economic Reform and Governance Project from 2005 to 2014, the GIFMIS ensures the payment of 93 percent of expenditures. For the first time in 2017, it was also used for budget preparation. However, despite a significant sunken investment, most of its core and non-core functionalities remain idle or are only used by a few MDAs. Although available, commitment controls are not mainstreamed; cash, debt, and procurement management are not operationalized; and assets and liabilities are not captured in the system. The Budget Office is exploring with the OAGF how to make use of GIFMIS for the monitoring of budget execution. According to a system audit conducted by the OAuGF, weaknesses in IT security make the system vulnerable to tampering.
- **Payroll and personnel management are still hampered by the delayed implementation of the integrated payroll and personnel information system.** The rollout of an Integrated Personnel and

³ In 2017, a circular from the Ministry of Finance framed the calculation of operating surplus and extended the jurisdiction of the OAGF and Fiscal Responsibility Commission to a hundred income generating agencies.

⁴ In the Federal budget, independent revenue are remittances from income generating agencies accruing directly to the consolidated account of the Federal government (i.e. not routed through the Federation account).



Payroll System (IPPIS) was initiated in 2007 with support from the ERGP. So far though only some 380,000 federal employees (out of an estimated total of 1.2 million) across 464 MDAs (out of over 800) have been captured under the payroll module. None have yet been enrolled under the Human Resource Management module.

- **The Treasury Single Account (TSA) coverage, compliance and design needs to be further strengthened to ensure adequate cash management.** Rolled out in 2012, the TSA held at the Central Bank of Nigeria has only covered most Federal MDAs in the past two years. It was done to increase cash availability by consolidating funds kept by the MDAs in multiple commercial bank accounts. By design, it is one of the most comprehensive institutional arrangements in the Africa Region, covering major federal receipts for oil and minerals, taxes, customs, donor funds, internally generated revenues (IGRs), and levies. Spending against budgetary transfers are, primarily, routed through the TSA. However, the effectiveness of the TSA in improving cash management is hampered in two ways. First, several MDAs, representing 45 percent of the Federal budget, have been allowed to transfer fiscal resources from their CBN account to commercial bank accounts undermining cash management by the government. Second, on the revenue side, the TSA does not ensure the automatic remittance of internally generated revenue (IGR) of MDAs into the Federation account.
- **The PFM legal and institutional frameworks are inconsistent because of the transfer of the Budget Office to the Ministry of Budget and National Planning, which results in overlapping responsibilities between central financial agencies.** The legal and regulatory framework vests the Federal Ministry of Finance (FMoF) with the responsibility of fiscal management whereas the newly established institutional framework vests budget management with the Ministry of Budget and National Planning.

The Nigerian government is strongly committed to fiscal transparency and accountability under the Open Government agenda;⁵ it has started implementing specific commitments under the Open Government National Action Plan for 2017-2019 which needs to be further operationalized. On fiscal transparency, the National Action Plan for 2017-19 specifically commits to:

- More effective citizens' participation across the entire budget cycle.
- Full implementation of Open Contracting and adoption of Open Contracting Data Standards in the public sector.
- Cooperation between all stakeholders to enhance transparency in the extractive sector through a concrete set of disclosures related to payments by companies and receipts by governments on all transactions across the sector's value chain.
- Adoption of common reporting standards and the Addis Tax Initiative aimed at improving the fairness, transparency, efficiency and effectiveness of the tax system.
- On anti-corruption, the FGN is committed to the public disclosure of beneficial ownership and to "ensure transparency in the management of recovered [stolen public or forfeited] assets". O

⁵ The Open Government agenda is coordinated by the Federal Ministry of Justice. However, it is implemented by a range of federal agencies tasked with the implementation of specific commitments in their respective area of responsibility. A National OGP Steering Committee (NSC), co-chaired by a representative of the civil society, has been established.



citizens' engagement, it is committed to "adopt a technology-based citizens' feedback on projects and programs". In addition, the Nigerian government is committed to open data, namely "to ensure that [fiscal and statistical] data is consistent and information is regularly presented in an easy to use format - easy to find and interpret". The National Action Plan commits to the timely public disclosure of audit reports and budget execution quarterly reports. In 2017, the OAuGF disclosed its audit reports (from 2012 to 2015) for the first time.; However, the proactive disclosure of quarterly budget execution reports is still delayed and reporting on budget execution is not comprehensive.

Significant progress has been made in public procurement reforms following the enactment of the Public Procurement Act of 2007 and the establishment of the regulatory agency, the Bureau of Public Procurement (BPP). Procurement regulations, manuals and standard bidding documents have been developed and deployed. Annual procurement plans of MDAs are published regularly, albeit late. Competitive process is required for procurement above established thresholds. In addition, records of contract awards by MDAs are published regularly on BPP's website. A professional cadre has been developed, and procurement training centers have been established at three universities.⁶ A curriculum has been developed for undergraduate studies. However, the procurement institutional framework remains incomplete: the National Council on Procurement, which is supposed to decide on procurement policy issues (while BPP ensures policy implementation), is yet to be established. Following the adoption by the Nigerian government of open contracting standards and electronic government procurement (e-GP), and based on stakeholders' consultation and an e-GP readiness assessment was carried out with support from the Bank, the BPP is preparing an implementation plan with the African Development Bank's (AfDB) and Bank's TA. The BPP is preparing Open Contracting Data Standards for adoption across government agencies. The disclosure of beneficial ownership is already required from bidders as part of the public procurement process.

Civil Society Organizations (CSOs) are exercising a fair level of scrutiny on fiscal governance and institutions, including by rating their effectiveness and compliance with legal requirements. They have started to partner with FGN organizations for this purpose. For example, in 2015 the Fiscal Responsibility Commission and the Center for Social Justice jointly released a Fiscal Responsibility Index which benchmarks MDAs based on 55 performance criteria in five main categories: policy-based budgeting; budget comprehensiveness and transparency; budget credibility; budget implementation, monitoring and evaluation; and accounting, reporting and auditing. CSOs also provide simplified and pointed information to the public on budget matters (for example, BudgIT supports the drafting of a federal Citizens' Budget). They also often resort to litigation (sometimes, successful) to remind the government of its legal obligations (for example, on information disclosure under the Freedom of Information Act). CSOs also actively support the implementation of the government agenda on OGP including by providing technical assistance to public entities on disclosure of information, for instance through the Private Public Development Centre on open contracting.

Statistical information is being strengthened but remains incomplete and not systematically used to inform policy making. The country's National Statistical System is complex, with multiple actors involved in the production of demographic, social and economic statistics. Data consistency is a major issue, including when it comes to fiscal data. At the federal level, the National Bureau of Statistics (NBS) is the apex organization since 2007, is responsible for producing major economic and social statistics, and coordination of the whole statistical

⁶ University of Lagos, Ahmadu Bello University, and the Federal University of Science and Technology, Owerri.



system (including through official data validation). Several line ministries are responsible for the compilation and dissemination of statistics in their areas of business, in addition to State-level entities. The statistical system needs a strong coordination mechanism to be effective. In this context, the NBS is mandated and has the capacity to play this role. Over the years, it has developed technical capacity in the collection of social and economic statistics. However, lack of consistent financing for data collection has undermined the ability of NBS to respond to the country's growing demand for timely and quality statistics. As a result, important statistical products do not have a clear release calendar and surveys are conducted irregularly, depending on the availability of donor funding. For example, Nigeria hasn't had an agricultural census or a business census for decades, even though the government is trying to improve the agriculture and private sectors through increased investments, but lacks evidence to inform its decisions.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

The project development objective (PDO) is to improve the credibility of public finance and national statistics.

Key Results

Key targeted results include:

Result Area 1 on improved oversight of revenue of the Federation:

PDO-Level Indicator: Gap between revenues due and revenues remitted to the Federation account reduced.

Result Area 2 on improved federal expenditure effectiveness:

PDO-Level indicator: Increased capital expenditure execution rate.

Result Area 3 on improved quality of fiscal and economic statistics:

PDO-Level Indicator: Reconciliation of fiscal data with generated and validated economic statistics.

D. Project Description

The project consists of the following four components:

Component 1: Strengthened Domestic Revenue Oversight aims at 1) enhancing oversight of revenue accruing to the Federation account; and 2) strengthening revenue analysis and forecasting, to help retrieve unremitted revenue and improve revenue outturn.

Sub-component 1.1. supports the strengthening of the oversight of Federation revenue⁷ through external and internal auditing. It finances the following activities: revenue assurance audits of the main income generating agencies (including the national oil company), IT audits of revenue collection IT platforms (including ITAS for the tax administration and ASYCUDA for the customs administration, forensic

⁷ The Federation account is the main source of revenue for the three tiers of government in Nigeria. According to the Nigerian Constitution, "all revenues collected by the Government of the Federation" are to be remitted into "the Federation Account" and be "distributed among the Federal and State Governments and the Local Government Councils in each State on such terms and in such manner as may be prescribed by the National Assembly" (the allocation formula).



audits and the reconciliation of audits reports (including between NEITI and OAuGF audit findings on oil revenue). This will ensure the coverage of most oil and non-oil revenue accruing to the Federation Account through external and internal audits and the cross-fertilization of both types of controls.

Sub-component 1.2 on strengthening revenue analysis and forecasting strengthens the capacity of the FMOF and of the Federal Ministry of Budget and National Planning in revenue forecasting (including through oil and non oil revenue modelling) and analysis to promote higher revenue outturn and mobilization and inform fiscal policy making. It will specifically benefit the Tax Policy Division of the FMOF and the Budget Office of the Federation. Since both have overlapping mandates and responsibility in the current dispensation, the project will finance shared forecasting tools and joint deliverables, so as to promote interagency coordination and consistency of fiscal information. It will also support existing coordinating bodies such as the Tax Policy Implementation Committee established in 2017 under the chairmanship of the Director for Technical Services of the FMOF.

Component 2 aims at strengthening controls, transparency and accountability in use of public funds by 1) operationalizing GIFMIS for payment controls, cash management and budget execution M&E, 2) strengthening public investment management and 3) enhancing fiscal transparency including on procurement. It consists of three components:

Sub-component 2.1. on the operationalizing of Financial Management Information System for budget management and reporting. This sub-component will finance the following activities: 1) the operationalization of the Government Integrated Financial Management Information System (GIFMIS), developed under the Economic Reforms and Governance Project, across a range of critical functionalities for fiscal management which are not yet in use, namely commitment and payroll controls, cash management, as well as Monitoring & Evaluation of budget execution; 2) the IT auditing by the OAuGF of GIFMIS and IPPIS (the Integrated Payroll and Personnel Information System) to ensure data integrity and security; and 3) the strengthening of reporting on budget execution (in quarterly and annual execution reports by the Budget Office) and evaluation of expenditure effectiveness through public expenditure reviews in critical sectors such as health and education and for the main budget outputs such as infrastructure.

Sub-component 2.2. on Strengthening public investment management supports 1) the appraisal, selection and prioritization of budgeted capital projects through the adoption of a guideline to be appended to the budget circular and its enforcement in the main spending line ministries on capital expenditure and the rationalization of under-performing capital projects.

Sub-component 2.3: Improving budget transparency including on procurement finances two streams of activities: 1) the enhancement of the quality and comprehensiveness of information laid out in disclosed budget documents, including the appropriation bill; 2) the mainstreaming of e-procurement, open contracting and the disclosure of beneficial ownership.

Component 3 on Strengthened Fiscal and Economic Statistics aims at generating and validating economic statistics and reconciling them with fiscal data. It consists of two sub-components:

Sub-component 3.1. on the improvement of Economic Statistics, finances an agricultural sample census and a business sample census.

Sub-component 3.2. On validation, archiving and dissemination of Official statistics will support the validation of statistics generated by MDAs, including fiscal data, the computation of National Accounts, and data dissemination and archiving. It supports NBS in the harmonization of statistics in two critical



areas: a) oil and gas revenue; and b) merchandise trade statistics and triangulation of those statistics with fiscal data on revenue (such as oil revenue and customs duties) and expenditure (e.g. on fuel subsidy).

Component 4: Implementation Support will finance the activities and functioning of the Project Coordination Unit (PCU) anchored at the FMOF and of the Project Implementation Units (PIU) in each of the five project implementation agencies (the PCU playing the role of PIU in the FMOF). It will finance the secondment of PCU staff to the secretariat of the Economic Management Team which will play the role of project steering committee to ensure that it is adequately informed of its progress or implementation challenges. And it will also finance capacity building activities led the PCU to enable existing fiscal and data management coordinating bodies whose role is critical to the achievement of the project development objective (National Tax Policy Implementation Committee; Cash Planning and Management Committee; Federation Account Allocation Committee; and Inter-Ministerial Committee on Data Harmonization). The component will enable the PCU to provide them with training, consultancy, IT systems and to second staff to strengthen their secretariat.

The Technical Assistance component is closely aligned with the DLI component to enable the Nigerian government to meet its targeted results. Capacity enhancement will be provided to all the participating Federal agencies based on their assessed needs during project preparation and appraisal, and as may be deemed necessary during project implementation. The Technical Assistance Component is calibrated to minimize upfront investments (including in IT platforms or upgrades) to the minimum necessary for the achievement of targeted results. DLIs are also priced to cover part of those investments.

E. Implementation

Institutional and Implementation Arrangements

The project will be implemented over a four-year period by five federal implementing agencies. These nodal agencies were selected based on their statutory mandate and a readiness assessment to cover key elements of the PFM cycle – revenue mobilization, budget planning, control in budget execution including on payroll, transparency and accountability, procurement, audit and M&E, as well as the generation, validation and utilization of official statistics. The implementing agencies include: the Federal Ministry of Finance, including the Office of the Accountant General and the Technical Services Department; the Federal Ministry of Budget and National Planning (FMBNP), including the Budget Office, and the M&E and Macro-Economy Departments; the Office of the Auditor General of the Federation; the Bureau of Public Procurement; and the National Bureau of Statistics.

The fragmentation of the fiscal governance framework is mitigated by the selection of one single nodal agency for each project sub-component. Conflicts of jurisdiction will be addressed by promoting interagency coordination and joint implementation when necessary (as in the case of revenue analysis, the operationalization of GIFMIS functionalities, and M&E), as well as by elevating project supervision to collegial political leadership (with the Economic Management Team acting as the project steering committee).

- **The FMOF will be responsible for project monitoring and coordination.** A PCU will be established under the Office of the Minister of Finance with the Head of PCU directly accountable to the Minister and FMOF Permanent Secretary. The PCU will also be the Project Implementation Unit of the FMOF, responsible for the implementation of the activities conducted by its departments and agencies. The PCU will also support existing coordinating bodies to help improve overall



coordination of fiscal management. Those coordinating bodies include: 1) the **Federation Account Allocation Committee (FAAC)** is an intergovernmental body, which supervises the allocation of resources drawn from the Federation account across the three tiers of government; 2) the **Cash Planning and Management Committee** to be established under a new inter-ministerial cash management policy to coordinate cash planning and management under the aegis of the Federal Minister of Finance; 3) the **National Tax Policy Implementation Committee**, established in 2017 to promote the implementation of the National Tax Policy, as an advisory body on tax reforms; 4) the **Inter-ministerial Committee on Harmonization of Data Collection and Evaluation** was inaugurated in 2018 to validate official statistics, avoids their duplication and ensures their consistency, under the chairmanship of the Statistician General; 5) the **Presidential Enabling Business Environment Council (PEBEC)**, established in 2016 under the chairmanship of the Vice-President, to coordinate initiatives to lower the cost of doing business, including the cost of tax compliance for taxpayers.

- The **Economic Management Team** is chaired by the Vice-President and comprises of most of the project stakeholders, including the Minister of Finance, Minister of Budget and National Planning, Director General of the Budget Office, Director General of the National Bureau of Statistics⁸. It meets on a weekly basis to discuss economic matters, including fiscal governance, and is coordinated by the Economic Adviser to the President and supported by a Secretariat. The PCU will strengthen the capacity of the secretariat to inform the EMT deliberations on fiscal governance and apprise it of project achievements and challenges.

One single Project Implementation Unit (PIU) will be established in each of the remaining beneficiary agencies. The PIUs will be responsible for day-to-day sub-component management including financial management, procurement and disbursements. They will report to the head of the agency, but will also be accountable to the PCU for coordination purposes (including by reporting on activities and results).

Joint implementation of activities will be led by project implementing agencies in coordination with other relevant agencies. The aim will be to foster interagency cooperation and mitigate conflicts of jurisdiction and mandate overlaps. For example, spending reviews will be jointly conducted by the Budget Office and the Departments for M&E and Macroeconomy of the Federal Ministry of Budget and National Planning. Fiscal policy analysis will be conducted jointly by the Directorate Technical Services of FMOF and the Budget Office.

To strengthen coordination at the political leadership level, the Economic Management Team (EMT) will play the role of Steering Committee under the chairmanship of the Vice President. The PCU will convene a working group consisting of implementing agencies' representatives to support implementation coordination. Further, the Secretariat of the EMT will convene implementing agencies and other stakeholders involved in joint implementation to help address any unsolved coordination challenges, as necessary.

F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

Abuja, Federal Capital Territory (FCT).

⁸ Other attendees are: Minister of Industry, Trade and Investment; Minister of Agriculture; Minister of Information and Culture; Governor of the Central Bank of Nigeria; Director-General of the Debt Management Office



G. Environmental and Social Safeguards Specialists on the Team

Amos Abu, Environmental Safeguards Specialist
Michael Gboyega Ilesanmi, Social Safeguards Specialist
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SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	No	
Performance Standards for Private Sector Activities OP/BP 4.03	No	
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/BP 4.11	No	
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	No	
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

Not applicable, given the nature of reforms to be supported and expenditures to be financed.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

Not applicable, given the nature of reforms to be supported and expenditures to be financed.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.



Not applicable, given the nature of reforms to be supported and expenditures to be financed.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

Not applicable, given the nature of reforms to be supported and expenditures to be financed.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

Not applicable, given the nature of reforms to be supported and expenditures to be financed.

B. Disclosure Requirements

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank for disclosure?

NA

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?

NA

All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

NA

Have costs related to safeguard policy measures been included in the project cost?

NA

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

NA

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

NA



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Safeguards Advisor:		
Practice Manager/Manager:	Hisham Waly	20-Apr-2018
Country Director:	Rachid Benmessaoud	04-May-2018
